NOTE 13B HUTT VALLEY WASTEWATER SCHEME

The Local Government (Wellington Region) Reorganisation Order 1989 transferred the functions of the Hutt Valley Drainage Board to the Hutt City Council. In so doing, the reorganisation provided for a joint committee to be established between the Upper Hutt and Hutt City Councils to consider the coordination of the two Councils in respect of matters affecting the Hutt Valley as a whole, and the disposal of wastewater in particular. The joint Hutt Valley Wastewater Scheme has been constructed to improve the operation of the system and the quality of the discharge. Upper Hutt pays an annual levy to the Hutt City Council, which manages the Wastewater system, based on an apportionment of between 26% and 31% for Upper Hutt City Council. Upper Hutt City Council is funding the Hutt Valley Wastewater Scheme in line with the Strategic Plan Funding model. While Upper Hutt City Council does not have any direct control over the Scheme it is entitled to a share of the proceeds from any sale of the Scheme's assets.

The Hutt Valley Wastewater Scheme was valued on the depreciated replacement value basis as at 1 July 2006. The valuation of these assets was independently reviewed by Graham Hughson, BE (Civil), DIP Mgmt, CPEng, MIPENZ, Senior Infrastructure Management Consultant of Maunsell Ltd.

Upper Hutt City Council now has an interest in the total assets of $36.014M (2008 $36.883M) as recognised as part of Infrastructural assets.

This is the assessed net book value of the Upper Hutt City Council share.

HUTT VALLEY WASTEWATER SCHEME TRANSACTIONS	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
Drainage Levy	2,095	1,999	2,095	1,999
Capital Contributions	475	1,167	475	1,167
Trade Waste Income	(124)	(141)	(124)	(141)

NOTE 14 INTANGIBLE ASSETS

INTANGIBLE ASSETS Computer Software	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
Balance at 01 July				
Cost	162	162	162	162
Accumulated amortisation and impairment	(157)	(141)	(157)	(141)
Opening Carrying amount	**5**	**21**	**5**	**21**
Year ended 30 June				
Additions	0	0	0	0
Amortisation charge	(3)	(16)	(3)	(16)
Closing carrying amount at 30 June	**2**	**5**	**2**	**5**
Cost Balance at 30 June	162	162	162	162
Accumulated amortisation and impairment	(160)	(157)	(160)	(157)
Closing Cost amount at 30 June	**2**	**5**	**2**	**5**

NOTE 15	TRADE & OTHER PAYABLES	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
	Trade Creditors	2,429	3,496	2,533	3,591
	Rates In Advance	523	525	523	525
	Greater Wellington Regional Council Rates	328	297	328	297
	Fees In Advance	636	753	641	754
	Amounts due to related parties	8	2	0	0
	Accrued Interest Payable	34	48	34	48
	Payroll Liability	142	145	142	145
	Other Liabilities	41	88	41	88
	Deposits and Trust Accounts	927	1,157	961	1,171
	Total Trade & Other Payables	**5,068**	**6,511**	**5,203**	**6,619**

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

NOTE 16	EMPLOYEE BENEFIT LIABILITIES	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
	Accrued Pay	81	113	81	113
	Annual Leave	531	457	531	457
	Sick leave	20	15	20	15
	Retirement and Long Service Leave	291	210	291	210
	Total Employee Benefit Liabilities	**923**	**795**	**923**	**795**
	Current	632	585	632	585
	Non-Current	291	210	291	210
	Total Employee Entitlements	**923**	**795**	**923**	**795**

NOTE 17	BORROWINGS	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
	Current				
	Secured Loans	3,000	3,354	3,000	3,354
	Interest Free Loan - EECA	50	50	50	50
	Total current borrowings	**3,050**	**3,404**	**3,050**	**3,404**
	Non-current				
	Secured Loans	15,017	14,330	15,017	14,330
	Interest Free Loan - EECA	7	62	7	62
	Total non-current borrowings	**15,024**	**14,392**	**15,024**	**14,392**
	Total Borrowings	**18,074**	**17,796**	**18,074**	**17,796**

Fixed-rate debt

Upper Hutt City Council's secured debt of $0.974M (2008 $1.692M) is issued at fixed rates of interest.

