

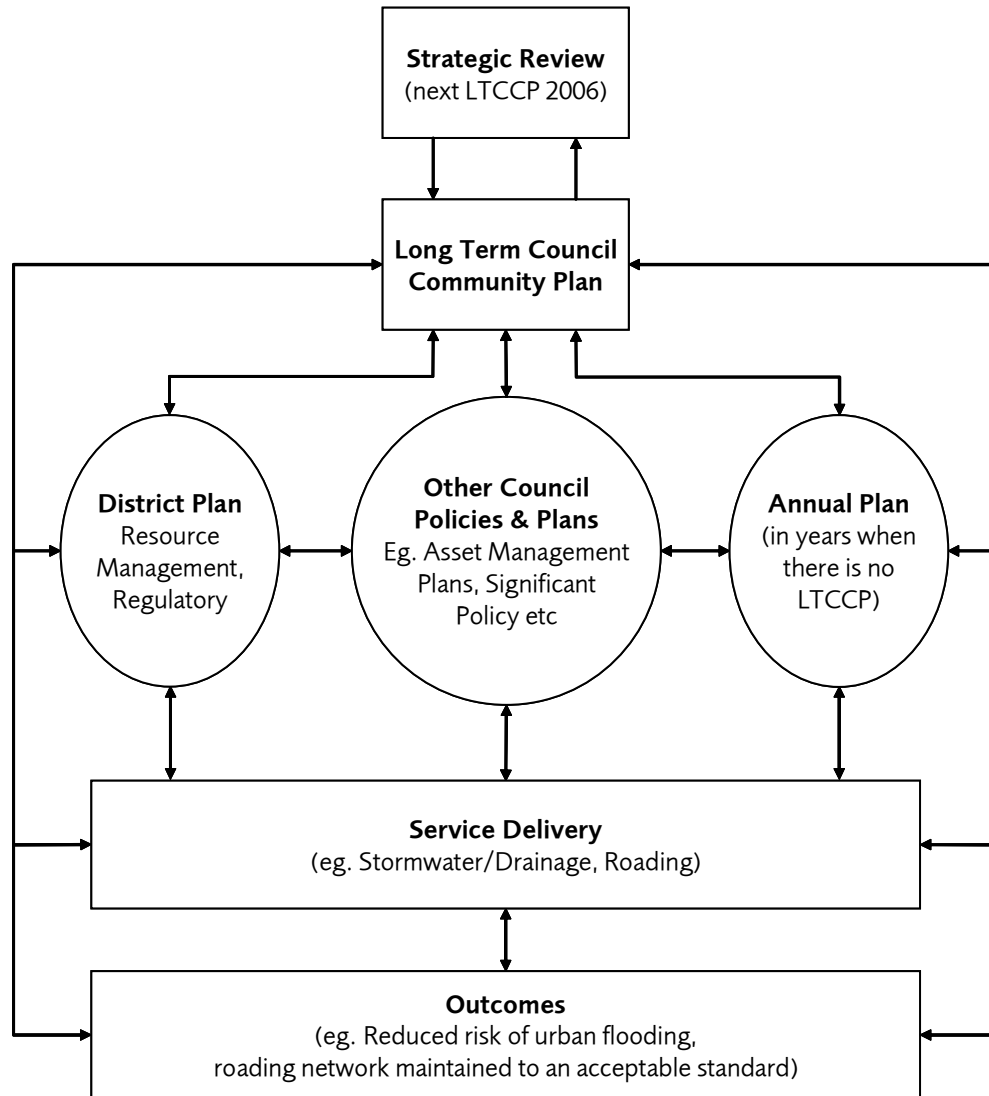


Reports and Policies

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Linkage Between Council Policies & Plans

This Annual Report gives outcomes for the 2003/2004 financial year. These actions were shaped by the directions outlined in the Council's Strategic Plan and in several other Council Policies and Plans. The linkages between these are shown in the diagram below:



Report on Long Term Financial Strategy and Policies

Each local authority is required to have prepared and adopted a long term financial strategy, funding policy, borrowing management policy, and investment policy. The Annual Report must contain sufficient information to enable an informed assessment of the extent to which the objectives and provisions of the strategy and policies have been achieved during the year.

