

# *Forecast Financial Statements*

## *Department of Corrections*

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## Statement of Forecast Financial Performance for the year ending 30 June 2009

	Note	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
<b>Income</b>					
Crown		742,619	886,003	886,003	930,778
Department(s)		7,469	8,829	8,829	7,929
Other revenue		28,848	31,098	31,098	25,998
Gains		-	-	-	-
Interest		-	-	-	-
<b>Total Income</b>		<b>778,936</b>	<b>925,930</b>	<b>925,930</b>	<b>964,705</b>
<b>Expenses</b>					
Personnel	1	380,426	439,316	438,313	458,466
Operating	1, 2	204,110	233,635	230,501	245,774
Depreciation and amortisation		77,318	119,050	119,050	126,451
Capital charge		103,286	133,929	130,566	134,014
Finance costs		-	-	-	-
Other		895	-	-	-
<b>Total Expenses</b>		<b>766,035</b>	<b>925,930</b>	<b>918,430</b>	<b>964,705</b>
<b>Net Surplus / (Deficit)</b>		<b>12,901</b>	<b>-</b>	<b>7,500</b>	<b>-</b>

## Statement of Forecast Changes in Taxpayers' Funds for the year ending 30 June 2009

	Note	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
<b>Balance at 1 July</b>					
General funds		1,186,726	1,449,377	1,449,377	1,519,977
Revaluation reserve		87,412	280,973	280,973	279,070
Other reserves		-	-	-	-
<b>Taxpayers' Funds Opening Balance</b>		<b>1,274,138</b>	<b>1,730,350</b>	<b>1,730,350</b>	<b>1,799,047</b>
<b>Changes in Taxpayers' Funds</b>					
<b>Income and Expense for the Period</b>					
Net surplus / (deficit) for the year		12,901	-	7,500	-
Total gains / (losses) taken to equity		193,561	(1,903)	(1,903)	-
<b>Total Income and Expense for the Period</b>		<b>206,462</b>	<b>(1,903)</b>	<b>5,597</b>	<b>-</b>
<b>Other Changes</b>					
Repayment of surplus		(13,522)	-	(7,500)	-
Capital contribution		266,682	70,600	70,600	(21,094)
Capital withdrawal		-	-	-	-
Other		(3,410)	-	-	-
<b>Total Changes in Taxpayers' Funds</b>		<b>456,212</b>	<b>68,697</b>	<b>68,697</b>	<b>(21,094)</b>
<b>Balance at 30 June</b>					
General funds		1,449,377	1,519,977	1,519,977	1,498,883
Revaluation reserve		280,973	279,070	279,070	279,070
Other reserves		-	-	-	-
<b>Taxpayers' Funds Closing Balance</b>		<b>1,730,350</b>	<b>1,799,047</b>	<b>1,799,047</b>	<b>1,777,953</b>

## Forecast Statement of Financial Position as at 30 June 2009

	Note	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents		56,498	98,510	106,010	13,576
Debtors and other receivables		7,037	7,229	7,229	7,229
Prepayments		1,643	1,625	1,625	2,125
Inventories		5,842	5,600	5,600	5,600
Other current assets		484	-	-	-
<b>Total Current Assets</b>		<b>71,504</b>	<b>112,964</b>	<b>120,464</b>	<b>28,530</b>
<b>Non-current Assets</b>					
Property, plant and equipment		1,727,161	1,737,703	1,737,703	1,803,693
Intangible assets		37,856	38,439	38,439	37,789
Other non-current assets		46,852	47,070	47,070	47,070
<b>Total Non-current Assets</b>		<b>1,811,869</b>	<b>1,823,212</b>	<b>1,823,212</b>	<b>1,888,552</b>
<b>Total Assets</b>		<b>1,883,373</b>	<b>1,936,176</b>	<b>1,943,676</b>	<b>1,917,082</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Creditors and other payables		79,610	77,279	77,279	77,779
Repayment of surplus		13,522	-	7,500	-
Employee entitlements		49,474	49,450	49,450	50,950
Other current liabilities		-	-	-	-
<b>Total Current Liabilities</b>		<b>142,606</b>	<b>126,729</b>	<b>134,229</b>	<b>128,729</b>
<b>Non-current Liabilities</b>					
Provisions		-	-	-	-
Employee entitlements		10,417	10,400	10,400	10,400
Other non-current liabilities		-	-	-	-
<b>Total Non-current Liabilities</b>		<b>10,417</b>	<b>10,400</b>	<b>10,400</b>	<b>10,400</b>
<b>Total Liabilities</b>		<b>153,023</b>	<b>137,129</b>	<b>144,629</b>	<b>139,129</b>
<b>Taxpayers' Funds</b>					
General funds		1,449,377	1,519,977	1,519,977	1,498,883
Revaluation reserve		280,973	279,070	279,070	279,070
Other reserves		-	-	-	-
<b>Total Taxpayers' Funds</b>		<b>1,730,350</b>	<b>1,799,047</b>	<b>1,799,047</b>	<b>1,777,953</b>
<b>Total Liabilities and Taxpayers' Funds</b>		<b>1,883,373</b>	<b>1,936,176</b>	<b>1,943,676</b>	<b>1,917,082</b>