Floating-rate debt

Upper Hutt City Council's secured debt of $17.105M (2008 $15.892M) is issued at floating rates of interest.

Interest free Loan

Upper Hutt City Council's has one interest free loan from Energy Efficiency Commission Authority (EECA).

Security

The overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is $600,000 (2008 $600,000).

There are no restrictions on the use of this facility.

From 27 June 2001 all current fixed term loan facilities are secured by the Council's Debenture Trust Deed with security over rates income.

Upper Hutt City Council has issued security stock to the value of $19.294M (2008 $19.29M), under its Debenture Trust Deed. This stock has been issued to three banking institutions as security for existing facilities totalling committed funds of $17.696M (2008 $17.696M) and uncommitted facilities available to the value of $0.62M (2008 $0.62M).

Upper Hutt City Council manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management Policy.

These polices have been adopted as part of the Upper Hutt City Council's Long Term Council Community Plan.

Interest Rates

The weighted average effective interest rate on loans outstanding (current and non current) at 30 June 2009 was 8.29% (7.80% in June 2008). The loans are secured by a rate made pursuant to Section 115 of the Local Government Act 2002 upon the rateable property in the City of Upper Hutt.

Maturity analysis and effective interest rates

The following is a maturity analysis of Upper Hutt City Council's borrowings. There are no early repayment options.

BORROWINGS	**30 Jun 09 Secured Loans Parent & Group ($000)**	**30 Jun 08 Secured Loans Parent & Group ($000)**
Less than one year	3,050	3,404
weighted average effective interest rate	8.29%	7.80%
Later than one year but not more than five years	15,024	14,330
weighted average effective interest rate	8.29%	7.80%
Later than five years	0	62
weighted average effective interest rate	0.00%	7.80%
Total Borrowings	**18,074**	**17,796**

Fair Value of Non Current borrowings

The carrying amounts and the fair value on non-current borrowings are as follows:

	Carrying Amounts		Fair Value	
	30 Jun 09 ($000)	30 Jun 08 ($000)	30 Jun 09 ($000)	30 Jun 08 ($000)
Non-current				
Secured Loans	15,017	14,330	15,017	14,330
Interest Free Loan - EECA	7	62	12	62
Total non-current borrowings	**15,024**	**14,392**	**15,029**	**14,392**

The Energy Efficiency Commission Authority (EECA) interest free loan is valued at amortised cost using a rate of 7.22%.

This loan was originally determined using cashflows discounted at a rate of 7.22%.

The carrying amounts of borrowings repayable approximate their fair value as the loans are re-priced every 90 days.

NOTE 18 FINANCIAL INSTRUMENTS

The financial instruments which expose the Council to credit risk are principally bank balances, investments, accounts receivable, creditors and term loans.

The Council's main bank accounts are held with the Australian and New Zealand Bank (ANZ). The credit risk is reduced by ensuring that the balances in the accounts are at sufficient levels to fund day to day operations of the Council. Surplus funds are invested with trading banks and organisations with credit ratings of not less than AA-.

The level and spread of accounts receivable minimises the Council's exposure to credit risk.

Council does not engage in any material transactions in foreign currencies and therefore is not exposed to any material foreign currency risk.

Council's term loans are borrowed at fixed and floating interest rates. The main interest rate risk Council is exposed to is that market interest rates will fluctuate during the currency of the loans. In addition, many of Council's term loans are refinanced before ultimate repayment. Council is exposed to a risk that interest rates will have increased at the time loans are refinanced. To minimise this risk, loans are structured to avoid a concentration of refinancing at one time, and a portion of the current loans are covered by interest rate swaps to the value of $15.087M.