During the 2003/2004 financial year the Council made good progress towards the achievement of these objectives and policies. A summary is set out below.

Long Term Financial Strategy Report

Background

The Long Term Financial Strategy (LTFS) identifies the significant activities of the Council and provides for the estimated future revenues, expenses, cash flows and other movements in the forecast Financial Statements. The general aim of the LTFS is to ensure that the Council has

adequately considered and accounted for its future operations in accordance with the following six principles:-

- Prudent management of Council activities in the interest of the District and its residents
- Lawful funding mechanisms that, on reasonable grounds, can be considered appropriate
- Operating revenue covering all projected operating expenses
- Adequate provision for expenditure needs of the Council
- Maintaining prudent levels of debt in accordance with borrowing management policies
- Adequate consideration and assessment of benefits and costs of different options.

The 2003/2004 financial year was year 5 of the 1999-2019 LTFS. The forecast financial statements for Year 5 of the 1999-2019 LTFS correspond with the financial statements included in the 2003/2004 Annual Plan.

From 1 July 2004 the LTFS has been replaced by the Long Term Council Community Plan (LTCCP) 2004-2014.

Key Targets	Actual 2004 \$000's	Annual Plan 2004 \$000's	LTFS 2004 \$000's
Operating Surplus/(Deficit)	2,491	1,485	1,375
Total Equity/ Net Assets	574,354	457,105	456,996
External Debt (excluding Tenant Contribution)	10,000	9,513	9,601
Capital Developments & Renewals	8,890	8,263	8,086

Explanation for Key Target Variances

The Long Term Financial Strategy (LTFS) Surplus of \$1.375 million compares to an actual surplus of \$2,491 million before an increase of depreciation expense of \$973,000 and a net recognition of new asset values of \$3.701 million.

The actual equity balance is \$117 million greater than the LTFS primarily because of revaluations, better accounting of infrastructural assets along with the completed capital renewals and developments. This reflects in a net increase of fixed assets of \$44 million in the past 12 months. In addition the equity of Council has been increasing from the accumulated Council surpluses, that are mainly necessary to pay for the capital developments.

The actual external debt is slightly higher than the LTFS by \$0.4 million. This is primarily because greater use has been

made of external debt because of attractive interest rates. \$3.691 million of uncompleted capital renewals and developments has been carried forward into 2004/2005. Of this work, \$0.96 million is to be loan funded. Internal borrowings of \$0.43 million (\$1.076 was budgeted) were used in addition to the external debt. The Dannevirke library building was also purchased creating debt of \$183,000. Together these items account for the significant variance.

The capital renewals and developments exceeded the LTFS estimate by \$0.804 million because the sewerage treatment upgrade project had flagged a separate additional cost for the design work. There was also a greater level of footpath renewals which was budgeted in the LTFS at \$125,000 per annum but required \$1 million spread over two years into 2003/2004.



Funding Policy Report

Goal	Function	Note	Subsidy		User Charges		General Rates *
			Actual	Policy	Actual	Policy	Actual
03	Animal Control	1			90.5%	95.0%	9.5%
03	Building Control	2			115.8%	87.5%	
02	Commercial Property	3			134.3%	110.0%	
05	Buildings - Community	1			9.3%	10.0%	90.7%
03	Camping Grounds	1			1.6%		98.4%
02	Cemeteries	1			28.0%	25.0%	72.0%
05	Community Support	10			7.5%		92.5%
05	Service Centres	1			0.3%		99.7%
05	Dannevirke Aerodrome	4			131.9%	100.0%	
04	Economic Development	5			53.0%		47.0%
02	Emergency Management - Civil Defence	1	6.4%				93.6%
03	Environmental Health	7			23.4%	46.0%	76.6%
02	Footpaths	1			2.8%		14.6%
03	General Inspection	1			6.2%	5.0%	93.8%
05	Housing	8			97.5%	125.0%	2.5%
04	I-Site	1			10.9%	10.0%	89.1%
05	Libraries	11			100.0%		
03	Liquor Licensing	7			26.0%	85.0%	74.0%
06	Local Government Representation	1					100.0%
03	Parks & Reserves	9			22.2%	5.0%	77.8%
02	Public Conveniences	1					100.0%
03	Resource Management	6			19.7%	10.0%	80.3%
02	Roading	1	65.5%	65.0%			
02	Emergency Management - Rural Fire Protection	1			6.0%		
02	Sewerage	1			1.5%	4.0%	4.7%
02	Stormwater	1					
03	Waste Management	1			41.0%	40.0%	43.1%
n/a	Support Costs	12					
05	Swimming Pools	1			3.2%	3.0%	96.8%
02	Water Supplies	1			25.8%	20.0%	

