

Tararua District Council Summary Annual Report 2006/07

Audit Report

TO THE READERS OF TARARUA DISTRICT COUNCIL AND GROUP'S SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

We have audited the summary annual report.

Unqualified Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the information reported in the summary financial statements complies with FRS-43: Summary Financial Statements and is consistent with the full financial statements from which it is derived.

We expressed an unqualified audit opinion, in our report dated 28 November 2007, on:

- the full financial statements; and
- the Council and group's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report.

Basis of Opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate New Zealand Auditing Standards. Other than in our capacity as auditor, we have no relationship with or interests in Tararua District Council or any of its subsidiaries.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report and we are responsible for expressing an opinion on that report. These responsibilities arise from the Local Government Act 2002.



John O'Connell
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
21 December 2007

Matters Relating to the Electronic Presentation of the Audited Summary Annual Report

This audit report relates to the summary annual report of Tararua District Council for the year ended 30 June 2007 included on Tararua District Council website. The Council is responsible for the maintenance and integrity of the Tararua District Council website. We have not been engaged to report on the integrity of the Tararua District Council web site, www.tararua.govt.nz. We accept no responsibility for any changes that may have occurred to the summary annual report since they were initially presented on the web site.

The audit report refers only to the summary annual report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the summary annual report. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited summary annual report and related audit report dated 20 December 2007 to confirm the information included in the audited summary annual report presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of summary annual reports may differ from legislation in other jurisdictions.

2006/07 Tararua's Year in Retrospect

Annual Report – a Year in Summary

Tararua District Council and Group recently published its Annual Report for the 2006/07 financial year. This detailed our achievements against the activities, projects and budgets signalled in the 10-year 2006-2016 Long Term Council Community Plan (Community Plan).

This is our summary of the 2006/2007 Annual Report. It includes:

- Report from our Mayor and Chief Executive
- Achievement highlights in our six activity areas
- Council's financial results

The information provided in this summary has been extracted from the full 2006/07 Annual Report that was authorised for issue on 28 November 2007. The 2006/07 Annual Report received an unqualified opinion from Audit New Zealand. This summary, which complies with Section 98 of the Local Government Act, cannot be expected to provide as complete an understanding as provided by the full financial statements. The full report is available on our website (www.tararuadc.govt.nz), at any of our service centres or public libraries (in Dannevirke, Eketahuna, Pahiatua, or Woodville) or by phoning 06 374 4080 (24 hours).

This summary of the Annual Report is consistent with the Annual Report 2006/07, and was authorised for issue on 21 December 2007. This summary report complies with FRS 43, has been examined by Audit New Zealand for consistency with the full report, and has been given an unqualified opinion.

Measuring Our Progress

Council contributes to the community as a provider, funder, regulator, promoter, facilitator, advocate and monitor. We strive to help the Tararua District achieve its desired quality of life by maintaining providing the right levels of services, and managing relationships with local, regional and national service providers.

We are required to report on progress by the community to achieving these outcomes at least every three years. Further ratepayer surveys are timed to commence in 2008 to check on progress towards achieving these outcomes.

From the Mayor and Chief Executive

It is a pleasure to report on a year that has brought plenty of challenges and some rewards.

The year 2006/07 has been year 1 of the Council long term council community plan in which heightened awareness and responsibility for capturing and responding to community expectations (outcomes) have been included.

An action plan has been developed to progress work on Community Outcomes and three yearly reporting will be undertaken prior to each review of the Community Plan. Appropriate baseline data has now been captured.

It is acknowledged that the ability of Council to progress the meeting of community expectations is very dependent on the economic wellbeing of the district. In other words, can the ratepayers afford the costs?

During 2006/07 the overall picture is one of a rural district in good economic heart. The community is fairly happy with the level of community spirit and the way the environment is being sustained for the future; it is not so happy with health and education services. Having noted this, however, it is also very clear that sheep, meat and wool markets continue to have a detrimental impact on our community wellbeing.