A	Financial Instruments Categories	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
	Financial Assets				
	Fair value through profit and loss				
	Derivative financial instrument assets	**0**	**85**	**0**	**85**
	Loans and receivables				
	Cash at bank and cash equivalents	5,304	5,332	5,425	5,390
	Debtors and other receivables	3,253	3,541	3,280	3,591
	Other financial assets				
	- term deposits	1,208	2,207	1,239	2,238
	- community loans	185	221	185	221
	Total loans and receivables	**9,950**	**11,301**	**10,129**	**11,440**
	Fair value through equity				
	Other financial assets				
	- unlisted shares	226	226	226	226
	Total fair value through equity	**226**	**226**	**226**	**226**
	Financial Liabilities				
	Fair Value through Profit and Loss				
	Derivative financial instrument	**1,110**	**44**	**1,110**	**44**
	Financial liabilities at amortised cost				
	Creditors and other payables	5,068	6,511	5,203	6,619
	Borrowings				
	- secured loans	18,074	17,796	18,074	17,796
	Total financial liabilities at amortised cost	**23,142**	**24,307**	**23,277**	**24,415**

B **Financial Instrument Risks**

Upper Hutt City Council has policies to manage the risks associated with financial instruments. Upper Hutt City Council is risk adverse and seeks to minimise exposure from its treasury activities. Upper Hutt City Council has established Council Approved Liability Management and Investment Policies.

These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Upper Hutt City Council does not currently enter into arrangements from which significant currency risk arises.

Purchases denominated in foreign currency are of a one off nature made using the rate at the time of the transaction.

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.

Cash flow Interest rate risk

Cash flow Interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates.

Borrowings and investments issued at variable interest rates expose Upper Hutt City Council to cash flow interest rate risks.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to Upper Hutt City Council causing Upper Hutt City Council to incur a loss. Due to the timing of its cash inflows and outflows, Upper Hutt City Council invests surplus cash into term deposits which gives rise to credit risk.

Upper Hutt City Council's Investment policy limits the amount of credit exposure to any one financial institution or organisation.

Upper Hutt City Council only invests with entities that have a Standard and Poor's credit rating of at least A2 for short term and A- for long term investments.

Upper Hutt City Council has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

C Maximum exposure to credit risk

Upper Hutt City Council's maximum credit exposure for each class of financial instrument is as follows:

Maximum exposure to credit risk	**Actual Parent 30 Jun 09 ($000)**	**Actual Parent 30 Jun 08 ($000)**	**Actual Group 30 Jun 09 ($000)**	**Actual Group 30 Jun 08 ($000)**
Upper Hutt City Council's maximum credit exposure for each class of financial instrument is as follows:				
Cash at bank and term deposits	6,512	7,539	6,664	7,628
Debtors and other receivables	3,253	3,541	3,280	3,591
Community and related party loans	185	221	185	221
Derivative financial instrument assets	0	85	0	85
Total Credit Risk	**9,950**	**11,386**	**10,129**	**11,525**

D Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

Credit quality of financial assets	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
Counterparties with Credit Ratings				
Cash at bank and term deposits				
AA (Standard & Poors)	6,501	6,529	6,652	6,617
AA- (Standard & Poors)	0	1,000	0	1,000
Aa1 (Moodys - Principal only)	8	7	8	7
Total Cash at bank and term deposits	**6,509**	**7,536**	**6,660**	**7,624**
Derivative financial instrument assets:				
AA (Standard & Poors)	0	85	0	85
Total Cash at bank and term deposits	**0**	**85**	**0**	**85**
Counterparties without Credit Ratings				
Community and related party loans:				
Existing Counterparty with defaults in past	18	21	18	21
Existing Counterparty with no defaults in past	167	200	167	200
Total community and related party loans	**185**	**221**	**185**	**221**

Debtors and other receivables mainly arise from Upper Hutt City Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Upper Hutt City Council has no significant concentrations of credit risk in relation to debtors and other receivables, it has a large number of credit customers, mainly ratepayers and Upper Hutt City Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

E Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that Upper Hutt City Council will encounter difficulty raising liquid funds to meet commitments as they fall due.

Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Upper Hutt City Council aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, Upper Hutt City Council maintains a target level of investments that must mature within the next 12 months. Upper Hutt City Council manages its borrowings in accordance with its funding and financial policies, which include a Liability Management policy. These policies have been adopted as part of Upper Hutt City Council's Long Term Council Community Plan.

