



Annual Report Summary

2005/2006



Audit Report

TO THE READERS OF TARARUA DISTRICT COUNCIL AND GROUP'S SUMMARY ANNUALREPORT FOR THE YEAR ENDED 30 JUNE 2006

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-39: Summary Financial Reports and is consistent with the full financial statements from which it is derived.

We expressed an unqualified audit opinion, in our report dated 11 October, 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 include New Zealand Auditing Standards. Other than the audit and in conducting the audit of Long Term Council Community Plan, we have no relationship with or interests in the District Council.

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
10 November 2006

Annual Report (in summary form)

for the year ended 30 June 2006

This summary of the Annual Report 2005/06 is based on, and extracted from the Annual Report of the Tararua District Council and group, which was adopted by Council on 11 October 2006, and received an unqualified audit report on the same day.

The full report is available on our website www.tararua.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 complies with Section 98 of the Local Government Act 2002.

Community Engagement

The Tararua District Council is committed to working with its communities to achieve their goals. It recognises that to have a healthy and sustainable community many organisations need to work together, taking a collaborative approach to community issues, and the achievement of the community outcomes.

The Tararua Community Outcomes (desired states) have been agreed with the community as:

- a safe community
- a high standard of infrastructure
- access to local services
- a sustainable natural environment
- a strong, prosperous economy
- a connected community

This relationship is acknowledged as being long term and progress will be measured over time. The start has been made.

Council's Role in Achieving the Community Outcomes

The Council contributed to the community outcomes in a number of ways; as a provider, funder, regulator, promoter and facilitator, advocate and monitor. It helped the Tararua district achieve its desired quality of life by maintaining current levels of service, taking an increased leadership role in community issues, and enhancing relationships with local, regional and national service providers.

There were many achievements of note during the year, too many to mention in this brief summary. Highlights were:- safer communities, completion of the McCardle walkway, refreshed gateway signs, and a successful subdivision in Pahiatua.

Infrastructure

The Tararua District Council is fully committed to maintaining and enhancing our basic infrastructure. Roading, water supplies, sewage disposal, and stormwater are all important to the Tararua stakeholders.

To meet our commitment relating to the infrastructure was a considerable challenge throughout the year. While we were concluding the last sections of work relating to the February 2004 storm event, the district was hit by further flooding. In some areas the damage was worse than in 2004.

The total spent on roading in 2005/06 was just short of \$20 million. Operational maintenance, renewals, and flood damage took \$6 million each, and developments (mostly) seal extensions and minor safety improvements) took \$2 million.

This programme was a huge undertaking for a small rural-based council. We acknowledge the support of Land Transport New Zealand in subsidising this work, and we thank our contractors, particularly Infracon Limited, for their dedication and professionalism. The cost to ratepayers of this activity was \$4.674 million.

In addition work on the Pahiatua Centre Drain project continued, with a further \$275,000 being spent this year, and \$60,000 on improving the stormwater flows around the Denmark Street, Dannevirke area.

We undertook renewals in the Housing activity, by ensuring that planned renewal work was undertaken. Examples of this work include walk-in showers, modern stoves, and energy efficient upgrades. A total of \$99,000 was spent.

Sewerage mains were replaced, as planned, in Dannevirke, Pahiatua, and Eketahuna at a cost of \$151,000.

Similarly with water mains replacement where \$61,000 was spent on the programme during the year.

Library books are constantly being updated, with favourable comments from users on the improved quality of the library stock. \$127,000 was spent on new books this year.

In all, capital development expenditure (this is new infrastructure and fixed assets) was in excess of \$3.5 million for the year. The source of funds for this was a contribution of government subsidy (for roads), loans, and rates.

At the same time, capital renewal expenditure (that is the replacement of existing worn-out assets) was \$6.4 million for the year. The source of funds for this expenditure was depreciation provision (provided for in previous years). The total of all expenditure on fixed assets was \$9.9 million.

Rates Collection

Recent history of Rates Collection shows (including GST):

	Annual Charged \$000	Annual Paid \$000	Paid %	Balance (all years)
2006	14,161	14,018	98.99	346
2005	13,504	13,355	98.90	338
2004	13,223	13,057	98.74	381

(Annual Charged includes rates set, penalties and sundry recoveries.)

(Annual Paid includes the amount paid to Council by ratepayers for rates and discount if applicable.)

Resident Opinion

Regular public opinion feedback is used by Council to determine its priorities and strategies. This survey is undertaken using the National Research Bureau.

