

Forecast Financial Statements

Department of Corrections

Statement of Forecast Comprehensive Income for the year ending 30 June 2010

	Note	2007/08	2008/09		2009/10
		Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Income					
Crown		886,003	930,778	933,613	1,031,949
Department(s)		7,765	7,929	9,119	7,529
Other revenue		32,888	25,998	34,198	25,998
Gains		-	-	-	-
Interest		-	-	-	-
Total Income		926,656	964,705	976,930	1,065,476
Expenses					
Personnel		443,020	458,466	459,880	516,651
Operating	1	230,109	245,774	257,028	296,843
Depreciation and amortisation		117,888	126,451	122,378	108,718
Capital charge		130,641	134,014	131,244	143,264
Finance costs		-	-	-	-
Other		1,770	-	-	-
Total Expenses		923,428	964,705	970,530	1,065,476
Net Surplus / (Deficit)		3,228	-	6,400	-
Other comprehensive income		(1,211)	-	-	-
Total Comprehensive Income		2,017	-	6,400	-

Statement of Forecast Changes in Taxpayers' Funds for the year ending 30 June 2010

	Note	2007/08	2008/09		2009/10
		Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Balance at 1 July					
General funds		1,449,377	1,519,977	1,519,977	1,501,883
Revaluation reserve		280,973	279,070	277,495	277,495
Other reserves		-	-	2,267	2,267
Taxpayers' Funds Opening Balance		1,730,350	1,799,047	1,799,739	1,781,645
Changes in Taxpayers' Funds					
Comprehensive income for the period		2,017	-	6,400	-
Repayment of surplus		(3,228)	-	(6,400)	-
Capital contribution		70,600	(21,094)	65,747	323,348
Capital withdrawal		-	-	(83,841)	(66,471)
Other		-	-	-	-
Total Changes in Taxpayers' Funds		69,389	(21,094)	(18,094)	256,877
Balance at 30 June					
General funds		1,519,977	1,498,883	1,501,883	1,758,760
Revaluation reserve		277,495	279,070	277,495	277,495
Other reserves		2,267	-	2,267	2,267
Taxpayers' Funds Closing Balance		1,799,739	1,777,953	1,781,645	2,038,522

Forecast Statement of Financial Position as at 30 June 2010

		2007/08	2008/09		2009/10
	Note	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Assets					
Current Assets					
Cash and cash equivalents		164,761	13,576	137,348	95,514
Debtors and other receivables		5,692	7,229	5,729	5,729
Prepayments		1,988	2,125	2,125	2,125
Inventories		5,911	5,600	5,600	5,658
Other current assets		1,510	-	-	-
Total Current Assets		179,862	28,530	150,802	109,026
Non-current Assets					
Property, plant and equipment		1,698,464	1,803,693	1,697,442	1,988,258
Intangible assets		36,363	37,789	43,700	46,637
Other non-current assets		45,230	47,070	45,230	45,230
Total Non-current Assets		1,780,057	1,888,552	1,786,372	2,080,125
Total Assets		1,959,919	1,917,082	1,937,174	2,189,151
Liabilities					
Current Liabilities					
Creditors and other payables		84,274	77,779	77,779	77,779
Repayment of surplus		3,228	-	6,400	-
Employee entitlements		59,840	50,950	60,950	62,450
Other current liabilities		-	-	-	-
Total Current Liabilities		147,342	128,729	145,129	140,229
Non-current Liabilities					
Provisions		546	-	-	-
Employee entitlements		12,292	10,400	10,400	10,400
Other non-current liabilities		-	-	-	-
Total Non-current Liabilities		12,838	10,400	10,400	10,400
Total Liabilities		160,180	139,129	155,529	150,629
Taxpayers' Funds					
General funds		1,519,977	1,498,883	1,501,883	1,758,760
Revaluation reserve		277,495	279,070	277,495	277,495
Other reserves		2,267	-	2,267	2,267
Total Taxpayers' Funds		1,799,739	1,777,953	1,781,645	2,038,522
Total Liabilities and Taxpayers' Funds		1,959,919	1,917,082	1,937,174	2,189,151