Upper Hutt City Council has a maximum amount that can be drawn against its overdraft facility of $600,000 (2008: $600,000). There are no restrictions on the use of this facility.

F Contractual maturity analysis of financial liabilities

The table below analyses Upper Hutt City Council's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

Contractual maturity analysis of financial liabilities	Carrying amount $000	Contractual cash flows $000	Less than 1 Year $000	1-2 years $000	2-5 Years $000	More than 5 Years $000
Council 2009						
Creditors and other payables	5,068	5,068	5,068	0	0	0
Secured Loans	18,074	18,614	15,984	2,630	0	0
Total	**23,142**	**23,682**	**21,052**	**2,630**	**0**	**0**
Group 2009						
Creditors and other payables	5,202	5,202	5,202	0	0	0
Secured Loans	18,074	18,614	15,984	2,630	0	0
Total	**23,276**	**23,816**	**21,186**	**2,630**	**0**	**0**
Council 2008						
Creditors and other payables	6,511	6,511	6,511	0	0	0
Secured Loans	17,796	19,384	11,932	4,283	3,169	0
Total	**24,307**	**25,895**	**18,443**	**4,283**	**3,169**	**0**
Group 2008						
Creditors and other payables	6,619	6,619	6,619	0	0	0
Secured Loans	17,796	19,384	11,932	4,283	3,169	0
Total	**24,415**	**26,003**	**18,551**	**4,283**	**3,169**	**0**

G Contractual maturity analysis of financial assets

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

Contractual maturity analysis of financial assets	Carrying amount $000	Contractual cash flows $000	Less than 1 Year $000	1-2 Years $000	2-5 Years $000	More than 5 Years $000
Council 2009						
Cash and cash equivalents	5,304	5,304	5,304	0	0	0
Debtors and other receivables	3,253	3,253	3,253	0	0	0
Other financial assets:						
- term deposits	1,208	1,210	1,202	0	0	8
- community & related party loans	185	254	44	66	144	1
Total	**9,950**	**10,021**	**9,803**	**66**	**144**	**9**
Group 2009						
Cash and cash equivalents	5,425	5,389	5,389	0	0	0
Debtors and other receivables	3,280	3,280	3,280	0	0	0
Other financial assets:						
- term deposits	1,239	1,243	1,235	0	0	8
- community & related party loans	185	254	44	66	144	1
Total	**10,129**	**10,166**	**9,948**	**66**	**144**	**9**
Council 2008						
Cash and cash equivalents	5,332	5,332	5,332	0	0	0
Debtors and other receivables	3,541	3,541	3,541	0	0	0
Other financial assets:						
- term deposits	2,207	2,273	2,266	0	0	7
- community & related party loans	221	303	57	47	96	103
Total	**11,301**	**11,449**	**11,196**	**47**	**96**	**110**
Group 2008						
Cash and cash equivalents	5,390	5,389	5,389	0	0	0
Debtors and other receivables	3,591	3,591	3,591	0	0	0
Other financial assets:						
- term deposits	2,238	2,307	2,300	0	0	7
- community & related party loans	221	303	57	47	96	103
Total	**11,440**	**11,590**	**11,337**	**47**	**96**	**110**

H Sensitivity Analysis

The tables below illustrate the potential profit and loss equity (excluding retired earnings) impact for reasonably possible market movements, with all other variables held constant, based on Upper Hutt City Council's financial instrument exposures at the balance date.

Sensitivity Analysis	Note	2009		2008	
Council		**$000**		**$000**	
Interest rate risk		**-100bps**	**+100bps**	**-100bps**	**+100bps**
Financial assets					
Cash and cash equivalents	1	-25	25	-25	25
Financial liabilities					
Term loans	2	-171	171	-159	159
Total sensitivity to interest rate risk		**-196**	**196**	**-184**	**184**

Explanation of sensitivity analysis – Council

1 Cash and cash equivalents

Cash and cash equivalents include deposits at call totalling $2,524,000 (2008 $2,450,000) which are at floating rates. A movement in interest rates of plus or minus 1.0% has an effect on interest income of $25,240 (2008 $24,500).