*General rates are those activities charged through the Uniform Annual General Charge or through the General Differential Rate

Explanation for Variance

1. Within 5% of budget is considered to be materially within the policy
2. User charges exceeded. Building activity was very high for the fourth consecutive year.
3. The expenses were under budget
4. The actual figures are small giving rise to a large percentage difference
5. Mainly due to the unbudgeted revenue from the sale of land.
6. Revenue was higher than expected.
7. The revenue budget was overstated and the expense budget was understated.
8. The expenses (extra depreciation & maintenance) were higher than budget.
9. The Domain Boards have returned more revenue than expected but the depreciation on buildings was also higher than expected.
10. Expenses were lower than expected and interest revenue was earned on special funds.
11. The library service was funded by a grant from the Tararua District Library Trust, which covered all operational costs.
12. 100% of support activity costs are allocated to the significant activities.

General Rates *	Sector General Differential	Sector General Differential	Uniform Rates	Uniform Rates	Roading Rates	Roading Rates
Policy	Actual	Policy	Actual	Policy	Actual	Policy
5.0%						
12.5%						
90.0%						
100.0%						
75.0%						
100.0%						
100.0%						
100.0%						
100.0%						
54.0%						
15.0%	82.6%	85.0%				
95.0%						
90.0%						
100.0%						
15.0%						
100.0%						
95.0%						
100.0%						
90.0%					34.5%	35.0%
	94.0%	100.0%				
5.0%			93.8%	91.0%		
			100.0%	100.0%		
49.0%	15.9%	11.0%				
97.0%						
			74.2%	80.0%		

Note: The funding policy excluded capital funding (except for sewerage) eg: through loans & special funds. In addition it excluded the application of past year's surplus and district revenue (eg interest).



Borrowing Management Policy

Specific Borrowing Limits/Credit Exposure

Debt was to be managed within the following limits subject to the Council continuing to control and maintain its share of the roading network requirements in the event of civil emergencies:

	Limit	Actual
• Gross cost of debt* (interest and principal payments) in any financial year must not exceed as a percentage of Council's operating revenue.	12%	1.8%
• Gross cost of debt* (interest and principal payments) in any financial year must not exceed as a percentage of rate revenue.	20%	3.6%
• Debt must not exceed as a percentage of total public equity and accumulated funds.	5%	1.8%
• Total debt per head of population will not exceed.	\$1,000	\$586

* Excludes loan refinancing of \$2.0 million.

Weighted average interest cost was 6.08% on \$10.0 million of debt and \$0.469 million of Tenant Contributions as at 30 June 2004.

Specific Policy on Giving of Securities

Council may act as guarantor to financial institutions on loans or enter into incidental arrangements for Organisations, Clubs, Trusts, or Business Units, when the purposes of the loans are in line with Council's strategic objectives.

	Limit	Actual
Guarantees given will not exceed in aggregate	\$1.0 million	\$8,750

Borrowing Management Policy Breaches

Borrowing Management Policy 1.2 Fixed versus Variable Interest Rates

"Fixed interest rate debt: No greater than 90% of total external debt. Variable/Floating interest debt: No greater than 50% of external debt."

The current percentage of fixed interest rate debt is 99.9% based on the Council's funding decision.

Investment Policy

Council's portfolio will be arranged to provide sufficient funds for planned expenditures and to allow for the payment of obligations as they fall due. Council's policies under Section 102 of the Local Government Act are as below:

	Limit	Actual
Minimum level of available liquidity (committed bank facilities and/or liquid assets) will be not less than \$1.0 million in addition to the amount required to be held against special funds.	\$1.0 million	\$6.9 million

Investment Spread

Council had cash invested in the following institutions on 30 June 2004:

	Rating	Limit	Actual
Bank of New Zealand	A1+	< 40%	33%
Westpac Trust	A1+	< 40%	14%
National Bank of NZ	A1+	< 40%	22%
ANZ Banking Group	A1+	< 40%	29%
CitiBank	A1+	< 40%	2%

Rating is established by Standard & Poors.

