

# Financial Information

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# Statement of Accounting Policies For the Year Ended 30 June 2009

## Reporting Entity

The Southland District Council (referred to as “SDC” or “Council”) is a territorial local authority governed by the Local Government Act 2002. The primary objective of the Council is to provide goods or services for the community or social benefit rather than making a financial profit. Accordingly, Southland District Council has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements represent the results of the Council’s 26 significant activities (detailed on pages 31 to 107) including the Stewart Island Electrical Supply Authority (SIESA) and Venture Southland. SIESA is a business unit of the Council, which generates and reticulates electricity to the majority of Stewart Island residents and industry. Venture Southland is a joint venture with Invercargill City Council and Gore District Council, for the development and promotion of Southland in terms of enterprise, tourism and the people of the province.

The financial statements of the Southland District Council are for the year ended 30 June 2009. The financial statements were authorised for issue by Council on 28 October 2009.

## Basis of Preparation

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They also comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

## Measurement Base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of heritage assets, certain infrastructural assets, and biological assets.

The financial statements are presented in New Zealand dollars (the functional currency of the Southland District Council) and all values are rounded to the nearest dollar.

## Standards and Interpretations issued and not yet adopted

The following new standards, interpretations and amendments are not yet effective for the year ended 30 June 2009, and have not been applied in preparing these consolidated financial statements:

	Effective for annual reporting periods commencing on or after
NZ IAS 1: Statement of Comprehensive Income	1 January 2010
NZ IFRS 8 Operating Segments	1 January 2009
NZ IAS 23 Borrowing Costs	1 January 2009

## Basis of Consolidation

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

## Associates

Southland District Council accounts for investments in associates in the consolidated financial statements using the equity method. An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount is increased or decreased to recognise Council's share of the surplus or deficit of the associate after the date of acquisition. SDC's share of the surplus or deficit of the associate is recognised in SDC's statement of financial performance. Distributions received from an associate reduce the carrying amount of the investment.

If SDC's share of deficits of an associate equals or exceeds its interest in the associate, SDC discontinues recognising its share of further deficits. After SDC's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that SDC has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, SDC will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

SDC's share in the associate's surplus or deficits resulting from unrealised gains on transactions between the SDC and its associates is eliminated.

SDC's investments in associates are carried at cost in the "parent entity" financial statements. Through its joint venture, Venture Southland, Southland District Council has one associate, Crops for Southland, which has a balance date of 30 June. The audited financial statements of Crops for Southland have been used in preparing Council's consolidated financial statements.

## Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. For jointly controlled operations the Southland District Council recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of income that it earns from the joint venture.

Council has a 42% interest in Venture Southland joint venture. The audited financial statements of Venture Southland as of 30 June have been accounted for in the Council's financial statements using the proportionate method of consolidation.

### (a) Revenue

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Interest is recognised using the effective interest method.

Subsidies from Land Transport New Zealand and grants from other government agencies are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Other grants and bequests, and assets vested in the Council - with or without conditions - are recognised as revenue when control over the assets is obtained.

Development and Financial Contributions are recognised at the later of the point when the Council is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation.

Dividends are recognised when the right to receive payment has been established.

(b) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(c) Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of SDC's decision.

(d) Leases

- *Finance Leases*

Finance leases effectively transfer to the lessee substantially all the risks and benefits incident to the ownership of the leased item, whether or not title is eventually transferred. At the commencement of the lease term, the Council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether SDC will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

- *Operating Leases*

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

(e) Income Taxes

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date. Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

(f) Equity

Equity is the community's interest in the Council as measured by total assets less total liabilities. Equity is disaggregated and classified into a number of reserves to enable clearer identification of the specified uses that the Council makes of its accumulated surpluses. The components of equity are:

- Retained Earnings
- Council created reserves (general reserve, separate account balances and rates appropriation balance)
- Special reserves (managed by allocation committees)
- Asset revaluation reserves

Reserves represent a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Council created reserves may be altered without reference to any third party or the courts. Transfers to and from these reserves are at the discretion of the Council.

Special reserves are subject to specific conditions accepted as binding by the Council, which may not be revised by the Council without reference to the courts or third party. Transfers from these reserves may be made only for specified purposes or when certain conditions are met.

(g) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(h) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Loans, including loans to community organisations made by SDC at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the statement of financial performance as a grant.

A provision for impairment of receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

(i) Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost and current replacement cost.

The write down from cost to current replacement cost is recognised in the statement of financial performance.

(j) Financial assets

SDC classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets at fair value through equity. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the statement of financial performance. Purchases and sales of investments are recognised on trade-date, the date on which SDC commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. SDC uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

- Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the statement of financial performance.

- Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance. Loans and receivables are classified as “trade and other receivables” in the statement of financial position.

- Held to maturity investments

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that SDC has the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

- Financial assets at fair value through equity

Financial assets at fair value through equity are those that are designated as fair value through equity or are not classified in any of the other categories above.

This category encompasses:

- Investments that SDC intends to hold long-term but which may be realised before maturity; and
- Shareholdings that SDC holds for strategic purposes. SDC's investments in its associate companies are not included in this category as they are held at cost (as allowed by NZ IAS 27 Consolidated and Separate Financial Statements and NZ IAS 28 Investments in Associates) whereas this category is to be measured at fair value.

After initial recognition these investments are measured at their fair value, unless fair value cannot be reliably measured, in which case, the investments are measured at historical cost.

Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the statement of financial performance. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the statement of financial performance even though the asset has not been derecognised.

On derecognition the cumulative gain or loss previously recognised in equity is recognised in the statement of financial performance.

Council's investments in this category include: Civic Assurance (formerly the New Zealand Local Government Insurance Corporation Limited) and Milford Sound Development Authority.

(k) Impairment of Financial Assets

At each balance sheet date SDC assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the statement of financial performance.

(l) Non-current Assets Held For Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less disposal costs.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the statement of financial performance.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(m) Goods and Services Tax (GST)

The financial statements have been prepared exclusive of GST with the exception of receivables and payables, which are stated inclusive of GST. When GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

(n) Property, Plant and Equipment

Property, plant and equipment consist of:

▪ *Infrastructure Assets*

Infrastructure assets are those systems taken as a whole that are intended to be maintained indefinitely. These assets include the Council's roading and bridge networks and the fixed utility systems owned by the Council. Each asset type includes all items that are required for the network to function. For example, sewerage reticulation includes reticulation piping and sewer pump stations.

- *Operational Assets*

These include land, buildings, improvements, library books, plant and equipment, and motor vehicles.

- *Restricted Assets*

Restricted assets are parks and reserves owned by the Council, which cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

#### Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to SDC and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

#### Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the statement of financial performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

#### Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to SDC and the cost of the item can be measured reliably.

#### Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment except land and heritage assets, at rates which will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

<b>Asset Category</b>	<b>Estimated Economic Life (years)</b>	<b>Depreciation Percent</b>	<b>Method</b>
<b>Operational Assets</b>			
Improvements	10	10.00%	SL
Buildings	40	2.50%	SL
Light Vehicles	5	20.00%	SL
Other Plant	11	9.09%	SL
Furniture and Fittings	7-8	13.50%	SL
Office Equipment	3-8	10.00% - 33.33%	SL
Computer Equipment	2-10	10.00% - 50.00%	SL
SCADA Equipment	7-8	13.50%	SL
Other Equipment	7-8	13.50%	SL
Library Books	10	10.00%	SL
<b>Infrastructural Assets</b>			
Electrical Generation Plant	10-100	1.00% - 10.00%	SL or DV
Sealed Roads	Various	2.07% - 6.94%	SL
Unsealed Roads	Various	4.05% - 20.41%	SL
Bridges	50-100	1.00% - 2.00%	SL
Footpaths	14-20	5.00% - 7.14%	SL
Street Lighting	15-20	5.00% - 6.67%	SL
Sewerage Schemes	Various	2.06% - 7.02%	SL
Stormwater Schemes	7-50	2.00% - 14.29%	SL
Water Supply Schemes	Various	1.82% - 13.09%	SL
Marine Assets	26-50	2.00% - 3.85%	SL
Transfer Stations	4	25.00%	SL
Landfill Sites	3	33.33%	SL

SIESA assets have the following useful lives and associated depreciation rates of major classes of assets for accounting purposes.

Asset Category	Estimated Economic Life	Depreciation		Method
	(years)	Percent		
Plant	2-25	5.00% - 60.00%	SL or DV	
Vehicles	8-15.5	12.00% - 26.00%	DV	
Buildings	40-100	1.00% - 2.25%	SL or DV	

The residual value and useful life of an asset is reviewed, and adjusted, if applicable, at each financial year-end.

#### Revaluations

Roads, water reticulation, sewerage reticulation and stormwater systems are revalued on an annual basis. Heritage assets are valued on a three yearly valuation cycle. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed each balance date to ensure that those values are not materially different to fair value. The valuation basis for the different asset categories are described in more detail below.

- *Land and Buildings*

The deemed cost of land and buildings was established by registered valuers from Quotable Value in accordance with the requirements of the Institute of Chartered Accountants of New Zealand Standards, as at 30 June 1993. Purchases made since 30 June 1993 are recorded at cost.

Endowment lands are vested in Council for specific purposes for the benefit of various communities. These vestings have been made under various pieces of legislation which restrict both the use of any revenue and any possible dispositions.

- *Infrastructural Assets*

Appropriately qualified personnel from MWH New Zealand Limited have completed a revaluation of District roading, footpaths and bridge asset networks as at 30 June 2009. This revaluation established a depreciated replacement cost to component level for those infrastructural assets as at 30 June 2009.

In-house staff with specialist knowledge in the area have completed a revaluation as at 30 June 2009 of the water supply, sewerage scheme and stormwater assets. This revaluation established a depreciated replacement cost to component level for those infrastructural assets as at 30 June 2009. Mr R Hayes who is appropriately qualified has reviewed the component rates and expected life estimates used in this valuation.

Revaluations of roading, water, sewerage and stormwater assets are carried out annually.

All other infrastructural assets (electrical generation plant, street lighting and marine assets) are valued at their deemed cost, based on a revaluation of assets undertaken by appropriately qualified personnel from Royds Garden Limited in 1993.

- *Plant and Vehicles (including Electrical Generation Plant)*

Items are shown at historical cost less provision for depreciation.

- *Library Books*

Books have been valued by Southland District Council staff on a depreciated replacement cost basis, using New Zealand Library Association guidelines, as at 30 June 1993 representing deemed cost. Additions to library book stocks since 30 June 1993 are recorded at cost.

- *Heritage Assets*

The only assets to be included under this category are art works owned by the Council, which have been valued by an independent valuer, Mr R Thomson of International Art Centre, Auckland, as at 30 June 2005 and recorded at fair value in accordance with NZ IAS 16.

Other assets, which would normally be classified under heritage assets, for example war memorials, have been included under 'Other Assets'.

Because of the nature of the item art works are revalued on a three to five yearly cycle and not depreciated.

- *Other Assets*

Other assets are shown at historic cost or depreciated replacement cost, less a provision for depreciation. Additions and deletions to other assets since 30 June 1993 are recorded at cost.

