

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2013

I. RATES REVENUE	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Rates - general	46,342	45,811	46,342	45,811
Targeted rates attributable to activities				
- Drainage	539	531	539	531
- Sewerage	9,844	8,666	9,844	8,666
- Water, excluding water supply rates	1,564	2,055	1,564	2,055
- District facilities	9,392	7,811	9,392	7,811
Rates - penalties	7,109	5,972	7,109	5,972
<b>Total rates, excluding targeted water supply rates</b>	<b>74,790</b>	<b>70,846</b>	<b>74,790</b>	<b>70,846</b>

Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates income. That Deed defines annual rates income as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating Act) 2002 together with any revenue received by the Council from other Local Authorities for services provided by that Council for which those other Local Authorities rate. The annual rates income of Council for the year ended 30 June 2013 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

	COUNCIL	
	2013 \$000s	2012 \$000s
Rates, excluding targeted water supply rates	74,790	70,846
Targeted water supply rates	5,621	5,500
<b>Total annual rates income</b>	<b>80,411</b>	<b>76,346</b>

Rates income is not adjusted for remissions of \$3,261,162 (2012 \$3,731,747). Rate remissions are shown as an expense within governance and strategy. Council's remission policies are designed to recognise the unique nature of the Far North with its significant areas of unoccupied Māori freehold land. Overall the policies address issues of financial hardship and the protection of areas of land with particular conservation or community values.

Under the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens and reserves. These non rateable properties may be subject to targeted rates in respect of sewerage, refuse and water. Non rateable land does not constitute a remission under Far North District Council's rates remission policy.

2. OTHER INCOME	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Fees and charges	12,654	12,296	12,654	12,114
Subsidies – operational	5,942	8,440	5,942	8,440
Subsidies – projects	14,171	9,947	14,171	9,947
Contributions	1,779	506	1,779	506
Interest & dividends	118	212	509	417
Vested and previously unrecognised assets	2,652	1,072	2,652	1,072
Rental income from investment properties	2,116	1,904	0	0
Other income	7,455	10,941	1,652	2,781
<b>Total operating income</b>	<b>46,886</b>	<b>45,318</b>	<b>39,359</b>	<b>35,277</b>

There are no unfulfilled conditions or other contingencies attached to the subsidy income recognised.

3. OTHER GAINS/(LOSSES)	CONSOLIDATED		COUNCIL	
	2013	2012	2013	2012
	\$000s	\$000s	\$000s	\$000s
Net gain on forestry assets	0	57	0	57
Net gain on property, plant and equipment sales	0	6	0	6
Net gain on sale of investment properties	2,818	700	0	0
<b>Total gains</b>	<b>2,818</b>	<b>763</b>	<b>0</b>	<b>63</b>
Net loss on property, plant & equipment	(1,133)	(6,576)	(1,133)	(6,576)
Net loss on investment properties	0	0	0	0
Net loss on forestry assets	0	0	0	0
<b>Total other gains / (losses)</b>	<b>(1,133)</b>	<b>(6,576)</b>	<b>(1,133)</b>	<b>(6,576)</b>

4. PERSONNEL COSTS	CONSOLIDATED		COUNCIL	
	2013	2012	2013	2012
	\$000s	\$000s	\$000s	\$000s
Salaries and wages	17,157	16,245	15,144	14,568
Kiwi saver contributions	245	191	217	172
Increase / (Decrease) in employee benefit liabilities	173	153	135	156
<b>Total employee benefit expenses</b>	<b>17,575</b>	<b>16,589</b>	<b>15,496</b>	<b>14,896</b>

Expenditure in relation to Notes 4 and 5 are included within the activity group expenditure in the Statement of Comprehensive Income.

5. OTHER EXPENSES	CONSOLIDATED		COUNCIL	
	2013	2012	2013	2012
	\$000s	\$000s	\$000s	\$000s
Fees paid to the principal auditor				
Audit of financial statements	234	218	144	158
Audit for LTP	0	132	0	132
Audit disbursements	24	18	18	13
Donations	36	72	0	0
Inventory expenses in year	2,388	2,281	3	3
Impairment of property, plant & equipment	0	25	0	0
Impairment of investment property	0	(815)	0	0
Impairment of receivables	(30)	17	0	0
Devaluation of property, plant & equipment	10,546	(208)	10,546	(208)
Direct expenses from investment property	908	750	0	0
Minimum lease payments - operating leases	549	581	450	519
<b>Other expenses</b>	<b>14,631</b>	<b>3,071</b>	<b>11,161</b>	<b>617</b>