As in most rural districts the overall Tararua population has continued to decline (slightly), but that of Dannevirke and its rural surrounds in the north of the district has increased in population for the first time for at least 15 years. Council's programmes continue to need to meet the expectations of all citizens – a difficult role.

Infrastructure

A robust 'fit for purpose' infrastructure is essential for our community. This continues to be a challenge.

The ability to progress the necessary upgrade work on the district sewage treatment plants has been compromised by the need to accept short term (3 year) resource consents. This provides insufficient certainty for Council to invest the very large sums of ratepayers' money. Work continues to seek longer consent terms for Woodville, Pahiatua, Pongaroa and Eketahuna.

Excellent progress has been achieved with the seal extension programme on the roading network, with the planned work on Putara, Coast and Seaview roads completed.

The realignment work on the Pahiatua Track has not been possible because the project has been declined by Land Transport New Zealand. This was a major initiative for the 2006/07 year and it is disappointing to report that the project did not qualify for funding from the regional 'R' fund.

The condition of the metal (unsealed) roads continues to be a topic of discussion. These generally lightly trafficked but nevertheless vital links for the community received the most maintenance metal for many years – 36,000 cubic metres (23,075 in 2005/06). This is a significant volume and would see the roads in a much improved state if this is able to be continued for the immediate future.

CONTINUED OVER PAGE...

Our District

Resident population (2006)	17,634
Number of rateable properties	10,089
Area (ha)	427,000
Net capital value (\$m)	\$2,356
Total roading network (km)	1,956
Elected representatives (Council & Community Boards)	17

Milestones

The following are the significant achievements for 2006/07:

- Decision to proceed with Dannevirke Town Centre refurbishment.
- Makomako passing lane constructed.
- Seal extensions on Coast, Seaview and Putara roads completed.
- Strengthening of Mangahao bridge.
- Completion of Centre Drain reconstruction (a 5 year project) in Pahiatua.
- Purchase of new fire appliance for the Weber Fire Force.
- Sewer mains in Tui, Sedcole and Paterson Streets, Pahiatua replaced.
- Sewer main in Rawhiti Street, Dannevirke replaced.
- Water mains in Albert and Tyndall Streets, Pahiatua replaced.
- Water mains in Herbert Street, Eketahuna replaced.
- Water mains in Ranfurly and McPhee Streets, Dannevirke replaced.

Acknowledgement

The positive roles played by the two community boards – Eketahuna and Dannevirke, together with the two community committees – Woodville Districts' Vision and Pahiatua On Track, continue to keep Council focused. The "local" perspectives are vital to healthy leadership.

The invaluable work undertaken by Council members, staff and contractors over the past year is acknowledged with gratitude.

Maureen Reynolds
Maureen Reynolds
Mayor

Roger Twentyman
Roger Twentyman
Chief Executive

Capital Expenditure

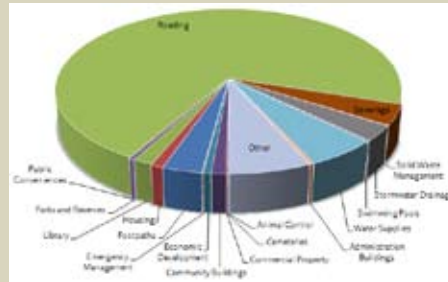
Council estimated capital development and renewals to be \$14,361,000 in 2006/07. However, we actually spent \$8,196,000 over the year.

Property, Plant and Equipment

The total book value of all Council's operational and infrastructural assets is \$707,540,000 (including intangible assets) compared to \$646,023,000 last year.

The total amount of amortisation and depreciation charged on these assets for the year was \$8,465,000 (2006: \$6,871,000).