Accounting for revaluations

SDC accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of financial performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the statement of financial performance will be recognised first in the statement of financial performance up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

(o) Work in Progress

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

(p) Intangible Assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by the Council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Asset Category	Estimated Economic Life	Depreciation	
	(years)	Percent	Method
Computer software	2.5 - 10 years	10.00% - 40.00%	SL

(q) Forestry Assets

Forestry assets are revalued annually at fair value less estimated point of sale costs as of 30 June by in-house staff with specialist knowledge in the area. This is peer reviewed by an independent valuer using standard forest valuation methodology. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the statement of financial performance.

The costs to maintain the forestry assets are included in the statement of financial performance.

(r) Investment Property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. Properties leased to third parties to meet service delivery objectives are classified as property, plant and equipment.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, Southland District Council measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the statement of financial performance.

(s) Impairment of Non-Financial Assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows

and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the statement of financial performance.

For assets not carried at a revalued amount, the total impairment loss is recognised in the statement of financial performance.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in statement of financial performance, a reversal of the impairment loss is also recognised in the statement of financial performance.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the statement of financial performance.

(t) Employee Benefits

Short-term benefits

Employee benefits that the Southland District Council expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months.

## Long-term benefits

### Long service leave and retirement leave

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave, have been calculated by in-house staff. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- the present value of the estimated future cash flows. A discount rate of 7% and an inflation factor of 3% were used.

### Superannuation schemes

Defined contribution schemes - Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of financial performance as incurred.

#### (u) Provisions

SDC recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The change in the provision due to the passage of time is recognised in the statement of financial performance.

## Financial Guarantee Contracts

A financial guarantee contract is a contract that requires Southland District Council to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability the Council will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation, however if SDC assesses that it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

### Landfill Post-Closure Costs

The Council, as operator, has a legal obligation under its resource consent to provide ongoing maintenance and monitoring services at their landfill sites after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post closure.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the Council.

(v) Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Repayments

Most borrowings are repaid on a table basis (i.e. each repayment instalment consists of a mixture of both principal and interest). The one exception are the roading business unit loans, which are interest payments only.

(w) Budget Figures

The budget figures are those approved by the Council at the beginning of the year after a period of consultation with the public as part of the Annual Plan process. The budget figures have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and are consistent with the accounting policies adopted by the Council for the preparation of financial statements.

(x) Cost Allocation

SDC has derived the cost of service for each significant activity of Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs have been allocated to all significant activities in two ways. Where appropriate, indirect costs are directly apportioned to activities. The remaining indirect costs are allocated either on a gross cost or activity/usage basis.

(y) Critical Accounting Estimates and Assumptions

In preparing these financial statements Southland District Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost (DRC) valuations over infrastructural assets. These include:

- the physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition assessments of underground assets;
- estimating any obsolescence or surplus capacity of an asset; and
- estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then SDC could be over or under estimating the annual depreciation charge recognised as an expense in the statement of financial performance.

To minimise this risk SDC's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the SDC's asset management planning activities, which gives the Council further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

(z) Critical Judgements in Applying SDC's Accounting Policies

Management has exercised the following critical judgements in applying the Council's accounting policies for the period ended 30 June 2009:

Classification of property

Southland District Council owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of rental income from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the Council's social housing policy. These properties are accounted for as property, plant and equipment.

(aa) Statement of Cash Flows

*Operating activities* include cash and cash equivalents (as defined in (g) above) received from all the Council's income sources and record the cash payments made for the supply of goods and services.

*Investing activities* are those activities relating to the acquisition and disposal of non-current assets.

*Financing activities* comprise the change in equity and debt capital structure of the Council.

(ab) Cost of Services Statements

The cost of services statements, as provided in each of the statements of service performance, report the net cost of services for each of the Council's significant activities, and are represented by the costs of providing the service less all revenue that can be allocated to these activities.

**Changes in Accounting Policies**

There have been no changes to the accounting policies since the date of the last audited financial statements.

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# Financial Statements

## Statement of Financial Performance (for the year ended 30 June 2009)

Actual 2007/2008		Note	Actual 2008/2009	Budget 2008/2009
	<b>Income</b>			
27,046,407	Rates Revenue	1	29,184,488	29,073,439
8,278,856	Other Revenue	2	6,710,542	6,656,646
1,176,364	Interest and Dividends		748,059	1,504,173
13,535,059	NZ Transport Agency		14,745,659	13,886,728
707,557	Grants and Subsidies		693,445	384,457
(146,295)	Other Gains/(Losses)	3	(286,298)	2,573,796
2,950,005	Vested Assets		3,254,228	1,514,966
1,286,058	Development and Financial Contributions		588,129	857,603
2,869,243	MOH Subsidy for Sewerage/Water Schemes		3,376,660	7,984,814
108,452	Scheme Capital Recovery for Sewerage/Water Schemes		1,072,032	3,863,676
<b>57,811,706</b>			<b>60,086,944</b>	<b>68,300,298</b>
	<b>Expenditure</b>			
9,240,222	Employee Benefit Expenses		9,902,848	8,563,499
17,434,112	Depreciation and Amortisation		18,333,407	16,414,524
48,190	Finance Costs		388,987	170,371
26,130,897	Other Council Expenditure	4	26,818,920	28,798,776
<b>52,853,421</b>			<b>55,444,162</b>	<b>53,947,170</b>
<b>4,958,285</b>	<b>OPERATING SURPLUS/(DEFICIT)</b>		<b>4,642,782</b>	<b>14,353,128</b>
(1,347)	Share of Associate Surplus/(Deficit)		7,182	-
<b>4,956,938</b>	<b>SURPLUS/(DEFICIT) BEFORE TAX</b>		<b>4,649,964</b>	<b>14,353,128</b>
-	Income Tax Benefit	6	-	-
<b>4,956,938</b>	<b>SURPLUS/(DEFICIT) AFTER TAX</b>	7	<b>4,649,964</b>	<b>14,353,128</b>

The accompanying notes form part of these financial statements.

**Statement of Changes in Equity (for the year ended 30 June 2009)**

Actual 2007/2008		Note	Actual 2008/2009	Budget 2008/2009
1,126,931,619	<b>Balance at 1 July</b>	<b>8</b>	1,229,440,029	1,162,044,902
4,956,938	Surplus/(Deficit) for the year		4,649,964	14,353,128
97,551,471	Increase in Asset Revaluation Reserves		38,826,506	54,137,993
<u><b>1,229,440,028</b></u>	<b>Balance at 30 June</b>		<u><b>1,272,916,499</b></u>	<u><b>1,230,536,023</b></u>

*The accompanying notes form part of these financial statements.*

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**Statement of Financial Position (as at 30 June 2009)**

Actual 2007/2008		Note	Actual 2008/2009	Budget 2008/2009
<b>Equity</b>				
714,684,139	Retained Earnings	8	720,950,523	731,782,113
496,208,466	Asset Revaluation Reserves	8	535,034,972	483,247,047
18,547,423	Other Reserves	9	16,931,004	15,506,863
<u>1,229,440,028</u>			<u>1,272,916,499</u>	<u>1,230,536,023</u>
<b>Current Assets</b>				
4,895,454	Cash and Cash Equivalents	10	6,383,261	5,656,542
9,914,663	Trade and Other Receivables	11	6,467,645	7,177,140
444,740	Inventories		401,116	409,942
7,418	Work in Progress		7,734	1,746
2,261,614	Other Financial Assets	13	1,902,346	-
17,523,889			15,162,102	13,245,370
<b>Non-Current Assets</b>				
1,212,514,313	Property, Plant and Equipment	14	1,262,417,814	1,221,909,588
612,719	Intangible Assets	15	474,983	761,973
9,857,720	Forestry Assets	16	9,458,190	10,808,110
6,245	Investments in Associates	17	6,178	-
4,081,460	Other Financial Assets	13	1,024,699	2,547,931
1,227,072,457			1,273,381,864	1,236,027,602
<b>1,244,596,346</b>	<b>TOTAL ASSETS</b>		<b>1,288,543,966</b>	<b>1,249,272,972</b>
<b>Current Liabilities</b>				
6,275,761	Trade and Other Payables	18	5,691,205	4,938,552
741,958	Contract Retentions and Deposits		760,800	611,734
1,262,984	Employee Benefit Liabilities	19	1,520,156	970,482
1,533,490	Development & Financial Contributions	20	1,708,739	4,640,034
24,500	Provision for Decommissioning	22	24,500	-
4,396,785	Borrowings	21	5,299,054	401,779
14,235,478			15,004,454	11,562,581
<b>Non-Current Liabilities</b>				
420,026	Employee Benefit Liabilities	19	439,502	371,798
265,525	Provision for Decommissioning	22	93,661	278,802
235,289	Borrowings	21	89,850	6,523,768
920,840			623,013	7,174,368
<b>15,156,318</b>	<b>TOTAL LIABILITIES</b>		<b>15,627,467</b>	<b>18,736,949</b>
<u>1,229,440,028</u>	<b>NET ASSETS</b>		<u>1,272,916,499</u>	<u>1,230,536,023</u>

The accompanying notes form part of these financial statements.

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**Statement of Cashflows (for the year ended 30 June 2009)**

Actual 2007/2008		Note	Actual 2008/2009	Budget 2008/2009
<b>Cash Flows from Operating Activities</b>				
<i>Cash was Provided from:</i>				
26,838,826	Receipts from Rates Revenue		29,229,702	29,073,439
12,445,924	Receipts from NZ Transport Agency Funding		15,736,811	13,886,728
1,421,178	Interest and Dividends		861,410	1,504,174
10,990,705	Receipts from Other Revenue		13,344,539	19,722,885
20,190	Income Tax		-	-
-	GST (Net)		862,403	-
<u>51,716,823</u>			<u>60,034,865</u>	<u>64,187,226</u>
<i>Cash was Disbursed to:</i>				
33,478,048	Payment to Suppliers & Employees		37,153,023	36,256,407
48,190	Interest Paid		388,987	1,202,974
690,270	GST (Net)		-	-
<u>34,216,508</u>			<u>37,542,010</u>	<u>37,459,381</u>
<b>17,500,315</b>	<b>Net Cash Inflow (Outflow) from Operating Activities</b>	<b>24</b>	<b>22,492,854</b>	<b>26,727,845</b>
<b>Cash Flows from Investing Activities</b>				
<i>Cash was Provided from:</i>				
69,332	Sale of Property, Plant and Equipment		233,158	3,124,887
7,055,687	Reduction of Investments		3,416,029	-
<u>7,125,019</u>			<u>3,649,187</u>	<u>3,124,887</u>
<i>Cash was Disbursed to:</i>				
-	Acquisition of Investments		-	-
29,686,548	Purchase of Property, Plant and Equipment		26,098,874	34,670,873
55,940	Purchase of Intangible Assets		41,995	232,000
<u>29,742,488</u>			<u>26,140,869</u>	<u>34,902,873</u>
<b>(22,617,469)</b>	<b>Net Cash Inflow (Outflow) from Investing Activities</b>		<b>(22,491,682)</b>	<b>(31,777,986)</b>
<b>Cash Flows from Financing Activities</b>				
<i>Cash was Provided from:</i>				
1,035,676	Contributions from Developers		763,378	2,461,699
4,000,000	Proceeds from Borrowings		5,000,000	7,956,682
147,475	Proceeds from Finance Lease Liabilities		192,576	-
<u>5,183,151</u>			<u>5,955,954</u>	<u>10,418,381</u>
<i>Cash was Disbursed to:</i>				
-	Repayment of Borrowings		4,000,000	2,956,962
377,430	Repayment of Finance Lease Liabilities		469,319	-
<u>377,430</u>			<u>4,469,319</u>	<u>2,956,962</u>
<b>4,805,721</b>	<b>Net Cash Inflow (Outflow) from Financing Activities</b>		<b>1,486,635</b>	<b>7,461,419</b>
<b>(311,433)</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>1,487,807</b>	<b>2,411,278</b>
5,206,887	Cash and Cash Equivalents at the beginning of the year		4,895,454	3,235,753
<u><b>4,895,454</b></u>	<b>Cash and Cash Equivalents at the end of the year</b>		<u><b>6,383,261</b></u>	<u><b>5,647,031</b></u>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements (for the year ended 30 June 2009)