## Statement of Forecast Cash Flows for the year ending 30 June 2009

	Note	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
<b>Cash Flows from Operating Activities</b>					
<b>Receipts from:</b>					
Crown		742,619	886,003	886,003	930,778
Department(s)		7,469	8,766	8,766	7,929
Other		26,308	30,969	30,969	25,998
Interest		2	-	-	-
<b>Payments to:</b>					
Suppliers		(201,007)	(237,083)	(233,949)	(249,724)
Employees		(368,225)	(435,487)	(434,484)	(453,016)
Capital charge		(103,286)	(133,929)	(130,566)	(134,014)
Goods and services tax (net)		4,101	(2,493)	(2,493)	-
Other operating activities		-	-	-	-
<b>Net Cash from Operating Activities</b>	3	107,981	116,746	124,246	127,951
<b>Cash Flow from Investing Activities</b>					
<b>Receipts from:</b>					
Sale of property, plant and equipment		754	1,450	1,450	1,600
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		83	-	-	-
<b>Purchase of:</b>					
Property, plant and equipment		(322,711)	(122,099)	(122,099)	(183,741)
Intangible assets		(14,963)	(11,163)	(11,163)	(9,650)
Other non-current assets		-	-	-	-
<b>Net Cash from Investing Activities</b>		(336,837)	(131,812)	(131,812)	(191,791)
<b>Cash Flow from Financing Activities</b>					
Capital contribution		266,682	70,600	70,600	(21,094)
Other financing cash inflows		-	-	-	-
Repayment of surplus		(1,372)	(13,522)	(13,522)	(7,500)
Capital withdrawal		-	-	-	-
Other financing cash outflows		-	-	-	-
<b>Net Cash from Financing Activities</b>		265,310	57,078	57,078	(28,594)
<b>Net Increase / (Decrease) in Cash</b>		36,454	42,012	49,512	(92,434)
Cash at the beginning of the year		20,044	56,498	56,498	106,010
<b>Cash at the end of the year</b>		56,498	98,510	106,010	13,576

## Statement of Significant Assumptions

These statements have been compiled on the basis of government policies and the Department of Corrections' output agreements with the Minister of Corrections at the time the statements were finalised.

The 2007/08 budgeted figures are based on management's judgments, estimates and assumptions of the final 2007/08 outcome and is used as the opening position for 2008/09 forecasts. Estimated year end information for 2007/08 is used as the opening position for the 2008/09 forecasts.

The capital charge rate for the year ending 30 June 2009 is assumed to be 7.5% per annum.

## Department-Specific Accounting Policies

The Department of Corrections has applied the accounting policies set out in Statement of Common Accounting Policies in this document, except as stated below.

### Reporting Entity

These are the prospective financial statements of Department of Corrections, prepared in accordance with section 38 of the Public Finance Act 1989.

Department of Corrections is a Government Department as defined by section 2 of the Public Finance Act 1989. For the purposes of financial reporting the Department of Corrections is a public benefit entity.

### Statement of Entity-Specific Accounting Policies

#### Property, plant and equipment

The capitalisation thresholds applied are set out below:

- IT Equipment / Hardware - \$3,000.
- All other property, plant and equipment - \$3,000.

#### Depreciation

The estimated useful lives of property, plant and equipment are set out below:

- Buildings - 3 to 50 years.
- Leasehold improvements - 10 years.
- IT Equipment / Hardware - 3 to 10 years.
- Motor vehicles - 5 to 8 years.
- Furniture and office equipment - 3 to 5 years.
- Other categories - 5 to 10 years.