2 Secured Loans

Council has floating rate debt with a principal amount of $17.105M (2008 $15.892m). A movement in interest rates of plus or minus 1.0% has an effect on interest expense of $171,050 (2008 $158,920).

Sensitivity Analysis	Note	2009		2008	
Group		**$000**		**$000**	
Interest rate risk		**-100bps**	**+100bps**	**-100bps**	**+100bps**
Financial assets					
Cash and cash equivalents	1	-25	25	-25	25
Financial liabilities					
Term loans	2	-171	171	-159	159
Total sensitivity to interest rate risk		**-196**	**196**	**-184**	**184**

Explanation of sensitivity analysis – Group

1 Cash and cash equivalents

Cash and cash equivalents include deposits at call totalling $2.524M (2008 $2.450M) which are at floating rates. A movement in interest rates of plus or minus 1.0% has an effect on interest income of $25,240 (2008 $24,500).

2 Secured Loans

Council has floating rate debt with a principal amount of $17.105M (2008 $15.892M). A movement in interest rates of plus or minus 1.0% has an effect on interest expense of $171,050 (2008 $158,920).

NOTE 19	ACCUMULATED FUNDS	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
	Opening Balance 01 July	245,187	240,952	245,229	240,975
	Net Surplus (deficit)	(1,723)	4,859	(1,674)	4,879
		243,464	245,811	243,555	245,854
	Transfer to:				
	Restricted reserves	(2,087)	(2,261)	(2,088)	(2,264)
	Accounts restricted by law	(99)	(435)	(99)	(435)
	Asset revaluation reserve on disposal of Property, Plant and Equipment	0	0	0	0
		(2,186)	(2,696)	(2,187)	(2,699)
	Transfer from:				
	Restricted reserves	1,279	1,326	1,279	1,328
	Accounts restricted by law	258	513	258	513
	Asset revaluation reserve on disposal of Property, Plant and Equipment	200	233	200	233
		1,737	2,072	1,737	2,074
	Closing Balance 30 June	**243,015**	**245,187**	**243,105**	**245,229**

NOTE 20 RESTRICTED RESERVES

The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 [the act] requires the Council to manage its revenues, expenses, assets, liabilities, investment, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full costs of long term assets that will benefit ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Council Community Plan (LTCCP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans, and the Act sets outs the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTCCP.

Upper Hutt City Council has the following Council reserves:
Reserves for different areas of benefit
Special Reserves

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate.

Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Special reserves are set up where Council has defined a specific purpose. Interest is added to these reserves where applicable and deductions are made where funds have been used for the purpose they were created.

RESTRICTED RESERVES	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
Reserve Funds	4,092	3,284	4,130	3,321
Other Accounts Restricted by Law	1,605	1,764	1,605	1,764
Closing Balance 30 June	**5,697**	**5,048**	**5,735**	**5,085**

A) RESERVE FUNDS	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
Opening Balance 01 July	3,284	2,349	3,321	2,385
Transfers from Net Surplus	1,496	1,662	1,496	1,665
Transfers from Accumulated Funds	591	599	592	599
	5,371	4,610	5,409	4,649
Transfers to Net Surplus	0	0	0	0
Transfers to Accumulated Funds	(1,279)	(1,326)	(1,279)	(1,328)
Closing Balance 30 June	**4,092**	**3,284**	**4,130**	**3,321**

CONTENTS OF RESERVE FUNDS	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
Sierra Way Subdivision	102	96	102	96
Civic Amenities Fund	270	15	270	15
Amenities Fund	212	148	212	148
Plant Renewal	184	116	184	116
Reserve Fund Contribution	1,309	1,093	1,309	1,093
Council Property Sales	343	491	343	491
Cash In Lieu Parking Fund Account	2	2	2	2
Harcourt Park Maintenance Fund	8	0	8	0
General Reserve Fund	23	196	23	196
Blue Mountain Roading	32	70	32	70
Akatarawa Roading Levy	37	35	37	35
Kaitoke Roading levy	115	56	115	56
Mangaroa Roading Levy	124	86	124	86
Katherine Mansfield Roading Levy	6	4	6	4
Moonshine Hill Road Levy	32	31	32	31
Alexander Road Levy	1	1	1	1
Library Redevelopment Fund	1,292	844	1,292	844
Arts Scholarship Fund	0	0	38	37
Closing Balance 30 June	**4,092**	**3,284**	**4,130**	**3,321**