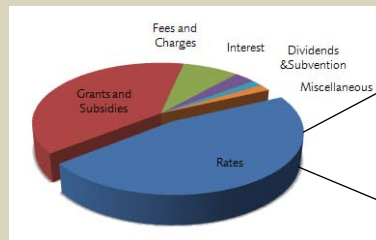
Capital Expenditure by Activity



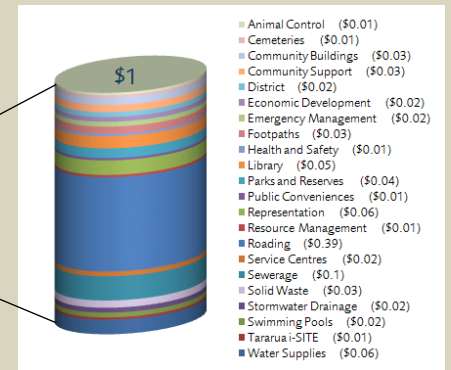
Activity	Actual (\$000's)	%
Animal Control	10	0.1%
Cemeteries	5	0.1%
Commercial Property	2	0.0%
Community Buildings	97	1.2%
Economic Development	48	0.6%
Emergency Management	7	0.1%
Footpaths	262	3.2%
Housing	81	1.0%
Library	133	1.6%
Parks and Reserves	36	0.4%
Public Conveniences	3	0.0%
Roading	5,873	71.7%
Sewerage	327	4.0%
Solid Waste Management	6	0.1%
Stormwater Drainage	248	3.0%
Swimming Pools	12	0.2%
Water Supplies	476	5.8%
Administration Buildings	26	0.3%
Other	544	6.6%
Total Capital Expenditure	\$8,196	100.0%

How Council Got its Money

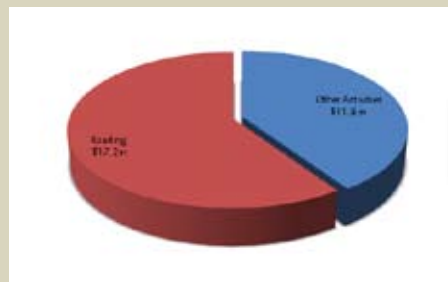
\$29.65m



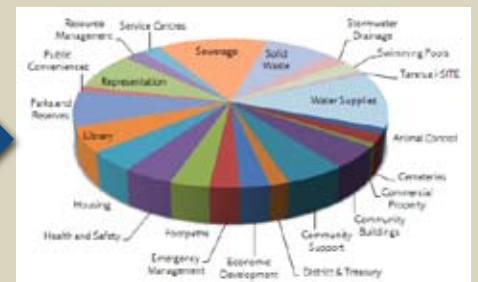
How Your Rate Dollar Was Spent



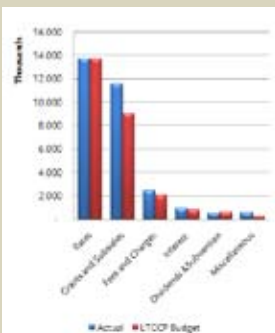
Operating Expenditure \$29.01m



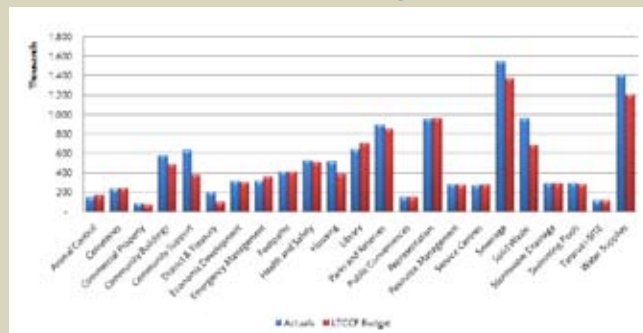
Expenditure (Other Activities)



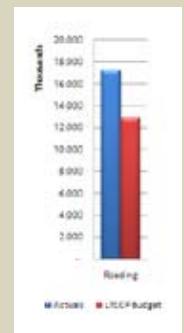
Actual Compared to Estimate – Income



Actual Compared to Estimate – Expenditure (excl Roading)



Roading Expenditure



2006/07 Highlights in Summary

This is a brief summary of some of the Council's achievements in the 2006/07 financial year.

Economic Development

The structure for the Classic New Zealand Wine Trail was formalised.

We facilitated the feasibility study at Pukaha Mount Bruce.

The project "GO!" is currently waiting on soil research information to be completed.

Emergency Management

New radios were purchased for \$8,000.

