Statement of Accounting Policies

For the year ending 30/6/2005

1. Projected Financial Statements

The forecast financial statements have been prepared in accordance with the requirements of the Local Government Act 2002. It may not be appropriate for the information disclosed in this Long Term Council Community Plan to be used for purposes other than those for which it is prepared.

The accounting principles established by the Institute of Chartered Accountants of New Zealand have been applied in the preparation of this Long Term Council Community Plan.

These financial statements constitute a forecast in terms of Financial Reporting Standard No. 29. Actual results for the periods covered are likely to vary from this forecast. The financial information contained within this document is prospective financial information in terms of accounting standard FRS29. The purpose for which it has been prepared is to enable ratepayers, residents and any other interested parties to obtain information about the expected future financial performance, position and cashflow of Hauraki District Council for the 2004-05 financial year.

In relation to that standard, the financial information for the 2004-05 financial year is considered to be a "forecast", while the financial information relating to subsequent years is considered to be a "projection". The actual results achieved for the 2004-05 financial year are likely to vary from the information presented, and may vary materially depending upon the circumstances that arise during that period.

2. Reporting Entity

Hauraki District Council (HDC) is a territorial local authority governed by the Local Government Act 2002.

3. Measurement Base

The general accounting principles recognised as appropriate for the measurement and reporting of results and financial position on an historical cost basis, modified by the revaluation of certain fixed assets, have been followed.

4. Accounting Policies

The following accounting policies, which materially affect the measurement of results and financial position have been applied:

A) Revenue

Rates are recognised as income on the due date for each instalment. Other levies and charges are recognised as income when the goods or services have been supplied. Government grants are recognised as income when conditions associated with the grant approval have been fulfilled.

B) Investments

Investments are valued at market value. Fixed interest investments are valued at cost plus accrued interest.

Council has had its forestry assets professionally valued as at 30 June 2001 by P F Olsen and Company, a recognised forestry valuer. The basis used to value the forests was the expected yield at maturity. A discount factor was then applied to obtain a net present value. Trees are assumed to reach maturity twenty-eight years from the date of planting. New plantings since the date of valuation have been included at cost.

C) Debtors
Debtors are stated at estimated realisable value after providing for debts where collection is considered doubtful.

D) Stocks/Inventories
Stocks are valued at the lower of cost or net realisable value, less any provisions for damaged or obsolete items. Quarry metal stocks are valued at the lower of cost, using the cost of extraction including production overheads, and net realisable value.

E) Taxation
(i) Goods and Services Tax
The financial statements have been prepared on a GST exclusive basis with the exception of debtors and creditors, which are stated with GST included. The balance of GST at 30 June 2005 is shown as a creditor in the Statement of Financial Position.
(ii) Fringe Benefit Tax
Where a fringe benefit tax liability arises this has been charged to operating expenditure.

F) Special Funds
In accordance with the Local Government reorganisation scheme Special Funds set up by the former authorities under the Local Government Act 1974, have been set aside for specific purposes. These are disclosed under the category Council Created Reserves.

G) Maintenance and Capital Expenditure
Capital expenditure is expenditure that adds to the service potential or usefulness of an asset for more than one accounting period either by lengthening the asset's useful life or by increasing its capacity. Capital expenditure includes expenditure on renewals. Capital expenditure is debited to asset accounts and allocated to the current and future periods through depreciation.

Maintenance expenditure is debited to expense accounts when incurred and is matched against revenue in that period.

H) Fixed Assets
(i) Fixed Assets are shown in the following major categories:

Operational: These are all tangible assets able to be dealt with as part of the operating strategy (i.e. land, buildings, motor vehicles, plant, furniture and chattels).
Infrastructural: These are the fixed utility systems providing an ongoing service to the Community, but are not generally regarded as tradable, (i.e. roads, bridges, culverts, and reticulation systems, including land and buildings associated with these activities).

Restricted: These cannot be disposed of because of legal or other restrictions, but provide a benefit or service to the Community (e.g. reserves vested under the Reserves Act, endowments and other property held in Trust for specific purposes, community halls, refuse disposal sites). Included under restricted assets are buildings and other improvements located on Council land where under the terms of any lease Council becomes the owner should the lessee default or cease to exist as an organisation. The major items included in this category are sporting facilities.

(ii) Valuation:
1. *Land and Buildings*: All land and buildings are recorded at rating valuation as at 1 September 2000, plus additions/development at cost, less disposals. These valuations have been confirmed by Valuation and Management Services Ltd., qualified valuers, as being suitable for financial reporting. The exception to this is Waihi Beach leasehold land owned by Council, which was valued by Townshend Cullen Associates Ltd. Valuation as at 30 June 2002.

2. *Motor Vehicles, Equipment, Fixtures and Fittings*: All items are recorded at cost or net realisable value.

3. *Library Books*: Library Books are valued at depreciated replacement cost, assuming the books are on average half way through their useful life.

4. *Infrastructural*: Roading, Water, Wastewater, Stormwater and Drainage Assets are stated at optimised deprecated replacement cost on a brownfields basis, using highest and best use basis, as at 30 June 2002 as valued by Opus International Consultants Ltd. Land under roads was valued by Opus International Consultants Ltd. as at 30 June 2002 using the average market value of land by ward and land use category. All additions to the latest valuation are brought into the accounts at cost and depreciated in the year following construction.

5. *Restricted*: Restricted assets are valued at rating valuation (1 September 2000). These valuations have been confirmed by Valuation and Asset Management Services Ltd. as being suitable for financial reporting.

(iii) Depreciation:

1. Land and Assets Under Construction: Land and assets under construction are not depreciated.

2. Other Assets: All other assets are depreciated on a straight line basis that will spread the cost of the asset, less any residual value, over the expected useful life of the asset. A summary of the range of expected useful lives of assets is as follows:

   The useful lives of assets excluding buildings, have been identified on a component-by-component basis.

   Roading

Seal	(10-60 years)
Basecourse	(30 - 75 years)
Surface Water Channels	(10-20 years)
Culverts	(50-80 years)
Footpaths	(15-50 years)
Bridges	(50- 100years)

   Other Assets

Water Reticulation	(8 - 100 years)
Water Treatment	(2 – 130 years)
Wastewater	(10 - 100 years)
Computer Hardware	(3 years)
Stormwater/Drainage	(20 - 200 years)
Fixtures & fittings	(5-10 years)
Communications Equipment	(5 years)
Heavy Plant & Machinery	(8 years)
Buildings	(50 years)
Light Plant	(2-5 years)
Motor Vehicles - Cars & Utilities	(3-5 years)

   Assets purchased partway during the financial year are depreciated on a remaining months basis. Computer software is expensed.

I) Overhead Allocation

The cost of Support Services has been fully allocated over the significant activities.

The costs of servicing external debt have been allocated to the internal treasury function, which charges and pays interest to each separately rated activity on the basis of its forecast opening cash position.

J) Employee Entitlements

Provision is made in respect of the group's liability for annual leave, long service leave, and retirement gratuities. These have been calculated on an actuarial entitlement basis at current rates of pay, except for annual leave which is on an actual basis.

K) Statement of Cashflows
Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Council invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources of Council 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 Council.

L) Landfill Aftercare Provision
Council has responsibility for the closure and aftercare of three closed landfills and has recognised its liability for these costs as a provision.

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.

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

M) Financial Instruments
Council is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, debtors, creditors and loans. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance. Except for loans, which are recorded at cost, and those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

5. Changes in Accounting Polices

There have been no significant changes in accounting policies. All have been applied consistently
with previous years.