6. FINANCE COSTS	CONSOLIDATED		COUNCIL	
	2013	2012	2013	2012
	\$000s	\$000s	\$000s	\$000s
Interest expense on borrowings	5,004	6,985	4,421	6,431
Interest unwind - landfill aftercare	32	39	32	39
<b>Total finance costs</b>	<b>5,036</b>	<b>7,024</b>	<b>4,453</b>	<b>6,470</b>

7. TAX	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
<b>Components of tax expenses</b>				
Deferred tax expenses – continuing operations	95	(1,003)	0	0
Deferred tax expenses – discontinued operations	0	0	0	0
<b>Income tax expense</b>	<b>95</b>	<b>(1,003)</b>	<b>0</b>	<b>0</b>
<b>Relationship between tax expenses and accounting profit</b>				
Continuing operations	8,765	5,385	6,657	2,997
Discontinued operations	0	0	0	0
<b>Profit before taxation and share of profit of associate</b>	<b>8,765</b>	<b>5,385</b>	<b>6,657</b>	<b>2,997</b>
Taxation at 28% (2012 -28%)	2,454	1,508	1,864	839
Plus (less) tax effect of				
Non taxable income	(2,359)	(1,510)	(1,864)	(839)
Group loss offset	0	0	0	0
Deferred tax adjustment	0	(1,001)	0	0
<b>Taxation expense</b>	<b>95</b>	<b>(1,003)</b>	<b>0</b>	<b>0</b>

CONSOLIDATED Deferred Tax	Property Plant and equipment \$000s	Investment properties \$000s	Employee entitlements \$000s	Other provisions \$000s	Total \$000s
Balance at 30 June 2011	825	1,424	(63)	0	2,187
Charged to Statement of Comprehensive Income	20	(341)	(2)	(681)	(1,003)
Charged to equity	116	0	0	0	116
<b>Balance at 30 June 2012</b>	<b>961</b>	<b>1,084</b>	<b>(65)</b>	<b>(681)</b>	<b>1,297</b>
Charged to Statement of Comprehensive Income	1	25	(9)	79	95
Charged to equity	74	0	0	0	74
<b>Balance at 30 June 2013</b>	<b>1,036</b>	<b>1,109</b>	<b>(74)</b>	<b>(602)</b>	<b>1,466</b>

From 1 July 2007 Council and Far North Holdings have formed a consolidated group for tax purposes. The tax liability for the group has been eliminated by losses transferred from Far North District Council by loss offset of \$841,175 (2012 \$414,934). Council has not recognised a deferred tax asset in relation to tax losses of \$2,152k (2012 \$2,433k). However, these losses have been recognised in the group accounts. The deferred tax comparative balances have been restated as Far North Holdings adopted "Deferred Tax: Recovery of Underlying Assets – Amendments to NZ IAS 12" from 1 July 2012. The amendment is applied retrospectively.

8. CASH & CASH EQUIVALENTS	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
<b>Cash at bank and in hand:</b>				
Various (subsidiaries, community facilities, etc)	6	6	6	6
General fund (unsecured)	4,111	3,052	3,731	2,659
<b>Total cash &amp; cash equivalents</b>	<b>4,117</b>	<b>3,058</b>	<b>3,737</b>	<b>2,665</b>

The carrying value of short term deposits with maturity dates of 3 months or less approximates their fair value. Cash and bank overdrafts include the following for the purpose of the Statement of Cash Flow.

	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Cash at bank and in hand	4,117	3,058	3,737	2,665
Bank overdrafts (Note 20)	0	0	0	0
	<b>4,117</b>	<b>3,058</b>	<b>3,737</b>	<b>2,665</b>

Council has an overdraft facility of \$3m (2012 \$3m).

9. DEBTORS & OTHER RECEIVABLES	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Rates and penalties	46,836	40,573	46,836	40,573
Sundry debtors	12,629	11,382	12,085	10,911
Prepayments	319	358	300	339
Related party receivables	186	0	0	0
	<b>59,970</b>	<b>52,313</b>	<b>59,221</b>	<b>51,823</b>
Less provision for impairment - rates	21,240	17,373	21,240	17,373
Less provision for impairment - sundry debts	308	1,985	252	1,897
<b>Current debtors &amp; other receivables</b>	<b>38,422</b>	<b>32,955</b>	<b>37,728</b>	<b>32,553</b>

The carrying value of trade and other receivables approximates their fair value. There is no concentration of credit risk with respect to receivables as the group has a large number of customers.