All rural fires were responded to within 30 minutes of notification.

A new fire appliance was commissioned in Weber.

Footpaths

A total of 30 complaints were received, of which 19 described safety issues. Of those, none were outstanding longer than four days.

Expected completion of the Dannevirke Town Centre Refurbishment is March 2009. The construction period is 1 October 2007 to 6 December 2008.

Health and Safety

All food premises (99) were inspected at least twice during the year.

99% of building consents applications were processed within the statutory timeframe.

All liquor licensed premises were inspected where new or renewed.

All noise complaints were responded to with an average response time of 12 minutes.

Parks and Reserves

The Akitio foreshore area was made ready for planting to prevent erosion.

A cricket wicket was developed at PPCS Park in Pahiatua.

Resource Management

The District Plan review and policy development commenced.

Roading

99.389km of sealed roads was resealed (Plan 100km).

12.5km of work was completed on basecourse up to the sealing level with 10.18km of roads then sealed at a total cost of \$1,423,084.

5.3km of unsealed road were sealed at a total cost of \$433,599.

3km of seal was completed on Coast Road with Putara/Seaview Roads and Coast Road also completed.

Minor safety works totalling \$735,278 were completed.

94% of roads are in a similar or better condition to the prior year.

Makomako passing lane constructed.

Mangahao Bridge was strengthened.

Flood expenses for roading are \$4.0m over budget and is offset by \$3.87m of extra subsidy.

Capital roading costs are \$1.5m under budget (primarily Pahiatua Track & Saddle Road not completed).

Service Centres

There were 3,122 service requests received during the year. Of these, 92.5% were actioned within five working days.

Sewerage

As at balance date, Dannevirke was the only scheme that had resource consent. There was one breach in relation to phosphorus levels.

There were no properties affected by overflowing sewer mains during the 2006/07 year.

Sewer mains were replaced: Tui, Sedcole, and Paterson Streets (Pahiatua), and Rawhiti Street (Dannevirke).

Solid Waste

A new resource consent was received for Pongaroa landfill.

The target to reduce landfill waste disposal by 20% by 2010 compared to 2005/06 remains achievable.

An arrangement was entered into with a recycling contractor to make more use of the Pahiatua landfill. This also involved more recycling services to the District through the provision of large "red" recycling containers.

Stormwater

Incidents of flooding reduced from 11 in 2005/06 to eight in 2006/07.

Public enquiries were responded 91% (30/33) within the specified time.

The final stage of the Pahiatua Centre Drain (\$248,000) was completed with sealing still required.

Tararua i-SITE

Local and national visitors to the i-SITE have dropped this year (2006: 12,402, 2007: 10,896) but there has been an increase in international visitors (2006: 2,654, 2007: 2,879).

National and international enquiries have increased since last year. National visitors in 2005/2006 were 11,295 increasing to 15,304 in 2006/2007. International visitors in 2005/2006 were 5,577 increasing to 7,352 in 2006/2007.

Water Supplies

We achieved a continuous supply with the average time without water per customer being no more than two hours each year.

Upgrades are progressing as planned.

We achieved the following percentages of service responses within the specified time:

- Emergencies: 1 hour 95% to time
- Non-urgent faults: 24 hours 90% of time
- Leaking tobies: 3 days 80% of time
- New connections: 10 days 90% of time

Public health risk management Plans were prepared for Woodville and Dannevirke.

Water mains were replaced:

- Albert & Tyndall Streets, Pahiatua
- Herbert Street, Eketahuna
- McPhee Streets, Dannevirke



2006/07 Summary of the Consolidated Financial Statements

Statement of Consolidated Financial Performance for the Year Ended 30 June 2007

This statement details the operating revenue and expenditure of Council, as well as other transactions that have impacted on Council's net worth. All amounts are expressed in New Zealand dollars and are in thousands (\$'000's).