## 1. Rates Revenue

	2009	2008
<b>General Rates</b>	<b>24,276,061</b>	<b>22,687,618</b>
<b>Targeted Rates attributable to activities</b>		
Water	1,748,134	1,586,468
Sewerage	1,595,173	1,110,054
Refuse	1,333,911	1,249,159
Septic Tank Cleaning	41,718	41,460
Rates penalties	189,491	371,648
<b>Total Revenue from Rates</b>	<b><u>29,184,488</u></b>	<b><u>27,046,407</u></b>

Rates revenue is shown net of rates remissions. Southland District Council's rates remission policy, as set out in the LTCCP, allows the Southland District Council to consider the remission of rates in a number of circumstances. These include land which is voluntarily protected for Natural, Historical or Cultural Conservation purposes, properties that can be, but are not connected to water and sewerage schemes, Sports Associations who have liquor licences and licensed halls owned by General Clubs, Societies or Associations. Remissions will also be considered where extreme financial hardship can be shown or natural calamities. Rates remissions during the year totalled \$318,036 (2008: \$285,740), Rates on non-rateable land is included in these figures.

In accordance with the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. This includes schools, places of worship, public gardens and reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of sewerage, water or refuse.

## 2. Other Revenue

	2009	2008
Regulatory Income	1,465,775	1,495,593
Other Income (including Council's 42% share in Venture Southland)	2,338,666	3,537,637
Provision of Services	701,288	616,867
Rental and Hire Income	611,032	525,845
User Charges	1,191,081	1,210,169
Sales Revenue	354,466	862,599
Fines and Infringements	48,233	30,146
Total Other Revenue	<b>6,710,542</b>	<b>8,278,856</b>

## 3. Other Gains / (Losses)

	2009	2008
Gain/(Loss) on changes in fair value of forestry assets (note 16)	(399,530)	(383,920)
Gain/(Loss) on disposal of property, plant and equipment	113,798	4,758
Gain/(Loss) on disposal of properties intended for sale	(566)	232,867
Total Gains / (Losses)	<b>(286,298)</b>	<b>(146,295)</b>

## 4. Other Council Expenditure

	2009	2008
Audit Fee – Southland District Council Annual Report	108,891	104,996
Audit Fee – Venture Southland Group Annual Report	14,906	13,230
Audit Fee – Venture Southland Group IFRS	-	1,260
Audit Fee – IFRS	-	1,893
Audit Fee – LTCCP Amendment	-	6,412
Audit Fee – LTCCP	85,310	-
Operating Lease Costs	311,321	325,615
Change in Provision for Doubtful Debts	-	13,621
Donations	10,183	37,825
Inventories	41,724	21,344
Impairment of Receivables	(29,013)	-
Other	26,275,598	25,604,701
Total Other Expenses	<b>26,818,920</b>	<b>26,130,897</b>

## 5. Remuneration – Mayor, Councillors and Chief Executive

### Chief Executive

The Chief Executive of the Southland District Council appointed under Section 42 of the Local Government Act 2002 received a salary including bonus of \$244,955 (2008: \$223,453).

In terms of his contract, the Chief Executive also received the following additional benefits:

	Cost during the financial year	
	2009	2008
Vehicle (including FBT)	5,172	4,832
Broadband Connection	613	669
Kiwi saver (Council Contribution)	1,038	-

For the year ended 30 June 2009, the total annual cost including fringe benefit tax to the Southland District Council of the remuneration package being received by the Chief Executive is calculated at \$251,778 (2008: \$228,954).

### Elected Representatives

	2009	2008
<b>Mayor:</b> Frana Cardno (incl FBT)	79,079	84,679
Drummond B	21,565	24,100
Ridley D*	43,991	37,899
Anderson S*	-	10,172
Copland J*	37,177	37,179
Frew J*	-	11,462
McCallum D	-	5,644
Bailey L*	24,564	23,639
Duffy P*	31,412	27,919
Dillon B	22,248	21,547
Harpur G	22,307	23,158
Dobson R*	23,017	20,936
Goomes P	-	6,862
McPherson G*	24,425	15,298
Douglas J*	29,772	18,079
Ford B	18,294	12,559
Jack W	18,294	12,313
<b>Annual Cost</b>	<b>396,146</b>	<b>393,445</b>

No severance payments were made during the year (2008: Nil).

Remuneration for Councillors who are members of the Council's Resource Management Committee\* may be shown as higher than that for other Councillors. This additional remuneration is related to the number of hours that these Councillors spend in hearings and meetings for resource consent applications. These additional costs are recovered from resource consent applicants via a separate Resource Consent Hearing Charge. The per hour fee is set by the Remuneration Authority at \$85 per hour for chairpersons (2008: \$85) and \$68 per hour for members (2008: \$68). Travel reimbursements are included in the above totals where applicable.

## **6. Taxation**

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Stewart Island Electrical Supply Authority (SIESA) is a business unit of Council providing power to Stewart Island. It was not set up for the purposes of making a profit but was a tax payer up until the 2005 income year due to specific legislation taxing energy trading operators. This status changed in 2006 due to legislative changes and SIESA is no longer a taxpayer, this was confirmed by the Inland Revenue Department in August 2009.

## 7. Reconciliation of Cost of Service Statements to Statement of Financial Performance

Actual 2007/2008			Activity	Actual 2008/2009		
Revenue <sup>1</sup>	Expenditure	Surplus/ (Deficit)		Revenue <sup>1</sup>	Expenditure	Surplus/ (Deficit)
700,052	625,079	74,973	Beautification	719,566	676,196	43,370
1,113,632	1,140,158	(26,526)	Building Control	1,257,039	1,310,120	(53,081)
171,254	137,736	33,518	Cemeteries	172,491	143,844	28,647
251,479	241,786	9,693	Civil Defence and Emergency Management	258,192	231,808	26,384
362,832	464,288	(101,456)	Community Centres	415,304	505,215	(89,911)
256,856	272,069	(15,213)	Community Housing	257,991	317,382	(59,391)
3,624,773	3,262,538	362,235	District Support	2,857,371	3,246,473	(389,102)
286,727	247,290	39,437	Dog Control	276,420	289,512	(13,092)
478,679	338,114	140,565	Forestry	(45,040)	486,317	(531,357)
2,895,475	3,276,950	(381,475)	Grants and Donations	2,768,264	2,960,934	(192,670)
362,099	394,575	(32,476)	Health Regulation	374,076	409,617	(35,541)
999,518	1,049,907	(50,389)	Library Service	1,079,920	1,155,186	(75,266)
746,493	520,085	226,408	Other Local Services	495,886	432,288	63,598
447,049	451,648	(4,599)	Parks and Reserve	596,585	484,390	112,195
91,556	129,225	(37,669)	Public Conveniences	99,395	105,920	(6,525)
2,412,255	2,520,084	(107,829)	Representation and Advocacy	2,382,879	2,442,966	(60,087)
961,549	1,079,716	(118,167)	Resource Management	1,160,078	1,221,095	(61,017)
25,543,401	24,682,600	860,801	Roading and Transport	27,390,657	26,459,068	931,589
1,236,945	1,358,261	(121,316)	SIESA	1,199,031	1,186,545	12,486
2,959,586	3,016,904	(57,318)	Solid Waste Management	3,105,921	3,038,547	67,374
986,702	510,071	476,631	Stormwater	735,330	528,776	206,554
967,510	1,020,385	(52,875)	Strategy and Communication	1,095,236	1,127,757	(32,521)
217,500	270,842	(53,342)	Te Anau Airports	194,777	649,828	(455,051)
5,900,098	1,924,279	3,975,819	Wastewater	6,267,404	2,494,023	3,773,381
2,284,963	2,369,962	(84,999)	Water Supply	3,821,691	2,427,825	1,393,866
91,032	87,367	3,665	Work Schemes	51,885	57,651	(5,766)
<u>56,350,015</u>	<u>51,391,919</u>	<u>4,958,096</u>	Total of Activities	<u>58,988,349</u>	<u>54,389,283</u>	<u>4,599,066</u>
2,482,664	2,482,475	189	Plus: 42% Share of Venture Southland	2,155,921	2,112,204	43,716
(1,020,973)	(1,020,973)	-	Less: Venture Intercompany Transactions	(1,057,325)	(1,057,325)	-
<u>57,811,706</u>	<u>52,853,421</u>	<u>4,958,285</u>	Operating Surplus per Statement of Financial Performance	<u>60,086,944</u>	<u>55,444,162</u>	<u>4,642,782</u>

<sup>1</sup> Revenue includes the Forestry Revaluation Gain/(Loss).

## 8. Changes in Equity and Reserves

### Retained earnings

	Balance 2009	Balance 2008
As at 1 July	714,684,139	704,481,830
Transfers to reserves		
Transfers from reserves	1,616,419	5,245,371
Surplus/(deficit) for the year	4,649,964	4,956,938
As at 30 June	<u>720,950,522</u>	<u>714,684,139</u>

### Asset Revaluation Reserves

	Balance 2009	Balance 2008
As at 1 July	496,208,466	398,656,995
Revaluation gains/(losses)	38,826,506	97,551,471
As at 30 June	<u>535,034,972</u>	<u>496,208,466</u>

#### **Asset revaluation reserves consist of:**

##### *Infrastructural Assets*

Sewerage System	12,200,760	7,472,014
Water System	11,547,496	7,068,647
Stormwater System	10,511,099	10,409,857
Roading Network	500,769,317	471,251,648

##### *Other Assets*

Artwork	6,300	6,300
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#### **Total**

<u>535,034,972</u>	<u>496,208,466</u>
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## 9. Other Reserves

	Balance 2009	Balance 2008
<b>As at 1 July</b>	18,547,423	23,792,794
Transfers from Retained Earnings	-	-
Transfers to Retained Earnings	(1,616,419)	(5,245,371)
<b>As at 30 June</b>	<u><u>16,931,004</u></u>	<u><u>18,547,423</u></u>
<b>Reserves consist of :</b>		
<i>General Reserves</i>	20,564,133	20,046,410
<i>Allocation Committees</i>	2,232,550	2,321,522
<i>Venture Southland Reserve Fund</i>	139,240	140,859
<i>Rates Appropriation Reserve</i>	(6,004,919)	(3,961,368)
<b>Total</b>	<u><u>16,931,004</u></u>	<u><u>18,547,423</u></u>

## 10. Cash and Cash Equivalents

	2009	2008
Cash at bank and in hand	5,553,261	538,829
Short term deposits and other investments maturing within three months	830,000	4,356,625
<b>Total cash and cash equivalents</b>	<u><u>6,383,261</u></u>	<u><u>4,895,454</u></u>

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

Refer to note 13 for weighted average effective interest rate for cash and cash equivalents.