As at 30 June 2013 and 2012, all overdue receivables have been assessed for impairment and the appropriate provisions applied. Far North Holdings Limited holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

Under NZ IFRS7 Far North District Council is required to provide information about the aging of debtor liabilities.

	2013			2012		
	Gross \$000s	Impairment \$000s	Net \$000s	Gross \$000s	Impairment \$000s	Net \$000s
<b>Council</b>						
Not past due	4,179	0	4,179	2,165	0	2,165
Past due 1 – 60 days	20,869	5,393	15,476	17,374	4,320	13,054
Past due 61 – 90 days	605	0	605	154	0	154
Past due over 90 days	33,569	16,099	17,470	32,131	14,950	17,181
<b>Total</b>	<b>59,221</b>	<b>21,492</b>	<b>37,728</b>	<b>51,824</b>	<b>19,270</b>	<b>32,554</b>
<b>Group</b>						
Not past due	4,559	0	4,559	2,421	2	2,419
Past due 1 – 60 days	21,024	5,394	15,630	17,470	4,323	13,147
Past due 61 – 90 days	631	2	629	196	2	194
Past due over 90 days	33,756	16,152	17,604	32,234	15,030	17,204
<b>Total</b>	<b>59,970</b>	<b>21,548</b>	<b>38,422</b>	<b>52,312</b>	<b>19,357</b>	<b>32,955</b>

Movements in the provision for impairment of receivables are as follows:

	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
<b>Impairment of rates</b>				
At July	17,374	14,765	17,374	14,765
Additional provisions made during the year	5,381	3,323	5,381	3,323
Receivables written off during period	(1,515)	(714)	(1,515)	(714)
<b>At 30 June</b>	<b>21,240</b>	<b>17,374</b>	<b>21,240</b>	<b>17,374</b>
<b>Impairment of sundry debts</b>				
At July	1,984	2,355	1,897	2,287
Additional provisions made during the year	3	279	25	243
Receivables written off during period	(1,678)	(650)	(1,670)	(633)
<b>At 30 June</b>	<b>309</b>	<b>1,984</b>	<b>252</b>	<b>1,897</b>

10. INVENTORIES	CONSOLIDATED		COUNCIL	
	2013	2012	2013	2012
	\$000s	\$000s	\$000s	\$000s
Consumable stocks and materials	101	98	101	98
Marina berths	33	53	0	0
Chandlery and boatyard	37	23	0	0
<b>Total inventories</b>	<b>171</b>	<b>174</b>	<b>101</b>	<b>98</b>

There are no inventory items held for distribution.

11. OTHER FINANCIAL ASSETS	CONSOLIDATED		COUNCIL	
	2013	2012	2013	2012
	\$000s	\$000s	\$000s	\$000s
<b>Current portion</b>				
<i>Loans and receivables</i>				
Short term deposits maturity 4 - 12 months	3,185	2,314	3,185	1,995
<b>Total current portion</b>	<b>3,185</b>	<b>2,314</b>	<b>3,185</b>	<b>1,995</b>
<b>Non current portion</b>				
<i>Available for sale</i>				
LGNZ Shares	101	46	101	46
LGFA Borrower notes at cost – May 2013	160	0	160	0
<b>Total non current portion</b>	<b>261</b>	<b>46</b>	<b>261</b>	<b>46</b>

There were no impairment provisions for other financial assets.

A short term loan of \$20,000 that had been granted to Kerikeri Sports Complex Trust was written off in June 13.

Council holds 85,440 shares in Local Government Insurance Corp Ltd which are held at net asset backing. An additional 50,000 shares were purchased during the year.

These shares are non traded.

Maturity analysis and interest rates	CONSOLIDATED		COUNCIL	
	2013	2012	2013	2012
	\$000s	\$000s	\$000s	\$000s
<i>Loans and receivables</i>				
Short term loan 4 - 12 months	0	20	0	20
Short term deposits 4 - 12 months	3,185	2,294	3,185	1,975
<b>Maturing within 4 - 12 months</b>	<b>3,185</b>	<b>2,314</b>	<b>3,185</b>	<b>1,995</b>