2005/06			2006/07		
Council Actual	Consolidated Actual		Council Actual	Council LTCCP	Consolidated Actual
		Operating Revenue			
12,768	12,574	Rates	13,739	13,710	13,729
13,970	13,970	Grants and subsidies	11,552	9,038	11,552
1,285	896	Interest and dividends	1,405	1,340	944
2,533	31,636	Other Income	2,957	2,283	31,705
30,556	59,076	Total operating revenue	29,653	26,371	57,930
		Expenditure			
17,169	28,667	Other operating expenses	16,669	12,379	27,452
6,871	8,705	Depreciation and amortisation	8,465	7,109	10,473
3,142	16,750	Employee benefit costs	3,216	3,271	16,927
662	1,095	Interest	661	739	1,128
27,844	55,217	Total operating expenditure	29,011	23,498	55,980
(1,552)	(1,226)	Other asset gains/(losses) and revaluation increases/(decreases)	(1,582)	-	(1,383)
1,160	2,633	Surplus/(deficit) before tax	(940)	2,873	567
-	534	Taxation expense	-	-	556
1,160	2,099	Net surplus/(deficit)	(940)	2,873	11
1,160	1,743	Parent Interest	(940)	2,873	(396)
-	356	Minority Interests in this surplus	-	-	407

Statement of Consolidated Movements in Equity for the Year Ended 30 June 2007

Equity is the community's interest in Council and represents total assets less liabilities. This statement reconciles the movement in equity from one year to the next.

2005/06			2006/07	
Council Actual	Consolidated Actual		Council Actual	Consolidated Actual
1,160	2,099	Net surplus/(deficit) from above	(940)	11
52,932	53,231	Increase in revaluation reserves	63,116	63,594
54,092	55,330	Total recognised revenues and expenses	62,176	63,605
-	(153)	Distributions to owners (minority interest)	-	(163)
54,092	55,177	Net increase in equity	62,176	63,442
598,191	611,038	Opening balance of equity	652,293	665,930
10	(285)	IFRS adjustment for landfill costs	-	-
652,293	665,930	Closing equity at 30 June 2007	714,469	729,372
652,293	660,579	Parent Interest	714,469	723,614
-	5,351	Minority Interests in Equity	-	5,758

Statement of Consolidated Financial Position as at 30 June 2007

This statement summarises what Council owns and what we owe at balance date. The term "current" indicates what is receivable or payable within one year.

2005/06			2006/07		
Council Actual	Consolidated Actual		Council Actual	Council LTCCP	Consolidated Actual
15,531	21,869	Current assets	16,416	15,260	23,379
651,546	669,468	Non-current assets	713,096	660,400	731,103
667,077	691,337	Total assets	729,512	675,660	754,482
3,656	7,959	Current liabilities	8,956	8,706	13,147
11,128	17,448	Non-current liabilities	6,087	8,133	11,963
14,784	25,407	Total liabilities	15,043	16,839	25,110
652,293	665,930	Net Assets / Equity	714,469	658,821	729,372
652,293	660,579	Parent Interest	714,469	658,821	723,614
-	5,351	Minority Interests in Net Assets	-	-	5,758

Statement of Consolidated Cash Flows for the Year Ended 30 June 2007

This statement shows how Council generated and used cash during the relevant financial year. It takes no account of money owed but not paid or received and therefore differs from the Statement of Financial Performance.

2005/06			2006/07		
Council Actual	Consolidated Actual		Council Actual	Council LTCCP	Consolidated Actual
8,509	11,077	Net cash flow from operating activities	10,369	9,982	12,850
(9,735)	(13,110)	Net cash flow from investing activities	(8,548)	(10,643)	(10,458)
228	678	Net cash flow from financing activities	(51)	1,257	(896)
(998)	(1,355)	Net increase/(decrease) in cash held	1,770	596	1,496
6,798	7,795	Opening balance	5,800	3,486	6,440
5,800	6,440	Total cash resources at 30 June 2007	7,570	4,082	7,936

Financial Overview

The position of Council remains strong. The cash position increased by \$2.29m, working capital is sound with \$7.5m excess current assets over current liabilities; and no additional debt was required for the year.