#### Intangible assets

The capitalisation thresholds applied are set out below:

- Purchased software - \$3,000.
- Internally developed software - \$3,000.

The estimated useful lives of intangible assets are set out below:

- Purchased software - 3 to 10 years.
- Internally developed software - 3 to 10 years.

## Cost allocation

Salaries and related costs of service delivery divisions are charged to outputs on the basis of activity analysis. Activities that are directly related to individual outputs are regarded as direct costs and charged accordingly.

All other costs of service delivery divisions and total costs of support groups are regarded as indirect costs to outputs and are allocated to outputs on the basis of measurement of resource consumption or activity analysis.

## 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 costs to sell.

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.

## Biological assets

The Department recognises biological assets or agricultural produce when, and only when:

- the Department controls the assets as a result of past events
- it is probable that future economic benefits associated with the asset will flow to the Department, and
- the fair value or cost of the asset can be measured reliably.

Biological Assets managed for harvesting into agricultural produce are recorded at fair value less point of sale costs, with any realised gains or losses reported in the Statement of Financial Performance.

The Department's valuations incorporate any material point of sale costs in the valuation.

The Department's biological assets are forests and livestock.

### *Forests*

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. 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.

### *Livestock*

Livestock assets are recorded at fair value less point of sale costs.

Gains and losses due to changes in the per head value of the livestock at balance date are taken to the Statement of Financial Performance.

Gains and losses due to changes in livestock numbers are taken directly to the Statement of Financial Performance.

Any material differences in fair value are taken to Statement of Financial Performance.

## Notes to the Financial Statements

### Note 1 - Reclassification of ACC Levies

Due to a reclassification of ACC Levies in 2007/08, the values for Personnel and Operating costs differ from the Department's 2006/07 Annual Report.

### Note 2 - Operating Expenses

	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
Operating lease rentals	11,856	12,801	12,801	13,649
Audit fees to auditors for audit of the financial statements	270	283	283	302
Audit fees for NZ IFRS transition	23	25	25	27
Fees to auditors for other services provided	63	-	-	-
Facilities maintenance	46,388	51,366	51,366	54,770
Offender management costs	64,630	73,108	73,108	77,952
Computer costs	10,220	15,565	15,565	16,596
Contract management	11,962	10,390	10,390	11,078
Administration	32,104	34,339	34,339	36,614
Bad debts	233	5	5	5
Other operating costs	24,994	35,753	32,619	34,781
Forestry (devaluation) / revaluation	479	-	-	-
Loss on sale of fixed assets	888	-	-	-
<b>Total</b>	<b>204,110</b>	<b>233,635</b>	<b>230,501</b>	<b>245,774</b>

### Note 3 - Reconciliation of Net Cash Flows from Operating Activities

	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
<b>Net surplus/(deficit)</b>	<b>13,522</b>	<b>-</b>	<b>7,500</b>	<b>-</b>
Depreciation and amortisation	77,318	119,050	119,050	126,451
Impairment charges	-	-	-	-
Inc/(dec) in non-current employee benefit liabilities	412	(17)	(17)	-
Inc/(dec) other non-cash items	862	-	-	-
<b>Total non-cash items</b>	<b>78,592</b>	<b>119,033</b>	<b>119,033</b>	<b>126,451</b>
(Inc)/dec in receivables	(2,385)	(192)	(192)	-
(Inc)/dec in inventories	(666)	242	242	-
(Inc)/dec in prepayments	(681)	18	18	(500)



	2006/07 Actual \$000	2007/08 Budgeted \$000	2007/08 Estimated Actual \$000	2008/09 Budgeted \$000
(Inc)/dec in creditors and payables	8,697	(3,426)	(3,426)	-
(Inc)/dec in provisions	-	1,095	1,095	500
(Inc)/dec in current employee benefit liabilities	10,014	(24)	(24)	1,500
<b>Working capital movements - net</b>	<b>14,979</b>	<b>206</b>	<b>206</b>	<b>1,500</b>
Add/(less) investing activity items	-	-	-	-
Net loss/(gain) on sale or disposal of biological assets	-	-	-	-
Net loss/(gain) on sale or disposal of intangible assets	-	-	-	-
Net loss/(gain) on sale or disposal of physical assets	888	-	-	-
<b>Total investing activity items</b>	<b>888</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash flow from operating activities</b>	<b>107,981</b>	<b>126,739</b>	<b>124,246</b>	<b>127,951</b>