B)	OTHER ACCOUNTS RESTRICTED BY LAW	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
	Opening Balance 01 July	1,764	1,842	1,764	1,842
	Transfers from Net Surplus	99	435	99	435
	Transfers to Accumulated Funds	(258)	(513)	(258)	(513)
	Closing Balance 30 June	**1,605**	**1,764**	**1,605**	**1,764**

CONTENTS OF OTHER ACCOUNTS RESTRICTED BY LAW	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
Dog Control Account	58	54	58	54
Water Rate Account	544	774	544	774
Stormwater Rate Account	248	215	248	215
Wastewater Rate Account	755	721	755	721
Closing Balance 30 June	**1,605**	**1,764**	**1,605**	**1,764**

NOTE 21	ASSET REVALUATION RESERVES	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
	Opening Balance 01 July	252,730	134,362	252,730	134,362
	Revaluation gains (losses)	23,615	118,601	23,615	118,601
	Transfer of revaluation reserve to retained reserve on disposal of Property, plant & equipment	(200)	(233)	(200)	(233)
	Closing Balance 30 June	**276,145**	**252,730**	**276,145**	**252,730**
	Consists of :-				
	General asset revaluation reserve	25,490	21,922	25,490	21,922
	Land asset revaluation reserve	23,363	3,355	23,363	3,355
	Roading asset revaluation reserve	73,163	73,288	73,163	73,288
	Stormwater asset revaluation reserve	54,651	54,651	54,651	54,651
	Hutt Valley Wastewater Scheme revaluation reserve	17,269	17,269	17,269	17,269
	Wastewater asset revaluation reserve	47,820	47,820	47,820	47,820
	Water asset revaluation reserve	34,389	34,425	34,389	34,425
	Closing Balance 30 June	**276,145**	**252,730**	**276,145**	**252,730**

NOTE 22	RECONCILIATION OF SURPLUS/(DEFICIT) AFTER TAX TO NET CASHFLOW FROM OPERATING ACTIVITIES	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
	Surplus/(deficit) after tax	(1,723)	4,859	(1,674)	4,879
	ADD/(LESS) NON-CASH ITEMS				
	Depreciation	10,638	8,448	10,649	8,461
	Donated Asset	0	133	(26)	133
	Vested Assets	(4,866)	(7,099)	(4,866)	(7,099)
	Amortisation of Intangible	3	16	3	16
	Impairment of Receivables	12	22	12	22
	Loss on derivative	1,151	287	1,151	287
	Potential Weathertightness Claims	14	0	14	0
		6,952	1,807	6,937	1,820
	ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES				
	Impairment of Investments	(1)	7	(1)	7
	Loss on disposal of property, plant & equipment	457	643	457	643
	Profit on disposal of property, plant & equipment	(187)	(199)	(187)	(199)
		269	451	269	451
	MOVEMENTS IN WORKING CAPITAL ITEMS				
	(Increase)/Decrease in Trade Receivable	227	(557)	248	(582)
	(Increase)/Decrease in Inventories	2	5	(5)	6
	Increase/(Decrease) in Trade and other payables	(1,278)	(5)	(1,271)	(15)
	Increase/(Decrease) in Employee Benefits	128	136	128	136
		(921)	(421)	(900)	(455)
	Net Cash Inflow/(Outflow) from Operating Activities	**4,577**	**6,696**	**4,632**	**6,695**

NOTE 23	CONTINGENCIES CONTINGENT LIABILITIES	Actual Parent 30 Jun 09 ($000)	Actual Parent 30 Jun 08 ($000)	Actual Group 30 Jun 09 ($000)	Actual Group 30 Jun 08 ($000)
	Guarantees	0	0	0	0
	Other Legal Proceedings	56	339	56	339
	Total Contingent Liabilities	**56**	**339**	**56**	**339**

Guarantees

The value of guarantees disclosed as contingent liabilities reflects Upper Hutt City Council's assessment of any loans guaranteed by Council to local sporting groups.