Statement of Forecast Cash Flows for the year ending 30 June 2010

	Note	2007/08	2008/09		2009/10
		Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Cash Flows from Operating Activities					
Receipts from:					
Crown		886,003	930,778	933,613	1,031,949
Department(s)		7,725	7,929	9,096	7,529
Other		34,180	25,998	34,184	25,998
Interest		-	-	-	-
Payments to:					
Suppliers		(216,739)	(249,724)	(268,149)	(301,001)
Employees		(426,703)	(453,016)	(456,712)	(511,051)
Capital charge		(130,641)	(134,014)	(131,244)	(143,264)
Goods and services tax (net)		4,085	-	(6,585)	-
Other operating activities		-	-	-	-
Net Cash from Operating Activities	2	157,910	127,951	114,203	110,160
Cash Flow from Investing Activities					
Receipts from:					
Sale of property, plant and equipment		1,381	1,600	-	-
Sale of intangible assets		-	-	-	-
Sale of other non-current assets		430	-	1,510	-
Purchase of:					
Property, plant and equipment		(98,676)	(183,741)	(106,018)	(389,799)
Intangible assets		(9,860)	(9,650)	(15,786)	(12,672)
Other non-current assets		-	-	-	-
Net Cash from Investing Activities		(106,725)	(191,791)	(120,294)	(402,471)
Cash Flow from Financing Activities					
Capital contribution		70,600	(21,094)	65,747	323,348
Other financing cash inflows		-	-	-	-
Repayment of surplus		(13,522)	(7,500)	(3,228)	(6,400)
Capital withdrawal		-	-	(83,841)	(66,471)
Other financing cash outflows		-	-	-	-
Net Cash from Financing Activities		57,078	(28,594)	(21,322)	250,477
Net Increase / (Decrease) in Cash		108,263	(92,434)	(27,413)	(41,834)
Cash at the beginning of the year		56,498	106,010	164,761	137,348
Cash at the end of the year		164,761	13,576	137,348	95,514

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 2008/09 budgeted figures are based on management's judgements, estimates and assumptions of the final 2008/09 outcome and is used as the opening position for 2009/10 forecasts. Estimated year end information for 2008/09 is used as the opening position for the 2009/10 forecasts.

The capital charge rate for the year ending 30 June 2010 is assumed to be 7.5% per annum.

Statement of Entity-Specific Accounting Policies

The Department of Corrections has applied the accounting policies set out in Statement of Accounting Policies Standard included 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.

The 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.

Specific Accounting Policies

Property, Plant and Equipment

The capitalisation thresholds applied are set out below:

Asset Category	Capitalisation Amount
IT Equipment / Hardware	\$3,000 other than personal computers, printers and laptops which are capitalised at cost.
All other property, plant and equipment	\$3,000

Depreciation

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

Asset Category	Useful Lives
Buildings	3 to 50 years
Leasehold improvement	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:

Asset Category	Capitalisation Amount
Purchase software	\$3,000
Internally developed software	\$3,000

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

Asset Category	Useful Lives
Purchased software	3 to 10 years
Internally developed software	3 to 10 years

Cost Allocation

Direct costs are charged to outputs based on actual consumption or activity analysis. Pre-established ratios have been used in some instances.

Indirect costs are allocated to outputs based on appropriate resource consumption and/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 agriculture 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 costs 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 - Operating Expenses

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Operating lease rentals	13,416	13,649	17,600	17,600
Audit fees to auditors for audit of the financial statements	284	302	318	318
Audit fees for NZ IFRS transition	18	27	-	-
Fees to auditors for other services provided	133	-	-	-
Facilities maintenance	51,012	54,770	54,462	54,462
Offender management costs	37,314	42,823	45,395	72,963
Computer costs	11,004	16,596	10,379	10,379
Contract management	15,342	11,078	22,152	22,152
Administration	37,247	36,614	39,921	38,247
Bad debts	83	5	(13)	(13)
Other operating costs	62,081	69,910	66,814	80,735
Biological assets revaluation	294	-	-	-
Loss on sale of fixed assets	1,881	-	-	-
Total	230,109	245,774	257,028	296,843

Note 2 - Reconciliation of Net Cash Flows from Operating Activities

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Net Surplus/(deficit)	3,228	-	6,400	-
Depreciation and amortisation	117,888	126,451	122,378	108,718
Inc/(dec) in non-current employee benefit liabilities	5,696	-	-	-
Inc/(dec) in non-cash items	176	-	-	-
Total non-cash items	123,760	126,451	122,378	108,718
Inc/(dec) in receivables	1,169	-	-	-
Inc/(dec) in inventory	(69)	-	311	(58)
Inc/(dec) in prepayment	(345)	(500)	(174)	-
Inc/(dec) in creditors and payables	20,090	-	(14,746)	1,500
Inc/(dec) in provisions	1,561	500	34	-
Inc/(dec) in current employee benefit liabilities	6,545	1,500	-	-
Working capital movements - net	28,951	1,500	(14,575)	1,442

	2007/08	2008/09		2009/10
	Actual \$000	In 2008 Budget \$000	Estimated Actual \$000	Budgeted \$000
Add/(less) investing activity items	-	-	-	-
Net loss/(gain) on sale or disposal of biological assets	294	-	-	-
Net loss/(gain) on sale or disposal of intangible assets	-	-	-	-
Net loss/(gain) on sale or disposal of physical assets	1,677	-	-	-
Total investing activity items	1,971	-	-	-
Net cash flow from operating activities	157,910	127,951	114,203	110,160