A letter of credit has been issued to the ASB Limited by Council's bankers, Bank of New Zealand authorising direct debits for payroll payments. The letter of credit is limited to \$300,000 for any one payment and is indemnified by the Council.

Cash and bank overdrafts include the following for the purposes of the cash flow statement.

## 11. Trade and Other Receivables

	2009	2008
Rates Receivables	1,399,137	1,450,002
General Receivables	4,443,267	6,949,356
Other Receivables	585,230	1,466,999
Community Loans	-	75,856
Prepayments	197,051	149,838
	<u>6,624,685</u>	<u>10,092,051</u>
Less Provision for Doubtful Debts	(157,041)	(177,388)
<b>Net Trade and Other Receivables</b>	<b><u>6,467,645</u></b>	<b><u>9,914,663</u></b>

## 12. Inventories

	2009	2008
Properties Intended for Sale	179,580	181,480
Roading	56,109	66,039
Other	165,427	197,221
	<u>401,116</u>	<u>444,740</u>

The carrying amount of inventories held for consumption that are measured at current replacement cost as at 30 June 2009 amounted to \$221,536 (2008: \$263,260). The carrying amount of inventories pledged as security for liabilities is nil (2008: Nil). The carrying amount of property intended for sale that are measured at cost as at 30 June 2009 amounted to \$179,580 (2008: \$181,480).

### 13. Other Financial Assets

	2009	2008
<b><u>Current Portion</u></b>		
<i>Loans and Receivables</i>		
External loans with maturities 4-12 months	1,219	1,590
<i>Fair value through equity</i>		
Investments with maturities of 4-12 months	1,901,127	2,260,024
<i>Total Current Portion</i>	<u><u>1,902,346</u></u>	<u><u>2,261,614</u></u>
<b><u>Non-Current Portion</u></b>		
<i>Loans &amp; Receivables</i>		
External Loans with maturities greater than 1 year	8,984	7,246
<i>Fair value through equity</i>		
Investments with maturities greater than 1 year	1,000,000	4,058,499
<i>Investments carried at cost</i>		
Shares in Civic Assurance	13,715	13,715
Shares in Milford Sound Development Authority	2,000	2,000
<i>Total Non-Current Portion</i>	<u><u>1,024,699</u></u>	<u><u>4,081,460</u></u>
<b>Total Other Financial Assets</b>	<u><u>2,927,045</u></u>	<u><u>6,343,074</u></u>

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**Maturity Analysis and Effective Interest Rates**

This analysis is for short term deposits and other investments held with banking institutions, government stock or company bonds and incorporate the following:

	Short term deposits	Other Term deposits	Stocks & Bonds	Total 2009	Short term deposits	Other Term deposits	Stocks & Bonds	Total 2008
Short term deposits with maturities 3 months or less *	830,000	-	-	830,000	2,141,245	-	-	2,141,245
<i>weighted average effective interest rate</i>	1.335%	-	-	-	8.24%	-	-	-
Short term deposits with maturities of 4 - 12 months*	-	-	-	-	-	-	-	-
<i>weighted average effective interest rate</i>	-	-	-	-	-	-	-	-
Investments maturing within 3 months or less	-	-	-	-	-	1,220,000	995,380	2,215,380
<i>weighted average effective interest rate</i>	-	-	-	-	-	5.25%	7.25%	-
Investments maturing within 4 - 12 months	-	520,000	1,381,127	1,901,127	-	250,000	2,010,024	2,260,024
<i>weighted average effective interest rate</i>	-	4.75%	6.64%	-	-	9.00%	6.48%	-
Investments maturing after 1 year but less than 5 years	-	-	1,000,000	1,000,000	-	-	4,058,499	4,058,499
<i>weighted average effective interest rate</i>	-	-	8.23%	8.23%	-	-	7.78%	-
	<b>830,000</b>	<b>520,000</b>	<b>2,381,127</b>	<b>3,731,127</b>	<b>2,141,245</b>	<b>1,470,000</b>	<b>7,063,903</b>	<b>10,675,148</b>

\*These short term deposits and investments are included in cash and cash equivalents (refer to note 10).

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**14. Property, Plant and Equipment**

2008/2009	Cost/ Revaluation 1-Jul-08	Current Year Additions	Vested Assets	Current Year Disposals	Current Year Revaluation	Cost/ Revaluation 30-Jun-09	Accumulated Depreciation And Impairment Charges 1-Jul-08	Current Year Depreciation	Current Year Disposals	Revaluation Reserve	Accumulated Depreciation And Impairment Charges 30-Jun-09	Carrying Amount 30-Jun-09	Carrying Amount 1-Jul-08
<b>Operational Assets</b>													
Art	66,626	2,204	-	(2,500)	-	66,330	-	-	-	-	-	66,330	66,626
Buildings	13,043,284	170,864	-	(87,200)	-	13,126,949	(3,973,986)	(324,180)	28,970	-	(4,269,197)	8,857,752	9,069,297
EDP Hardware	1,046,501	179,214	-	(72,209)	-	1,153,505	(475,508)	(297,269)	72,209	-	(700,567)	452,938	570,993
Furniture and Fittings	1,003,430	40,017	-	-	-	1,043,447	(821,231)	(48,004)	-	-	(869,235)	174,212	182,199
Improvements	3,240,842	277,112	-	(200)	-	3,517,754	(1,455,683)	(275,779)	200	-	(1,731,262)	1,786,492	1,785,157
Land	10,458,570	23,320	-	(8,478)	-	10,473,412	-	-	-	-	-	10,473,412	10,458,570
Library	1,643,423	171,056	-	(171,405)	-	1,643,074	(857,331)	(148,373)	171,405	-	(834,299)	808,775	786,092
Motor Vehicles	1,952,815	391,100	-	(500,828)	-	1,843,087	(1,040,867)	(260,162)	403,299	-	(897,730)	945,357	966,276
Office Equipment	759,234	10,381	-	(3,312)	-	766,303	(501,438)	(115,241)	2,635	-	(614,044)	152,259	259,738
Other Equipment	425,254	27,831	-	-	-	453,086	(258,566)	(17,801)	-	-	(276,368)	176,718	164,747
Other Plant	272,468	800	-	-	-	273,268	(218,141)	(10,770)	-	-	(228,911)	44,357	-
SCADA *	-	-	-	-	-	-	-	-	-	-	-	-	1,482
Landfill Sites	115,298	-	-	-	-	115,298	(115,298)	-	-	-	(115,298)	-	-
Transfer Stations	450,128	-	-	-	-	450,128	(209,413)	(45,013)	-	-	(254,426)	195,702	240,715
	34,477,873	1,293,900	-	(846,132)	-	34,925,641	(9,927,462)	(1,542,592)	678,718	-	(10,791,336)	24,134,305	24,551,892
<b>Infrastructural Assets at Valuation</b>													
Bridges	89,979,786	945,901	-	-	(806,779)	90,118,907	-	(1,512,398)	-	1,512,398	-	90,118,907	89,979,785
Footpaths	18,001,531	244,742	276,830	-	485,809	19,008,912	-	(519,686)	-	519,686	-	19,008,912	18,001,531
Sewerage Systems *	36,751,085	5,659,801	379,817	-	3,645,269	46,435,971	(8,568)	(1,074,909)	-	1,083,477	-	46,435,971	36,742,023
Water Systems *	23,637,967	2,524,575	389,343	-	3,152,631	29,704,515	(522,873)	(803,345)	-	1,326,218	-	29,704,515	23,114,107
Stormwater Systems	14,587,948	229,389	224,226	-	(325,364)	14,716,199	-	(426,606)	-	426,606	-	14,716,199	14,587,947
Unsealed Roads	374,667,988	3,391,885	-	-	7,625,314	385,685,188	-	(2,973,095)	-	2,973,095	-	385,685,188	374,667,988
Sealed Roads	624,412,325	11,419,859	1,984,011	-	8,106,662	645,922,858	-	(8,603,200)	-	8,603,200	-	645,922,858	624,412,325
Street Lighting	1,309,856	9,190	-	-	(353,482)	965,564	(790,181)	(61,585)	-	851,766	-	965,564	-
	1,183,348,486	24,425,342	3,254,227	-	21,530,060	1,232,558,115	(1,321,622)	(15,974,824)	-	17,296,446	-	1,232,558,115	1,181,505,706
<b>Infrastructural Assets at Cost</b>													
Marine	477,155	50,940	-	-	-	528,094	(174,080)	(17,176)	-	-	(191,256)	336,838	4,134,479
Runways	4,406,515	322,030	-	-	-	4,728,545	(272,036)	(448,753)	-	-	(720,789)	4,007,755	519,675
	4,883,670	372,969	-	-	-	5,256,639	(446,116)	(465,929)	-	-	(912,046)	4,344,593	4,957,229
<b>Total SDC</b>	<b>1,222,710,028</b>	<b>26,092,212</b>	<b>3,254,227</b>	<b>(846,132)</b>	<b>21,530,060</b>	<b>1,272,740,395</b>	<b>(11,695,201)</b>	<b>(17,983,345)</b>	<b>678,718</b>	<b>17,296,446</b>	<b>(11,703,382)</b>	<b>1,261,037,013</b>	<b>1,211,014,827</b>

\*Scada equipment is now included with the sewerage and water systems assets.