While the Statement of Financial Performance shows a bottom line deficit (\$0.9m), it does not affect the funded position of Council. The deficit was as a result of asset related changes (extra depreciation and write-downs on replacement) adding \$2.9m of extra non-cash expenses to the result. This was massively reversed with a \$63m increase in asset values as shown in the Statement of Movements in Equity.

A large capital programme was completed totalling \$8.2m against an available budget of \$12.8m. There were delays on three large capital projects: the Pahiataua Track (\$2m), Saddle Road (\$0.55m) and Woodville sewage treatment (\$1m).

Council had no significant post balance date events but the subsidiary, Infracon Ltd, purchased Hawkes Bay Drainage & Contracting Ltd effective 1 July 2007.

Transition to New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)

Tararua District Council's financial statements for the year ended 30 June 2007 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice to comply with NZ IFRS. The 2005/06 comparatives have been restated to also comply. Tararua District Council is a public benefit entity domiciled in New Zealand.

The following table and explanations show the effect of the changes to previously published financial statement for the opening balance sheet (1 July 2005) and for the 2005/06 comparative figures as a result of the implementation of NZ IFRS.

Reconciliation of Equity – Council						
	1 July 2005			30 June 2006		
	Previous GAAP	Effect of transition	Restated NZ IFRS	Previous GAAP	Effect of transition	Restated NZ IFRS
Current assets	15,234	52	15,286	15,483	48	15,531
Non-current assets	597,592	57	597,649	651,487	59	651,546
Total assets	612,826	109	612,935	666,970	107	667,077
Current liabilities	3,816	-	3,816	3,656	-	3,656
Non-current liabilities	10,928	-	10,928	11,128	-	11,128
Total liabilities	14,744	-	14,744	14,784	-	14,784
Equity	598,082	109	598,191	652,186	107	652,293
Net Surplus	-	-	-	1,172	(12)	1,160

Reconciliation of Equity – Consolidated						
	1 July 2005			30 June 2006		
	Previous GAAP	Effect of transition	Restated NZ IFRS	Previous GAAP	Effect of transition	Restated NZ IFRS
Current assets	22,728	52	22,780	21,817	52	21,869
Non-current assets	614,393	(268)	614,125	669,389	79	669,468
Total assets	637,121	(216)	636,905	691,206	131	691,337
Current liabilities	9,566	66	9,632	7,892	67	7,959
Non-current liabilities	16,550	(315)	16,235	17,392	56	17,448
Total liabilities	26,116	(249)	25,867	25,284	123	25,407
Equity	611,005	33	611,038	665,922	8	665,930
Net Surplus	-	-	-	1,839	260	2,099
Minority Interest	5,039	75	5,114	5,370	(19)	5,351

Reconciliation of Surplus						
	Council 30 June 2006			Consolidated 30 June 2006		
	Previous NZ GAAP	Effect of transition	Restated NZ IFRS	Previous NZ GAAP	Effect of transition	Restated NZ IFRS
Operating Revenue	30,556	-	30,556	59,076	-	59,076
Expenditure	27,844	-	27,844	55,239	(22)	55,217
Other gains/(losses)	(1,540)	(12)	(1,552)	(1,540)	314	(1,226)
Taxation expense	-	-	-	548	76	534
Operating surplus (deficit)	1,172	(12)	1,160	1,839	260	2,099
Parent Interest	1,172	(12)	1,160	1,457	286	1,743
Minority Interests	-	-	-	382	(26)	356

Significant NZ IFRS Changes

Deemed cost has been applied to assets resulting in a transfer within equity of revaluation reserves to retained earnings. NZ IFRS requires forestry assets to be revalued annually, with the change in valuation to be processed through the Statement of Financial Position.

Deferred tax has been reassessed to reflect the changes in revaluation as a result of the reversal of the June 2005 revaluations, the recalculation to take into account asset revaluations above historic cost at 1 July 2005.

Forests are now recorded in both the subsidiary and the consolidated financial statements at fair value and an elimination is no longer required.

There have been reclassifications between some amounts.

Full disclosure of changes due to IFRS are detailed in the Notes to the Financial Statements (page 125) in our full Annual Report for 2007.