Currently Upper Hutt City Council has made no guarantees

Unquantified Claims

Upper Hutt City Council has six claims outstanding; five have proceedings issued on them. (2008 six claims, three proceedings)

CONTINGENT ASSETS

Upper Hutt City Council operates a scheme whereby sports clubs are able to construct facilities (e.g. club rooms on reserve land).

The clubs control the use of these facilities and Upper Hutt City Council will only gain control of the asset if the club vacates the facility.

Until this event occurs these assets are not recognised as assets in the Statement of Financial Position.

As at 30 June 2009 there are 18 facilities having an approximate value of $4.887 million (2008 17 facilities - $4.437 million). This estimate has been based on government valuations for the area.

NOTE 24 REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer of the Upper Hutt City Council, appointed under Section 119c (1) (a) of the Local Government Act 1974.

The Chief Executive Officer 's remuneration package as at 30 June was:

	30 Jun 09 $	30 Jun 08 $
Salary	220,133	210,873
Private use of a car	15,402	14,952
Total remuneration, including fringe benefit tax.	235,535	225,825

The Chief Executive Officer's actual remuneration was:	Actual 30 Jun 09 $	Actual 30 Jun 08 $
Salary	217,746	207,677
Private use of a car	15,214	14,952
Actual Total remuneration, including fringe benefit tax.	**232,960**	**222,629**

NOTE 25 REMUNERATION OF ELECTED MEMBERS

During the year Upper Hutt City Council paid total costs, including meeting allowances of $357,476 ($339,506 at 30 June 2008) to elected members, as follows:

	Actual 30 Jun 09 $	Actual 30 Jun 08 $
His Worship the Mayor, W. Guppy	74,290	71,819
Deputy Mayor P. McCardle	38,103	34,796
Cr. K. Barnard	23,004	21,048
Cr. P. Christianson	24,526	21,981
Cr. N. Gillies	24,382	22,113
Cr M Archibald (newly elected)	23,004	14,807
Cr. H. Newell	35,534	34,565
Cr D Rabbitt (newly elected)	23,004	14,806
Cr. B. Timms	31,826	29,545
Cr. K Austin	27,069	24,731
Cr. J Gwilliam	32,734	28,856
Deputy Mayor, S. Harris (Retired)	0	11,159
Cr. H. Phillips (not re-elected)	0	9,280
Total Remuneration of Elected Members	**357,476**	**339,506**

Included in the payments above is resource consent hearing fees to the following Councillors. These fees are recoverable from applicants.

	Actual 30 Jun 09 $	Actual 30 Jun 08 $
Deputy Mayor, S. Harris (Retired)	0	493
Deputy Mayor P. McCardle	1,522	629
Cr. P. Christianson	1,522	810
Cr. N. Gillies	1,378	1,066
Cr. H. Newell	1,148	1,144
Cr. J Gwilliam	908	833
Total Resource Consents Hearing Fees	**6,478**	**4,975**

NOTE 26 RELATED PARTY TRANSACTIONS

Key management personnel include the Mayor, Councillors, Chief Executive and members of the Corporate Management Team.

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Upper Hutt City Council (such as payment of rates, purchase of rubbish bags etc).

No provision has been required, nor expense recognised for impairment of receivables for any loans or other receivables to related parties. 2008 ($nil)

During the year Council had the following transactions:

A)	WITH EXPRESSIONS ARTS & ENTERTAINMENT CENTRE	Actual 30 Jun 09 ($000)	Actual 30 Jun 08 ($000)
a)	During the year Council had the following transactions:		
	Grants	438	423
	Maintenance Management Fee	17	12
	Other	16	10
	Total with Expressions Arts and Entertainment Centre	**471**	**445**

b) During the year Expressions paid Council $51,897 ($44,096 in 2008) for support services.