### Subsidiaries Property, Plant and Equipment

2008/2009	Cost/ Revaluation 1-Jul-08	Current Year Additions	Vested Assets	Current Year Disposals	Revaluation	Cost/ Revaluation 30-Jun-09	Accumulated Depreciation And Impairment Charges 1-Jul-08	Current Year Depreciation	Current Year Disposals	Revaluation Reserve	Accumulated Depreciation And Impairment Charges 30-Jun-09	Carrying Amount 30-Jun-09	Carrying Amount 1-Jul-08
<b>SIESA</b>													
Buildings	748,561	-	-	-	-	748,561	(163,892)	(10,103)	-	-	(173,995)	574,566	584,669
Land	61,000	-	-	-	-	61,000	-	-	-	-	-	61,000	61,000
Motor Vehicles	66,262	-	-	-	-	66,262	(31,408)	(10,475)	-	-	(41,883)	24,379	34,854
Electrical Generation Plant	3,043,824	52,647	-	(4,790)	-	3,091,681	(2,282,245)	(129,868)	2,352	-	(2,409,761)	681,920	761,579
<b>SIESA Total</b>	<b>3,919,647</b>	<b>52,647</b>	-	<b>(4,790)</b>	-	<b>3,967,504</b>	<b>(2,477,545)</b>	<b>(150,446)</b>	<b>2,352</b>	-	<b>(2,625,639)</b>	<b>1,341,865</b>	<b>1,442,102</b>
<b>Venture Southland</b>													
Furniture and Fittings	91,476	1,023	-	-	-	92,499	(69,457)	(15,732)	-	-	(85,189)	7,310	22,019
Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	8,261	-	-	-	-	8,261	(4,301)	(718)	-	-	(5,019)	3,242	3,960
Other Equipment	9,268	415	-	-	-	9,683	(3,940)	(1,217)	-	-	(5,157)	4,526	5,328
Setup Cost	41,596	-	-	-	-	41,596	(40,811)	(283)	-	-	(41,094)	502	785
Building	8,400	-	-	-	-	8,400	(70)	(420)	-	-	(490)	7,910	8,330
Venture Sthland Charitable Trus	21,490	-	-	-	-	21,490	(4,528)	(1,515)	-	-	(6,043)	15,447	16,962
<b>Venture Southland Total</b>	<b>180,491</b>	<b>1,438</b>	-	-	-	<b>181,929</b>	<b>(123,107)</b>	<b>(19,885)</b>	-	-	<b>(142,992)</b>	<b>38,937</b>	<b>57,384</b>
<b>Total SIESA &amp; Venture</b>	<b>4,100,138</b>	<b>54,085</b>	-	<b>(4,790)</b>	-	<b>4,149,433</b>	<b>(2,600,652)</b>	<b>(170,331)</b>	<b>2,352</b>	-	<b>(2,768,631)</b>	<b>1,380,802</b>	<b>1,499,486</b>
<b>TOTAL GROUP</b>	<b>1,226,810,169</b>	<b>26,146,297</b>	<b>3,254,227</b>	<b>(850,922)</b>	<b>21,530,060</b>	<b>1,276,889,828</b>	<b>(14,295,856)</b>	<b>(18,153,676)</b>	<b>681,070</b>	<b>17,296,446</b>	<b>(14,472,014)</b>	<b>1,262,417,814</b>	<b>1,212,514,313</b>

2007/2008	Cost/ Revaluation 1-Jul-07	Current Year Additions	Vested assets	Current Year Disposals	Revaluation	Cost/ Revaluation 30-Jun-08	Accumulated Depreciation and Impairment Charges 1-Jul-07	Current Year Depreciation	Current Year Disposals	Revaluation Reserve	Accumulated Depreciation and Impairment Charges 30-Jun-08	Carrying Amount 30-Jun-08	Carrying Amount 1-Jul-07
<b>Operational Assets</b>													
Art	66,626	-	-	-	-	66,626	-	-	-	-	-	66,626	66,626
Buildings	11,342,849	1,768,728	-	(68,293)	-	13,043,284	(3,694,458)	(290,651)	11,122	-	(3,973,987)	9,069,297	7,648,391
EDP Hardware	1,508,381	87,730	-	(549,610)	-	1,046,501	(787,049)	(238,069)	549,610	-	(475,508)	570,993	721,332
Furniture and Fittings	939,376	64,054	-	-	-	1,003,430	(773,660)	(47,571)	-	-	(821,231)	182,199	165,716
Improvements	3,125,082	126,640	-	(10,878)	-	3,240,844	(1,168,512)	(287,175)	-	-	(1,455,687)	1,785,157	1,956,570
Land	5,922,302	4,538,268	-	(2,000)	-	10,458,570	-	-	-	-	-	10,458,570	5,922,302
Library	1,635,692	168,663	-	(160,932)	-	1,643,423	(880,248)	(138,015)	160,932	-	(857,331)	786,092	755,444
Motor Vehicles	2,172,610	214,048	-	(161,373)	-	2,225,285	(1,077,602)	(289,891)	108,484	-	(1,259,009)	966,276	1,095,008
Office Equipment	726,145	47,555	-	(11,806)	-	761,894	(386,347)	(122,591)	6,782	-	(502,156)	259,738	339,798
Other Equipment	389,774	32,821	-	-	-	422,595	(245,046)	(12,802)	-	-	(257,848)	164,747	144,728
SCADA	532,922	-	-	-	-	532,922	(530,322)	(1,118)	-	-	(531,440)	1,482	2,600
Landfill Sites	115,298	-	-	-	-	115,298	(115,298)	-	-	-	(115,298)	-	-
Transfer Stations	450,128	-	-	-	-	450,128	(164,400)	(45,013)	-	-	(209,413)	240,715	285,728
	<b>28,927,185</b>	<b>7,048,507</b>	-	<b>(964,892)</b>	-	<b>35,010,800</b>	<b>(9,822,942)</b>	<b>(1,472,896)</b>	<b>836,930</b>	-	<b>(10,458,908)</b>	<b>24,551,892</b>	<b>19,104,243</b>
<b>Infrastructural Assets at Valuation</b>													
Bridges	85,779,141	210,235	-	-	3,990,409	89,979,785	-	(1,500,500)	-	1,500,500	-	89,979,785	85,779,141
Footpaths	17,312,988	205,538	379,746	-	103,259	18,001,531	-	(486,883)	-	486,883	-	18,001,531	17,312,988
Sewerage Systems	34,679,220	5,256,003	250,373	-	(3,443,573)	36,742,023	-	(962,858)	-	962,858	-	36,742,023	34,679,220
Water Systems	26,506,733	806,451	373,240	-	(4,572,317)	23,114,107	-	(677,231)	-	677,231	-	23,114,107	26,506,733
Stormwater Systems	14,424,695	59,181	415,000	-	(310,929)	14,587,947	-	(419,527)	-	419,527	-	14,587,947	14,424,695
Unsealed Roads	354,363,161	3,077,772	-	-	17,227,055	374,667,988	-	(2,825,988)	-	2,825,988	-	374,667,988	354,363,161
Sealed Roads	542,649,298	10,945,261	1,531,646	-	69,286,120	624,412,325	-	(8,398,459)	-	8,398,459	-	624,412,325	542,649,298
	<b>1,075,715,236</b>	<b>20,560,441</b>	<b>2,950,005</b>	-	<b>82,280,024</b>	<b>1,181,505,706</b>	-	<b>(15,271,446)</b>	-	<b>15,271,446</b>	-	<b>1,181,505,706</b>	<b>1,075,715,236</b>
<b>Infrastructural Assets at Cost</b>													
Marine	477,155	-	-	-	-	477,155	(160,471)	(13,609)	-	-	(174,080)	303,075	316,684
Runways	2,403,253	2,003,262	-	-	-	4,406,515	(137,145)	(133,269)	(1,622)	-	(272,036)	4,134,479	2,266,108
Street Lighting	1,299,093	10,762	-	-	-	1,309,855	(688,793)	(101,387)	-	-	(790,180)	519,675	610,300
	<b>4,179,501</b>	<b>2,014,024</b>	-	-	-	<b>6,193,525</b>	<b>(986,409)</b>	<b>(248,265)</b>	<b>(1,622)</b>	-	<b>(1,236,296)</b>	<b>4,957,229</b>	<b>3,193,092</b>
<b>Total SDC</b>	<b>1,108,821,922</b>	<b>29,622,972</b>	<b>2,950,005</b>	<b>(964,892)</b>	<b>82,280,024</b>	<b>1,222,710,031</b>	<b>(10,809,351)</b>	<b>(16,992,607)</b>	<b>835,308</b>	<b>15,271,446</b>	<b>(11,695,204)</b>	<b>1,211,014,827</b>	<b>1,098,012,571</b>

### Subsidiaries Property, Plant and Equipment

<b>SIESA</b>													
Buildings	735,951	12,610	-	-	-	748,561	(154,063)	(9,829)	-	-	(163,892)	584,669	581,888
Land	61,000	-	-	-	-	61,000	-	-	-	-	-	61,000	61,000
Motor Vehicles	72,190	7,700	-	(13,628)	-	66,262	(37,618)	(5,251)	11,461	-	(31,408)	34,854	34,572
Electrical Generation Plant	3,014,966	28,858	-	-	-	3,043,824	(2,102,956)	(179,289)	-	-	(2,282,245)	761,579	912,010
<b>SIESA Total</b>	<b>3,884,107</b>	<b>49,168</b>	-	<b>(13,628)</b>	-	<b>3,919,647</b>	<b>(2,294,637)</b>	<b>(194,369)</b>	<b>11,461</b>	-	<b>(2,477,545)</b>	<b>1,442,102</b>	<b>1,589,470</b>
<b>Venture Southland</b>													
Furniture and Fittings	91,618	1,651	-	(1,793)	-	91,476	(51,025)	(20,225)	1,793	-	(69,457)	22,019	40,593
Plant and Equipment	1,470	-	-	(1,470)	-	-	(754)	(716)	1,470	-	-	-	716
Office Equipment	5,485	2,776	-	-	-	8,261	(3,231)	(1,070)	-	-	(4,301)	3,960	2,254
Other Equipment	7,686	1,582	-	-	-	9,268	(2,779)	(1,161)	-	-	(3,940)	5,328	4,907
Setup Cost	41,596	-	-	-	-	41,596	(40,527)	(284)	-	-	(40,811)	785	1,069
Building	-	8,400	-	-	-	8,400	-	(70)	-	-	(70)	8,330	-
Venture Sthland Charitable Trust	21,490	-	-	-	-	21,490	(3,013)	(1,515)	-	-	(4,528)	16,962	18,477
<b>Venture Southland Total</b>	<b>169,345</b>	<b>14,409</b>	-	<b>(3,263)</b>	-	<b>180,491</b>	<b>(101,329)</b>	<b>(25,041)</b>	<b>3,263</b>	-	<b>(123,107)</b>	<b>57,384</b>	<b>68,016</b>
<b>Total SIESA &amp; Venture</b>	<b>4,053,452</b>	<b>63,577</b>	-	<b>(16,891)</b>	-	<b>4,100,138</b>	<b>(2,395,966)</b>	<b>(219,410)</b>	<b>14,724</b>	-	<b>(2,600,652)</b>	<b>1,499,486</b>	<b>1,657,486</b>
<b>TOTAL GROUP</b>	<b>1,112,875,374</b>	<b>29,686,549</b>	<b>2,950,005</b>	<b>(981,783)</b>	<b>82,280,024</b>	<b>1,226,810,169</b>	<b>(13,205,317)</b>	<b>(17,212,017)</b>	<b>850,032</b>	<b>15,271,446</b>	<b>(14,295,856)</b>	<b>1,212,514,313</b>	<b>1,099,670,057</b>

### Urban Portions of the State Highway Network

The ownership of urban portions of the State Highway network is unclear although there is legal opinion indicating that the ownership rests with local authorities. NZ Transport Agency maintains these highways in their entirety without any costs accruing to local authorities.

As a consequence, even if ownership resides with local authorities, in practice NZ Transport Agency controls the economic resources. Pending clarification of ownership and further consideration of the accounting issues that may arise, the Southland District Council has not recognised the urban portion of the State Highway network as an asset in these financial statements.