Weighted average return was 4.98% on \$12.7 million on 30 June 2004 (5.65% on \$8.1 million on 30 June 2003.)

Note: the current account interest rate was 2% on \$2.3 million and money market interest rate was 5.64% on \$10.4 million.

Employment Policy

Equal Employment Opportunities Objective

The Tararua District Council is committed to the principle of equal employment opportunity in the recruitment, employment, training and promotion of its employees. The organisation will provide a welcoming positive environment and will implement a purposeful programme of action to ensure its activities and services are carried out with an awareness of, and an intent to eliminate discrimination in the areas of race, colour, ethnic or national origin, gender, religion, marital status, family responsibilities, sexual orientation, people with disabilities or age.

Policies

The Tararua District Council will ensure that equal employment opportunities are promoted and provided within the organisation by: -

- Developing, implementing and reviewing an appropriate Equal Employment Opportunity programme.
- Fostering a positive climate in the work place, which appreciates a diversity of background and individual

contribution, and encourages employees to develop their potential.

- Selecting the best person for the job on the basis of the job requirements and the ability of that person to perform the job.
- Ensuring that all personnel policies, procedures and activities reflect the fundamental principles of the Equal Employment Opportunity policy, in the recruitment, employment, training and promotion of its employees.
- Identifying and providing appropriate training programmes that will include bi-cultural training to enable employees to best meet the requirements of their current jobs and to develop additional skills with a view to future promotion opportunities.
- Promoting employees on the basis of performance (past, present and potential), and the willingness of the employees to accept greater responsibility.
- Maintain a workplace free of discrimination and harassment on the basis of race, colour, ethnic or national origin, gender, religion, marital status, family responsibilities, sexual orientation, people with disabilities or age.

Performance for the Year ended 30 June 2004

Equal Employment Opportunities

Long-term Objective	Performance Target	Achievement
<ul style="list-style-type: none"> • Implementation of Equal Employment principles and processes. 	Ensuring all staff have access to staff handbook.	The Staff Handbook is on the Council Intranet. All staff have access to a PC to enable them to access the handbook. All new staff are given a hard copy of the Handbook during induction.
<ul style="list-style-type: none"> • Enhancement of Council's image as an Equal Employment employer. 	Promotion of council through the media.	The Council provides a page of newspaper articles/ advertisements each week for the Bush Telegraph, which is a weekly newspaper distributed free throughout the Tararua District.
<ul style="list-style-type: none"> • Continual monitoring of recruitment and promotion procedures 	<p>Ensure staff handbook remains current.</p> <p>Keep up to date with legislative changes.</p>	<p>Revisions have been made during the year.</p> <p>The Council is a member of the Employers and Manufacturers Association (EMA) and consequently receives their bulletins that contain employment case law and any changes to legislation. Briefing sessions run by the EMA attended. Human Resources Department is a member of the Local Government HR List Serve, which provides valuable information on current legislation, policy, and procedural matters.</p>



Governance Report

Role of the Council

The Council has overall responsibility and accountability for the proper direction and control of the District's development.

Structure of Council

Council appoints a Chief Executive to manage the council operations. The Chief Executive, Roger Twentyman, is accountable to the Mayor and Councillors for managing the Council.

He has statutory powers conferred by the Local Government Act and other powers at Council's discretion. The Chief Executive has appointed managers to manage key areas of the Council's operations.

Council Committees

The Council has three committees, one group, and one Tenders Board to monitor and assist in the effective discharge of Council's responsibilities. These include:

- Tribunal and Hearings Committee
- Economic Development Committee
- Audit Committee
- Heritage Advisory Group
- Tenders Board

Tribunal and Hearings Committee

To hear and adjudicate on all matters Council is required to handle in this manner, meeting throughout the district or outside as appropriate. To form an executive tribunal of the Chairperson (or Mayor in absence of Chairperson) and Chief Executive (or nominee) to handle and approve straightforward applications on a regular basis.