Of this $17,000 were internal recoveries. At year end 2009 $30,327 ($33,147 in 2008) was owed by Expressions to Council

Also Council owed $7,736 to Expressions ($1,935 in 2008)

B)	WITH COUNCILLORS	Actual 30 Jun 09 $	Actual 30 Jun 08 $
	John Gwilliam (legal services)	1,874	21
	Cr K.G.Barnard [payment for Coach services]	277	374
	Cr H Newell (payment for communications)	591	0
	Cr M Archibald (associated family member is a contractor)	11,235	0
	Total with Councillors	**13,977**	**395**

C)	KEY MANAGEMENT PERSONNEL COMPENSATION	Actual 30 Jun 09 $	Actual 30 Jun 08 $
	Salaries and other short term employee benefits	1,295,261	1,270,731
	Post employment benefits	0	0
	Other long term benefits	0	0
	Termination benefits	0	0
	Total Key Management Personnel Compensation	**1,295,261**	**1,270,731**

Key management personnel include the Mayor, Councillors, Chief Executive and members of the Corporate Management Team.

Close family members of key management personnel are employed by Council. The terms and conditions of those arrangements are no more favourable than Council would have adopted if there were no relationship to key management personnel.

The total paid out in 2009 was $28,898 (2008: $17,742).

D) HUTT VALLEY YOUTH HEALTH TRUST

Upper Hutt City Council and Hutt City Council appoint all seven Hutt Valley Youth Health Trust trustees and thus under section 6 of the Local Government Act 2002, the trust is classified as a Council Controlled Organisation. Other than its role in the appointment of trustees Upper Hutt City Council does not influence over the operations of the trust nor does it provide funding. Upper Hutt City Council does not require any form of accountability from the trust.

NOTE 27 SEVERANCE PAYMENTS

For the year ended 30 June 2009 Upper Hutt City Council made one severance payment to an employee $4,230. (2008 $13,670)

NOTE 28 MAJOR ESTIMATE VARIATIONS

Statement of Financial Performance

Operating Revenue was $4.80 million above estimate. The following are the main variances:

- Rate income was $187,000 over estimate due to growth of subdivisions with in the city.
- Fees & Charges were over estimate by $4.41 million., the main components of this were assets vested in the Council which were $3.97 million over estimate, Other Fees & Charges which were $1.1 million over estimate(Reserve Fund contributions were $0.66 million over estimate) and Permit and Licence fees which were $0.70 million under estimate (primarily lower building consent fees due to the sharp reduction in construction activity)
- Subsidies and Grants were over estimate by $0.30 million the main components of this were unbudgeted social community grants of $0.18 million and an unbudgeted development grant for Trentham Memorial Park of $0.11 million.

Operating Expenditure was $4.78 million over estimate. The following are the main variances:

- Depreciation was $3.0 million over estimate. This reflects the impact of asset revaluations and depreciation of the Wastewater project.
- NZIFRS costs were $1.15 million which was not allowed for in the estimates. The significant drop in the mark to market value of the interest rate swap contracts Council has entered into is only a timing issue and will reverse as the contracts mature.
- Council had to pay its share of repair costs for repairs to the wastewater pipeline ($359,000) which had not been allowed for.
- Unbudgeted costs in relation to the flood Damage at H2O Xtreme were $158,000.

Statement of Financial Position

- Asset Revaluation reserves have increased by $22.5 million due to the revaluation of Parks and Reserves assets.
- Accounts Payable down by $1.44m $400,000 relates to a decrease in Contract commitments $210,000 in less Capital accruals for Hutt Wastewater Project and $300,000 in Account Payables.
- The mark to market valuation of interest rate swaps has increased non-current liabilities by $1.07 million.

Statement of Movements in Equity

The major variations were unbudgeted revenue, expenditure and operational asset revaluations as explained above.

NOTE 29 DISCONTINUED ACTIVITIES

Nil (2008 : Nil)

NOTE 30 POST BALANCE DATE EVENTS

There were no items between year end and the signing of the financial statements. (2008 : Nil)