## 15. Intangible Assets

### Computer Software

	2009	2008
Opening Cost at 1 July	1,628,844	1,572,904
Additions	41,994	55,940
Disposals	(20,380)	-
Closing cost at 30 June	1,650,458	1,628,844
Accumulated amortisation and impairment	(1,175,476)	(1,016,125)
<b>Net Book Value at 30 June</b>	<b>474,983</b>	<b>612,719</b>

## 16. Forestry Assets

	2009	2008
Balance at 1 July	9,857,720	10,241,640
Increase due to purchases	-	-
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributable to physical changes and price changes	(45,064)	478,679
Decrease due to sales	(354,466)	(862,599)
<b>Balance at 30 June</b>	<b>9,458,190</b>	<b>9,857,720</b>

Southland District Council owns 1,516 hectares (2008: 1,472) of forest located in four areas: Dipton, Gowan Hill, Ohai and Waikaia, which are managed as one forest. The predominant species grown in these four blocks is radiata pine followed by Douglas fir, eucalyptus, and macrocarpa. The ages of the species range from trees planted in 2008 to 31 years.

Independent registered valuer Heath Management Services Ltd. has reviewed the valuation of the forestry assets prepared by Council staff and confirmed that the valuation is fair and reasonable and reflects the expected current market value in a willing buyer - willing seller transaction as of 30 June 2009. Pre-tax discount rates of 8.3% to 9.2% (2008: 8.3% to 9.2%) have been used in discounting the present value of expected cashflows. The valuation does not take into account any value added from future carbon credit trading under the Central Government's proposed Emissions Trading Scheme for Forestry.

### Financial Risk Management Strategies

The normal risks to forests in New Zealand are assumed to be incorporated into the discount rates chosen for the valuation. Forest fire is covered by way of insurance and the annual premiums are included as a part of the overhead costs.

## 17. Investments in Associates

Southland District Council has a 21% interest in Crops for Southland through its joint venture, Venture Southland, which owns 50% of Crops for Southland. Crops for Southland is a research and development entity with a balance sheet date of 30 June.

	2009	2008
Balance at 1 July	6,245	7,592
Share of Associate's Deficit	(68)	(1,347)
Balance at 30 June	<u>6,178</u>	<u>6,245</u>

### Summarised financial information of Crops for Southland is as follows:

	2009	2008
Assets	30,840	34,589
Liabilities	1,422	4,850
Revenues	1,932	9,842
Surplus/(deficit)	34,200	(4,711)

### Associates Contingencies:

Details of any contingent liabilities arising from the Council's involvement in the associate are disclosed separately in note 28.

## 18. Trade and Other Payables

	2009	2008
Trade Payables	4,798,391	5,067,600
Accrued Expenses	477,595	838,017
Other Payables	415,218	370,144
<b>Total Trade and Other Payables</b>	<u><b>5,691,205</b></u>	<u><b>6,275,761</b></u>

**19. Employee Benefit Liabilities**

	<b>2009</b>	<b>2008</b>
Long Service Leave	41,186	49,848
Retirement Gratuity	194,350	178,464
Retirement Leave	203,966	191,714
Long Service Leave	74,800	57,528
Holiday Pay Accrual	1,128,764	945,729
Wages Accrual	316,592	259,727
<b>Total Employment Entitlements</b>	<b><u>1,959,658</u></b>	<b><u>1,683,010</u></b>
Made up of:		
Current Portion	1,520,156	1,262,984
Non-Current Portion	439,502	420,026
	<b><u>1,959,658</u></b>	<b><u>1,683,010</u></b>

**20. Development and Financial Contributions**

	<b>2009</b>	<b>2008</b>
Roading Contributions	428,380	407,912
Sewerage Contributions	308,999	205,004
Water Contributions	227,816	601,183
Reserves Contributions	704,656	289,391
Lump Sum Contributions	38,889	30,000
<b>Total Development and Financial Contributions</b>	<b><u>1,708,739</u></b>	<b><u>1,533,490</u></b>

## 21. Borrowings

	2009	2008
<b>Current</b>		
BNZ Bank Advance Facility	5,000,000	4,000,000
Lease Liabilities	299,054	365,285
Share of Venture Southland Loan - ICC	-	31,500
	<u>5,299,054</u>	<u>4,396,785</u>

<b>Non-Current</b>		
Lease Liabilities	89,850	235,289
	<u>89,850</u>	<u>235,289</u>

<u>Finance Lease Liabilities</u>	2009	2008
<b>Total minimum lease payments are payable:</b>		
Not later than one year	334,911	410,051
Later than one and not later than five years	98,253	271,430
Later than five years	(44,260)	-
	<u>388,904</u>	<u>681,481</u>
Future finance charges	-	(80,907)
Present value of minimum lease payments	<u>388,904</u>	<u>600,574</u>

### **Present value of minimum lease payments are payable:**

Not later than one year	299,054	365,285
Later than one and not later than five years	89,850	235,289
Later than five years	-	-
Total	<u>388,904</u>	<u>600,574</u>

Southland District Council has entered into finance leases for computer equipment and photocopiers. The net carrying amount of these leased assets are included within the relevant class of property, plant, and equipment per note 14.

#### Note:

Internal loans total \$15,938,731 (2008: \$11,687,484). These loans are not represented in the Statement of Financial Position. The interest rate applied to these loans was 7.57% (2008: 7.47%). A summary of these internal loans follows:

	<b>Balance 2008</b>	<b>New Advances</b>	<b>Principal Paid</b>	<b>Balance 2009</b>
Elderly Persons Housing	93,003	-	(20,704)	72,299
Five Rivers Ward	85,740	-	(6,927)	78,813
Riverton/Aparima Community Board	555,633	512,708	(521,422)	546,919
Te Anau Community Board	865,609	-	(64,536)	801,073
Wallace Community Board	350,355	-	(51,692)	298,663
Winton Community Board	988,073	125,000	(34,838)	1,078,235
Stewart Island Community Board	180,802	-	(45,408)	135,394
Roading	2,191,083	3,515,611	(2,191,083)	3,515,611
Sewerage - Gorge Road	38,488	-	(2,054)	36,434
Sewerage - Stewart Island	569,878	-	(47,928)	521,950
Sewerage - District Wide	1,772,923	2,188,001	(96,529)	3,864,395
Sewerage – Wallacetown	668,690	-	(91,067)	577,623
Sewerage - Te Anau	3,184,204	86,289	(52,639)	3,217,854
Sewerage – Tuatapere	-	1,185,800	(114,129)	1,071,671
Information Management Business Unit	35,799	-	(11,050)	24,749
Civil Defence	107,204	-	(10,156)	97,048
	<b><u>11,687,484</u></b>	<b><u>7,613,409</u></b>	<b><u>(3,362,162)</u></b>	<b><u>15,938,731</u></b>

## 22. Provisions

### Non-Current provisions are represented by:

	<b>2009</b>	<b>2008</b>
Landfill aftercare provision Opening Balance	290,025	300,715
Unused amounts reversed during the year	(171,864)	(10,690)
Closing Balance	<b><u>118,161</u></b>	<b><u>290,025</u></b>
Current	24,500	24,500
Non-Current	93,661	265,525
Closing Balance	<b><u>118,161</u></b>	<b><u>290,025</u></b>

All Southland District Council landfill sites have been closed. The Council has a responsibility, under the various consents, to provide ongoing maintenance and monitoring of the sites after they are closed. There are closure and post closure responsibilities such as the following:

**Closure Responsibilities**

- Final cover application and vegetation.
- Incremental drainage control features.
- Completing facilities for leachate collection and monitoring.
- Completing facilities for water quality monitoring.

**Post Closure Responsibilities**

- Treatment and monitoring of leachate.
- Ground water and surface monitoring.
- Implementation of remedial measures such as cover and control systems.
- Ongoing site drainage and final cover and vegetation.

The cash outflows for post closure costs are expected to occur until 2025. The long-term nature of the liability means there are inherent uncertainties in estimating costs that will be incurred. For instance, some sites may not be required to be continually monitored for the full 20 years, if the results are found to be within appropriate levels. The provision has been estimated taking this into account and is discounted using a discount rate of 5%.

**23. Joint Venture**

The Council has a 42% participating interest in Venture Southland a joint committee of Council. The principal activity of Venture Southland is to promote a coordinated approach to economic development in Southland.

The Council's interest in the joint venture is disclosed in the financial statements under the classifications shown below:

	<b>2009</b>	<b>2008</b>
Share of Income	2,155,921	2,482,664
Share of Expenses	<u>(2,112,204)</u>	<u>(2,482,475)</u>
Share of Deficit	<b><u>50,899</u></b>	<b><u>189</u></b>
Share of:		
Current Assets	805,941	948,918
Non-Current Assets	48,705	74,901
Current Liabilities	<u>(573,672)</u>	<u>(786,311)</u>
Equity	<b><u>280,974</u></b>	<b><u>237,508</u></b>

Details of joint initiative commitments and contingencies are disclosed in their respective notes. The Venture Southland Financial Statements include Venture Southland Charitable Trust which has been consolidated on a line by line basis.

## 24. Reconciliation between the Net Surplus (from the Statement of Financial Performance) and Net Cash from Operating Activities (from the Statement of Cash Flows)

	2009	2008
Surplus/(Deficit) after Tax	4,649,964	4,956,938
<u>Add Non Cash Items</u>		
Share of Associate Surplus/(Deficit)	68	1,347
Depreciation and Amortisation	18,333,407	17,434,112
Increase (Decrease) in Deferred Taxation	-	-
Vested Assets	(3,254,228)	(2,950,005)
Forestry Revaluation	399,530	383,920
<u>Add(Less) Movements in Working Capital Items</u>		
Trade and Other Receivables	2,487,554	(2,310,343)
Interest Receivable	113,350	244,814
Inventories, Work in Progress	43,308	(13,075)
Trade and Other Payables	(288,187)	1,675,965
Net GST	862,403	(690,270)
Income Tax (Payable)/Refundable	-	20,190
<u>Other</u>		
Movement in Employee Benefit Liabilities	19,476	48,228
(Gains)/Losses on Disposal of Property, Plant and Equipment	(113,798)	(4,758)
Movement in Provision for Decommissioning	(171,864)	(10,690)
Movement in Development Contributions	(588,129)	(1,286,058)
Net Cash Inflow/(Outflow) from Operating Activities	<u><u>22,492,854</u></u>	<u><u>17,500,315</u></u>

## 25. Financial Instruments

The Council has a series of policies providing risk management for interest rates and the concentration of credit risk. The Council is risk averse and seeks to minimise exposure from its treasury activities. The Council has established a treasury policy specifying what transactions can be entered into. The policy does not allow any transactions that are speculative in nature to be entered into.

- **Fair Value Interest Rate Risk**

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return from an investment. The Council's exposure to fair value rate risk is limited to its short term bank deposits at floating interest rates and a bank advance facility.

The interest rates on the Council's investments are disclosed in note 13. There are no interest rate options or interest rate swap agreements in place at 30 June 2009. (2008: Nil).

**Sensitivity analysis**

The table below illustrates the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on the Council's financial exposures at the balance date.