Economic Development Committee

To co-ordinate the promotion of economic development in the Tararua District. The power to allocate funds from the budget approved for economic development and apply these to such initiatives or projects, which it considers are appropriate in facilitating opportunities to maintain and enhance the district's economy.

Audit Committee

To ensure that the audit is properly conducted and that any problems revealed by the audit are dealt with properly and promptly. To receive and consider the draft annual report prepared under the Local Government Act. To consider such audit related matters as may be referred to it by the Chief Executive or by the Council including special projects undertaken by the Audit Office. To receive and consider the Audit Management report. To liaise with the Audit Office. To consider such other matters as may be deemed appropriate.

Heritage Advisory Group

To work with Council on heritage matters.

Tenders Board

To consider tenders and award all contracts with regard to any tender that either exceeds the delegation of authority to the Chief Executive or any statutory or procedural limits in respect to roading matters which are imposed by Transfund.

Community Boards

Elected community boards represent Dannevirke, Pahiatua and Eketahuna communities.

The boards reflect unique history requirements of each locality and assist Council to meet the community's needs. The Boards advise Council on a wide range of issues.

Council Controlled Organisations

Information on the Council Controlled Trading Organisations and Trusts is presented in the Consolidated Notes to the Financial Statements.

Treaty Obligations

The Council has an obligation to take into account the principles of the Treaty of Waitangi and to recognise and provide for the special relationship between Maori, their culture, traditions, land and taonga.

The Council acknowledges Rangitane O Tamaki Nui A Rua as having Tangata Whenua status in the Tararua District.

A Memorandum of Partnership has been established which governs the relationship between Rangitane O Tamaki Nui A Rua and the elected Council.

Key Principles:

- To actively promote the sustainable management of the District's natural and physical resources and those taonga of significance to Rangitane O Tamaki Nui A Rua.
- To develop an effective partnership with Rangitane O Tamaki Nui A Rua in the management of the district's natural and physical resources by the exercise of good faith, cooperation, flexibility and responsiveness in their dealings with each other.
- To promote active participation of Rangitane O Tamaki Nui A Rua in the preparation, implementation and review of resource management policies and plans.
- To have particular regard to the rights of Rangitane O Tamaki Nui A Rua in the management and development of resources by recognising and providing for Kaitiakitanga.
- To recognise the Rangatiratanga right of Rangitane O Tamaki Nui A Rua as guaranteed in Article II of the Treaty of Waitangi, to retain responsibility and control of the management and allocation of their resources.

Goal:

- To forge a relationship of mutual benefit between the Tararua District Council and Rangitane O Tamaki Nui A Rua that will develop into an effective and meaningful partnership.

Programme:

- To promote an understanding of the Memorandum of Partnership.
- Working to maintain the arrangement with Rangitane O Tamaki Nui A Rua.
- Ensuring that all parties are kept informed of the Council's programmes and be given the opportunity to take part in the Council's affairs.

Governance Framework

Independent Election

The Council believes the democratic election of Councillors by the citizens of Tararua District ensures that it is able to operate in the best interests of the district and to function independently of management.

Communications

The public can be part of Councils decision-making process through various consultation processes as prescribed by the Local Government Act.

These include the Community Planning process, and new policy consultation.

Division of Responsibility between Council and Management

A key to the efficient running of the Council is the clear division between the roles of Council (elected members) and management. Council concentrates on setting the strategic vision and policies, while management is concerned with implementing policy and strategy.

While many functions have been formally delegated to the Chief Executive, the overall responsibility for maintaining effective systems of internal control rests with the Council. Internal control includes the policies, systems and procedures, which have been established to provide measurable assurance that the specific objectives of the Council are being achieved.

The Council has acknowledged its responsibility with the signing of the Statement of Compliance and Responsibility.

Internal Audit

The purpose of the internal audit process is to plan and carry out the function in accordance with the Standards for the Professional Practice of Internal Auditing and ensure compliance with government laws and regulations.