Interest Rate Risk	2009 \$000		2008 \$000	
	-100 bps	+100 bs	-100 bs	+100 bs
Cash and Cash Equivalents	-	-	-	-
Borrowings	-	-	-	-

**Explanation of Sensitivity Analysis**

Cash and cash equivalents include short term deposits at call totaling \$830,000 (2008: \$2,141,245) which are at floating rates. A movement in interest rates of plus or minus 1.0% has an effect on interest income of \$8,300 (2008: \$21,000). However, no interest income has been included in the financial statements for these deposits due to their on-call nature and the uncertainty surrounding the balance that will reach maturity. Therefore, the potential profit and loss exposure per the above table is nil.

The 42% share of Venture borrowings is interest free and therefore a movement in interest rates has no effect on interest expense. As the bank advance facility of \$5,000,000 (2008: \$4,000,000) was drawn down on 30 June 2009 there is no interest expense in the 2008/2009 financial year. Therefore, a movement in interest rates of plus or minus 1.0% has a nil potential effect on interest expense (2007: Nil). All other borrowings are finance leases with fixed interest rates.

- **Currency Risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Authority has minimal transaction in the overseas market therefore the exposure to this risk is very low.

- *Credit Risk*  
Credit risk is the risk that a third party will default on its obligations to the Council causing the Council to incur a loss.

The Southland District Council has minimal credit risk in its holdings of various financial instruments. These financial instruments include bank balances and company bonds.

The Council limits the amount of credit exposure to any one institution by using a risk weighting methodology based on Standard and Poors credit ratings.

In the normal course of business the Council incurs credit risk with both general and rates debtors. The Council has approved a credit control policy to monitor and manage its exposure to this credit risk and has special legislative powers to collect rates.

The Council's maximum exposure to each class of financial instruments is as follows:

	Note	2009	2008
Cash and Cash Equivalents	10	6,383,261	4,895,454
Trade and Other Receivables	11	6,467,645	9,914,663
Other Financial Assets (excluding shares in companies)	13	2,911,330	6,327,359
Total Credit Risk		<u>15,762,236</u>	<u>21,137,476</u>

- *Liquidity Risk*  
Liquidity risk is the risk that the Council will encounter difficulty in raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, and the ability to access investment funds whenever necessary.

*Contractual maturity analysis of financial assets and liabilities*

The table below analyses the Council's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	Note	Less than 1 Year	1 – 2 Years	2 – 5 Years	Total 2009
<b>Financial Assets</b>					
Cash and Cash Equivalents	10	6,383,261			6,383,261
Trade and Other Receivables	11	6,467,645			6,467,645
Other Financial Assets (excluding shares in companies)	13	1,902,346	1,008,984		2,911,330
<b>Financial Liabilities</b>					
Trade and Other Payables	18	5,691,205			5,691,205
Borrowings	21	5,299,054	89,850		5,388,904

	Note	Less than 1 Year	1 – 2 Years	2 – 5 Years	Total 2008
<b>Financial Assets</b>					
Cash and Cash Equivalents	10	4,895,454	-	-	4,895,454
Trade and Other Receivables	11	9,914,663	-	-	9,914,663
Other Financial Assets (excluding shares in companies)	13	2,261,614	4,065,745	-	6,327,359
<b>Financial Liabilities</b>					
Trade and Other Payables	18	6,275,761	-	-	6,275,761
Borrowings	21	4,396,785	235,289	-	4,632,074

## 26. Related Parties

The Council has a 42% interest in Venture Southland and carried out the following transactions with this related party:

	2009	2008
<i>Venture Southland</i>		
Interest paid to SDC	66,407	47,834
Funding provided by SDC	1,621,095	1,827,835
Services provided by SDC	211,526	555,219
Accounts payable to SDC	757,268	1,484,994
Accounts receivable from SDC	7,031	7,396

During the year Councillors and key management, as part of a normal customer relationship, were involved in transactions with the Council. These transactions related to normal type transactions in the normal course of business for such things as rates, and other fees and charges that are charged by Council in its day-to-day operations. In addition, during the year land was sold to a Councillor at market rate. No other transactions occurred between Councillors, key management and Council.

	2009	2008
<i>Key Management Personnel</i>		
Salaries and other short term employee benefits	1,131,032	1,013,065
Post employment benefits	-	-
Other long term benefits	-	-
Termination benefits	-	-

Key management personnel include the Mayor, Councillors, Chief Executive, Group Manager Customer and Financial Services, Group Manager Regulatory Services, Group Manager Services and Assets.

## **27. Events After Balance Date**

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No significant events have taken place after balance date (2008: Nil).

## **28. Statement of Contingencies**

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### Contingencies as at 30 June 2009

A contingency represents future expenditure that either:

- May, or may not, be expended, in part or in full, at some future date; or
- Future expenditure that will be incurred at a future date, but which is unable to be quantified at this time.

### Contingent Liabilities

#### (a) Guarantees

There are no guarantees as at 30 June 2009 (2008: Nil).

#### (b) Building Act Claims

The Building Act 2004 imposes certain obligations and liabilities on local authorities in respect to the issue of building consents and inspection of work done. At the date of this report there were several matters under this Act indicating potential liabilities to Council of \$203,500 (2008: \$100,000). These potential claims have been brought to the Southland District Council insurer's attention. No action has been taken by any claimant to date.

#### (c) Riverton Focal Point

In addition to the above, a claim has been lodged against the Southland District Council regarding the matter of wheelchair accessibility to the Riverton Focal Point viewing platform. As a result of this claim, Council has altered the platform to include a wheelchair lift. The total approximate cost of the lift is \$48,000 of which \$22,525 was incurred in 2008/2009 and the balance will be expended in 2009/2010 (2008: cost estimated at \$10,000).

#### (d) Unquantified Claims

The Weathertight Homes Resolution Service (WHRS) receives claim applications and provides mediation services to resolve leaky home disputes as an alternative to the courts. Included in the Building Act potential liability noted in (b) above are potentially for Weathertight Home claims. However, as of 30 June 2009 (2008: Nil), no claims have been lodged with the WHRS against the Council. If, in future, there are claims against Council, it is expected the successful claims will be substantially covered under the Southland District Council's insurance policies.

#### (e) Call on Council Mutual Insurance Fund – Riskpool

Council is a member of a mutual liability fund, Riskpool. This organisation was established in 1997 to provide councils with commercial insurance options for risk issues facing them. With the number of claims facing local authorities on the weather tightness of homes the fund has been depleted to a level that has resulted in a call being made on members. Council's share of this call is \$22,898 and was made in September 2009. Riskpool have also indicated a further call will be made on Council in 2010, however the amount of this has not been quantified.

(f) Joint Venture Contingent Liabilities

Venture Southland does not have any contingent liabilities as at 30 June 2009 (2008: Nil).

Contingent Assets

Due to the additional roading expenditure incurred during the 2008/2009 year a potential contingent asset exists in regards to the NZ Transport Agency's share (subsidy). This share has been estimated at approximately \$1 million (2008: Nil).

**29. Capital Commitments and Operating Leases**

A commitment exists where the Council has entered into contracts but the goods and/or services have not been provided by balance date.

	<b>2009</b>	<b>2008</b>
<b>Capital Commitments</b>		
Commitments for capital expenditure contracted, but not provided for	2,992,991	7,380,100
	<u><b>2,992,991</b></u>	<u><b>7,380,100</b></u>
<b>Operating Commitments</b>		
Commitments for non-cancellable operating leases and other operating commitments		
Not later than one year	3,772,356	4,321,446
Later than one year and not later than two years	113,450	94,020
Later than two years and not later than five years	113,263	197,690
	<u><b>3,999,069</b></u>	<u><b>4,613,156</b></u>
<b>Other Commitments</b>		
Iwi Funding	31,701	33,934
Riverton Heritage and Tourist Centre	-	68,640
Regional Heritage	366,085	350,464
	<u><b>397,786</b></u>	<u><b>453,038</b></u>

The Council has agreed to fund the other commitments in the 2009/2010 financial year, subject to certain criteria being met.

**Related Party Commitments**

Venture Southland has a commitment in regards to costs not yet incurred against self funding projects where the full income associated with the project has either been received or accrued in the accounts to June 2009. In particular, these relate to the self funded projects financed from the Community Trust. The commitment associated with these projects is estimated to be \$359,069 (2008: \$298,340).

### 30. Explanation of Major Variances against Budget

#### Statement of Financial Performance

	Note	2009
Income (excluding Asset Development Revenue)	(a)	(2,276,162)
Asset Development Revenue		
Vested Assets	(b)	1,739,262
Development and Financial Contributions	(b)	(269,474)
MOH Subsidies	(b)	(4,608,154)
Scheme Capital Recoveries	(b)	(2,791,644)
Expenditure	(c)	1,496,992
Net impact of variance on Surplus / (Deficit) after tax		(9,703,164)

#### Explanatory notes – Financial Performance

##### (a) Income

Income was \$2.3 million less than budgeted mainly due to the following factors.

It was anticipated that the old Te Anau airport (Waiiau) would be sold during the year however due to consultation with ratepayers, the process of decommissioning the airport and current market conditions this did not occur resulting in \$3 million less in revenue.

A change in the roading programme resulted in an increase in the NZ Transport Agency subsidy received of \$900,000.

Actual income includes an unbudgeted 42% share of Venture Southland's income contributing \$1.4 million (2008: \$1.4 million) to Council.

Budgeted interest income consists of internal and external interest, however, the actual external income received was only \$0.7 million. For the purposes of the Annual Report, actual internal interest income is offset against operating expenditure.

Project fees charged internally were budgeted as external revenue (\$0.5 million).

Forestry income is lower than budget due to the timing of the harvest, lower log prices and lower tender quantities.

##### (b) Asset Development Revenue

When compiling the Annual Plan a number of assumptions were made in regards to when developments requiring resource consents would be started or completed and the value of contributions or infrastructure assets vested in Council would be received. This has affected Vested Assets and Development and Financial Contributions as described below.

##### Vested Assets

A higher number of subdivision developments completed during the year and higher valuation of roading vested assets has resulted in \$1.7 million of additional assets given to Council than expected.

### Development and Financial Contributions

Development and Financial contributions are contributions which are paid to the Council where a development (such as a subdivision) generates a demand for infrastructure (such as water and wastewater or reserves). They aim to collect the costs of capital projects, which are planned or have been undertaken, from those that are creating the demand. The budget estimated the amount of contributions revenue for the year based on the amount of planned demand capital projects. The number and cost of demand capital projects during the year were less than anticipated therefore the related revenue is \$0.3 million less than budgeted.

### MOH Subsidies and Scheme Capital Recoveries

Monies received from the Ministry of Health and those connecting to the scheme for these projects are less than budgeted due to a number of water or wastewater projects still in progress or not yet started.

### (c) Expenditure

Overall operating expenditure was \$1.5 million higher than budgeted due to a number of factors detailed in the table below.

<b>Increases</b>	\$1.9 million additional depreciation principally on infrastructural assets. \$1.3 million related to including a share of Venture Southland's expenses. \$1.9 million related to an increase in the roading programme.
<b>Decreases</b>	\$400,000 less than anticipated on District Plan review costs. \$1.4 million of underspends on various operational costs (including consultants, fuel etc). \$1.7 million of internal interest and project income offset against expenditure which had been budgeted as external revenue.

### Statement of Changes in Equity

The revaluation of infrastructure assets was \$15.3 million lower than expected because the budget assumed an inflationary increase of approximately 5% for the roading asset revaluation but the actual increase over the 2007/2008 valuation was approximately 3%. The increase in labour and material costs used to estimate the replacement value of roading assets has levelled off compared to the significant cost increases that occurred in 2007/2008.

### Statement of Financial Position

#### Equity

Equity has increased overall due to the substantial increase in the value of roading assets over the past two years. This was partially offset by the lower than anticipated surplus as explained under the income section above.

#### Assets and Liabilities

Property, Plant and Equipment has increased \$40.5 million over budget mainly due to the roading revaluation increases over the last two years which were higher than anticipated. This has been partially offset by the number of water and wastewater projects still being in progress or not yet started. A decision to internally borrow for capital projects in progress has resulted in long term external borrowings being less than budgeted and consequently, the amount of Council funds available for investment is lower than budget. In order to meet operational cashflow needs between quarterly rates takes, Council has obtained a \$5 million advance facility which has resulted in actual short term borrowings being higher than budget.

# Council controlled organisations (CCO's)

A Council controlled organisation (CCO) is a company or organisation in which a Council or Councils control directly or indirectly 50% or more of the voting rights or can appoint 50% or more of the trustees, directors or managers. Council is involved with the Southern Rural Fire Authority, Milford Community Trust and Southland Flood Relief Fund which are considered to be CCOs under the definition of the Local Government Act 2002.

A report on the Council's objectives in regard to the ownership of these organisations, the activities they undertook and their performance in relation to key performance targets and measures is outlined below. Note that the Southland Flood Relief Fund is exempt from the planning and reporting requirements of the Local Government Act 2002 as it is not involved in any trading activities and is essentially a term investment.

## Milford Community Trust

The Milford Community Trust was established in 2007 to provide leadership and governance, and supply infrastructure services for the Milford community in Milford Sound *Piopiota*. The Trust allows local people to determine their priorities and provides appropriate consultation and open public meetings, similar to one of the Council's Community Boards. The inaugural meeting of the Trust was held on 18 April 2007.

### *Ownership and control of the organisation*

The Trust is governed by a board of seven trustees. Of these, three Trustees are appointed by right (Independent chairperson, Te Anau Ward Councillor and one person elected by community association<sup>2</sup>) and four Trustees are appointed from persons who have been nominated by any member of the Milford Community. An appointments panel consider the nominations and recommend to Council which Trustees should be chosen based on their skills and the sectors of the community they represent. The panel is made up of DOC's Southland Conservator, the Chief Executive of the Southland District Council, the General Manager of Environment Southland and the person elected by the community association. Each trustee is appointed for a four year term, but to ensure continuity of membership in the initial establishment of the Trust, only half of the initial Trustees are appointed for four years. The remainder are appointed for two years to establish a rolling replacement programme for trustees.

Nominations for two new trustees (to replace Roger Wilson and Helen Sands) were held in June 2009 and appointed in July 2009. Current Trustees are shown in the table.

Designation	Name	Term Expires
Independent Chair	Jane Taylor	30 June 2011
Te Anau Ward Councillor	Cr Diane Ridley	30 June 2010
Community Association elected representative	Allan Cosgrove	30 June 2011
Community appointee	John Robson	30 June 2011
Community appointee	Michael Schuck	30 June 2011
Community appointee	Paul Phelan	30 June 2013
Community appointee	Andrew Welsh	30 June 2013

<sup>2</sup> The Milford Community Association is an informal forum for consultation and interaction between the Trust and the community. It meets at least annually. It will also administer the election of the Community Association Trustee by taking written nominations, advising of the election meeting and running the election.

*Nature and Scope of its activities*

Progress against planned activities set out in the Statement of Intent for 2008/2009 is as follows:-

	<b>Status</b>	<b>Comments</b>
A coordinated emergency response plan for fire, medical, civil defence and other events by 30 September 2008.	Partially Achieved	Southern Rural Fire has established coordination and operational procedures, in particular an emergency response team, vehicles and radio networks.
Significant policy statements by September 2008.	Not Achieved	This project was deferred until June 2010 as part of the preparation of the Statement of Intent 2009/2010.
A waste recycling and management strategy by 30 September 2008.	Not Achieved.	This development of this strategy has been deferred pending the outcome of the Southland District Council's decision on kerbside three bin recycling (due to be made late 2009).
A first generation asset management plan for infrastructure and services in Milford by 31 October 2008.	Not Achieved	This project is no longer a priority as the Trust does not have any significant assets of its own. Instead the Trust is working with other providers to identify infrastructural issues affecting (or with the potential to affect) the Milford community.
Business cases for activities for which the Trust wishes to take responsibility following completion of the asset management plan and scheme plan for Deepwater Basin.	Not Achieved	As stated above the preparation of asset plans is no longer a priority. The scheme plan for Deepwater Basin is still under development by the Department of Conservation.

*Performance*

<b>What the Trust said will provide</b>		<b>How the Trust said it will measure the service provided</b>		
<b>Category</b>	<b>Level of Service</b>	<b>Key Performance Indicator</b>	<b>Target</b>	<b>Achievement</b>
Access	Maintain a structure that facilitates local decision-making.	Number of public forums in Milford each year. <sup>1</sup>	2	Achieved. The Trust met with the local community on two occasions, firstly on 28 October 2008 and secondly on 28 November. Both of these Public Forums were held at Milford.
Quality	Keep the Milford community informed about Trust plans and outcomes.	Number of community newsletters produced annually.	4	Partially achieved. One newsletter was produced during the year in November 2008. In addition a newsletter was also produced in June 2008 (prior to this financial year).
Leadership	Provide leadership and advocacy on major issues.	Percentage of concessionaires satisfied with Trust decision-making and leadership.	85%	Not Measured. The Trust has consulted concessionaires through letters on specific issues during the year. However this provided little information about satisfaction with decision-making and leadership as few responses were received.
Responsiveness	Response to issues raised by the community.	Percentage of issues responded to within two weeks.	85%	Partially Achieved. While the Trust responded to issues raised by the community, these were not tracked through a specific system and so the timing cannot be reported on. Specific issues raised included creation of a gymnasium; creation and setting up of a Emergency Response Team; follow-up of subsidy fund from Central Government for the Cleddau River Flood Protection Scheme and liaising with NZTA regarding pedestrian safety at the entrance to Milford.

1. April to consult re SOI and November for strategic planning

*Shareholder Contribution*

In the Statement of Intent, the Trust indicated that it would require funding (investment) from parties for undertaking particular activities. The Trust is required to report on compensation provided by shareholders in particular. The table below details the actual compensation versus what was budgeted in the Statement of Intent.

Contribution	Activity	2008/2009 Budgeted	2008/2009 Actual	Comment
<b>Shareholders</b>				
Southland District Council	Governance Costs	A maximum of \$14,000	\$4,064	
	Governance Costs	\$-	\$22,695	Governance costs had been budgeted to be funded from concessionaires, however the decision was made part-way through the year to fund these from reserves held by the Southland District Council. These reserve funds arose as a grant from the Department of Conservation in support of the establishment of the Trust.
<b>Other Sources</b>				
Concessionaires (via Concession Activity Fee)	Governance Costs	\$30,500	\$-	See comment above.
Loan	Consultant Costs for Projects	\$50,000	\$-	No projects were undertaken during the year.

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### Southern Rural Fire Authority

The Southern Rural Fire Authority (SRFA) was established through the amalgamation of five separate Rural Fire Authorities (Southern Plantations RFD, Department of Conservation Southland Conservancy, Southland District Council, Gore District Council and Invercargill City Council) on 7 August 2003. It is responsible for the rural fire activities undertaken in the Southern Rural Fire District (SRFD). The Southern Rural Fire Authority was formed to allow the participants to enhance effective fire prevention, protection, suppression and other fire control measures within their respective areas at risk from uncontrolled fires. The Authority is also responsible for ensuring facilities and resources are available for the reduction, readiness, response and recovery from any forest or rural fire incident. In addition, the Authority supports and encourages resources to be used for wider community benefit at other types of incidents including motor vehicle accidents, medial first response and initial structure and vehicle fire suppression.

#### *Ownership and control of the organisation*

A Board is responsible for the governance of the Authority and it is made up of eight representatives from its stakeholder groups. Two representatives are from the Southland District Council, two are from the Forestry Industry and the remaining are from the Invercargill City Council, Gore District Council, Department of Conservation and the New Zealand Fire Service.

#### *Nature and Scope of its activities*

Progress against planned activities set out in the draft Statement of Intent for 2008/2009 is as follows:-

	Status	Comments
Annually review and update the Fire Response section of the Authority Fire Plan	Complete	Reviewed and approved by Board on 29 August 2008.
Manage fire control measures appropriate to the Authority's fire risk, including the continuation of a 365 day Restricted Fire Season in Special Response areas.	Complete	The Authority put a 'Restricted Fire Season' in place for the entire District from 6 December 2008 to 16 May 2009. A Prohibited Fire Season was imposed in the Naseby zone in conjunction with CODC and DOC Otago from January - March 2009.
Monitor fire danger across the District on a daily basis during the fire season and as situations change during the remainder of the year.	Complete	A series of weather stations gather information daily and the data is run through a fire danger calculator.
Continue to actively promote forest and rural fire prevention to the public through media and the fire permit process.	Complete	There were more than 800 radio advertisements from the Authority during the year. 708 fire permits were issued through the centralised Authority GIS permit system. Remote Rural Fire Officers at Stewart Island, Te Anau, Tapanui, Naseby and Winton also used this system.
Annually review the Authority's equipment levels.	Ongoing	A vehicle was replaced in Athol on 20 April. Two new tankers were also built and located in Invercargill and Otautau.
Implement a personnel fire fighter training programme designed to meet the Authority's requirements, National Standards and FRSITO unit standards and competencies.	Complete	55 people took part in a training exercise at Borland in November targeting Crew Leaders. This was in addition to the Authority's usual training programmes for individuals target positions. Telford Rural Polytechnic also set a comprehensive training programme for the year and the Authority took advantage of the opportunities for personnel to attend these courses.
Completion of a Wildfire Threat Analysis Risk Assessment Mitigation System (RAMS) project.	In Progress	The output values of the system are being revised. No further work will be completed until the National Rural Fire Authority review input values.

	Status	Comments
Manage all fire suppression operations under the Coordinated Incident Management System (CIMS).	Complete	

*Performance*

A comparison between actual performance and the key performance indicator targets for the Southern Rural Fire Authority is detailed in the 'Grants and Donations' activity on page 50.

*Shareholder Contribution*

In the Statement of Intent, the Authority indicated that it would require funding (investment) from parties for undertaking particular activities. The Authority is required to report on compensation provided by shareholders in particular. The table below details the actual cash compensation versus what was budgeted in the Statement of Intent.

Shareholder	Budget 2008/2009	Actual 2008/2009
Southland District Council Levies	\$158,620	\$158,620
Invercargill City Council Levies	\$44,000	\$44,000
Gore District Council Levies	\$57,750	\$38,500
Forest Members	\$120,680	\$120,120
Department of Conservation	\$79,640	\$79,640