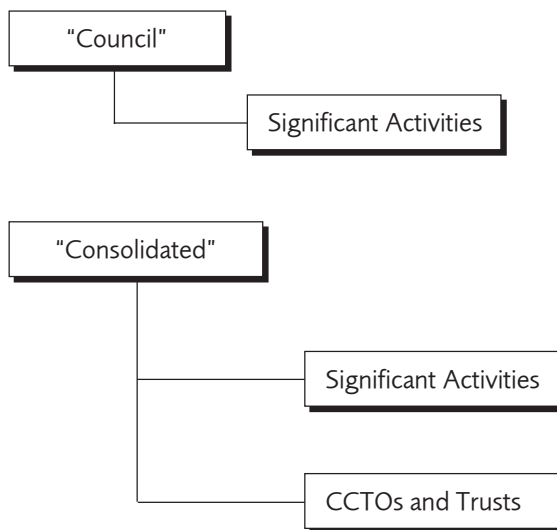
Operations and programmes are reviewed to ascertain whether results are consistent with established objectives and goals and the operations and programmes are being effectively carried out as planned.

The Audit Committee has a key role in ensuring that the internal audit function is performed to a satisfactory standard.



Statement of Financial Involvement in Council Controlled Organisations

How Council's operations are managed and reported.



Trusts

Tararua Aquatic Community Trust

As Council provides a significant portion of this Trust's total funding it is deemed to have a "significant interest" in the Trust.

Tararua District Library Trust

Council took over the operation of the District library services on 1 July 2003. The Trust commenced the wind up of its affairs with the Council purchasing its assets on 30 September 2003 and the Trust then supplied significant funding for the annual library service. For this reason the Council was deemed to have a "significant interest" in the Trust. The Trust is expected to be wound up fully in 2004/05.

As with the companies above, the financial results and positions of both the Trusts at year end are consolidated into Tararua District Council's results.

Significant Activities

These are activities of the Council.

Council Controlled Trading Organisations (CCTOs)

CCTOs consist of:

- TDC Holdings Limited
- Infracon Limited (66% owned)
- Tararua Forests Limited

At the end of the financial year, the results and positions of these companies are included in Tararua District Council's financial result and shown as a "consolidated result". (The Annual Report also shows a Council only result.)

Report of the Auditor-General

AUDIT REPORT

TO THE READERS OF TARARUA DISTRICT COUNCIL AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

The Auditor-General is the auditor of Tararua District Council (the District Council) and group. The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the District Council and group, on his behalf, for the year ended 30 June 2004.

Unqualified opinion

In our opinion the financial statements of the District Council and group on pages 30 to 77:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the District Council and group's financial position as at 30 June 2004;
 - the results of operations and cash flows for the year ended on that date; and
 - the service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 06 October 2004, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.



Report of the Auditor-General continued...

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Council;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee

complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the District Council and group as at 30 June 2004. They must also fairly reflect the results of operations and cash flows and service performance achievements for the year ended on that date. The Council's responsibilities arise from the Local Government Act 2002, which requires the Council to prepare financial statements under the Local Government Act 1974.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the District Council or any of its subsidiaries.



R.J. Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand

This audit report relates to the financial statements of Tararua District Council and Group for the year ended 30 June 200X included on Tararua District Council and Group's web-site. The Council is responsible for the maintenance and integrity of the Tararua District Council and Group's web site. We have not been engaged to report on the integrity of the Tararua District Council and Group's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. 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 financial statements and related audit report dated 6 October 2004 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Compliance and Responsibility

Compliance

The Council and management of the Tararua District Council confirm that all the statutory requirements of section 283 of the Local Government Act 2002, which includes the requirement to comply with Part VIIA of the Local Government Act 1974 regarding financial management and borrowing have been complied with.

(Part VIIB has been repealed and deals with the old financial policies which were replaced with the section 102 policies in the Council's annual plan last year.)

Responsibility

The Council and management of Tararua District Council accept responsibility for the preparation of the annual Consolidated Financial Statements and the judgements used in them.

The Council and management of Tararua District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

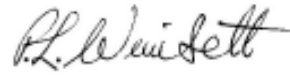
In the opinion of the Council and management of Tararua District Council, the annual Consolidated Financial Statements for the year ended 30 June 2004 fairly reflect the financial position and operations of Tararua District Council and Group.



Mayor
6 October 2004



Chief Executive
6 October 2004



Manager Financial Services
6 October 2004