A sample of the satisfaction levels are as follows (with comparisons):

Satisfaction with	very/fairly satisfied (%)	not very satisfied (%)
Unsealed Roads		
2003	72	28
2004	62	38
2005	69	31
Peer Group	69	31
Control of Dogs		
2005	74	26
Peer Group	71	29
Recycling		
2005	63	37
Peer Group	71	29
Community Support		
2005	92	8
Peer Group	86	14
Customer Service		
2005	97	3
The way rates are spent		
2005	77	23
Peer Group	72	28

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:

	Actual	Limit
• Gross cost of debt* (interest and principal payments) in any financial year must not exceed as a percentage of Council's operating revenue.	4.94%	12%
• Gross cost of debt* (interest and principal payments) in any financial year must not exceed as a percentage of rate revenue.	11.93%	20%
• Debt must not exceed as a percentage of total public equity and accumulated funds.	1.55%	5%
• Total debt per head of population will not exceed.	\$566	\$1,000

* Excludes loan refinancing of \$2.0 million.

Weighted average interest cost was 6.36% on \$10.0 million as at 30 June 2006. This average excludes internal borrowing and the tenant contributions. As \$5 million of the debt is deductible for tax purposes, the after tax interest cost of the external debt is 5.29%.

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.

There are now no guarantees provided to 30 June 2006.

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:

	Actual	Limit
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.	\$6.7 million	\$1.0 million

Investment Spread

Council had cash invested in the following institutions on 30 June 2006:

	Rating	Actual	Limit
Bank of New Zealand	A1+	37%	< 40%
Westpac Trust	A1+	33%	< 40%
ANZ National	A1+	22%	< 40%
CitiBank	A1+	8%	< 40%

Rating is established by Standard & Poors.

Weighted average return was 7.17% on \$10.781 million on 30 June 2006 (6.83% on \$11.72 million on 30 June 2005.)

Council Five-Year Summary of Key Indicators

	Unit	2002/03	2003/04	2004/2005	2005/06
Operating Surplus / (Deficit)*	\$000's	1,197	2,491	1,249	2,712
Equity	\$000's	531,437	574,354	598,082	652,186
Working Capital**	\$000's	6,922	10,836	11,418	11,827
Operating cash	\$000's	2,602	8,314	4,026	2,107
External Debt	\$000's	5,393	10,469	10,469	10,109
Roading Dig-outs	m ² 000's	2	4	2	8
Resealing	km	101	95.3	93	98.5
Maintenance Aggregate	m ³ 000's	20	27	18	23
Water Tabling	km	301	113	168	387
Building Consents issued		695	782	815	886
Registered dogs		6,527	6,808	6,786	7,036
Library Usage	Issues	185,001	173,158	172,355	171,187

* Operating Surplus/(Deficit) before Asset Changes.

** excludes loans in the long term financial plan that are to be refinanced.

Statement of Financial Position as at 30 June 2006

2004/05 Council \$000s	Actual Consolidated \$000s		Actual 2005/06 \$000s	Plan 2005/06 \$000s	Consolidated 2005/006 \$000s
15,234	22,728	Current assets	15,483	14,780	21,817
5,059	1,323	Investments	5,162	5,062	1,250
18,340	38,877	Fixed assets (operational)	22,675	22,792	44,489
2,468	2,468	Fixed assets (restricted)	3,305	2,541	3,305
571,725	571,725	Fixed assets (infrastructure)	620,345	547,253	620,345
612,826	637,121	Total assets	666,970	592,428	691,206
3,816	9,800	Current liabilities	3,656	3,607	8,081
10,928	16,316	Non-current liabilities	11,128	10,629	17,203
14,744	26,116	Total liabilities	14,784	14,236	25,284
598,082	611,005	Net assets	652,186	578,192	665,922
386,883	375,864	Accumulated funds	370,873	373,418	378,138
229,199	230,102	Reserves and trust funds	281,313	204,774	282,414
-	5,039	Minority interest	-	-	5,370
598,082	611,005	Represented by equity	652,186	578,192	665,922

Statement of Cash Flows for the Year Ended 30 June 2006

Actual 2004/05 \$000s	Actual Consolidated \$000s		Actual 2005/06 \$000s	Plan 2005/06 \$000s	Consolidated 2005/06 \$000s
6,983	9,857	From operating activities	8,509	8,213	11,077
(6,701)	(10,892)	To investing activities (assets)	(9,735)	(7,809)	(13,110)
1	1,180	From financing activities	228	(161)	678
283	145	Net cash increase/(decrease)	(998)	243	(1,355)
11,447	12,582	Cash resources at start of year	11,730	11,626	12,727
11,730	12,727	Cash resources at end of year	10,732	11,869	11,372

Statement of Financial Performance for the Year Ended 30 June 2006

Actual 2004/05 \$000s	Actual Consolidated \$000s		Actual 2005/06 \$000s	Plan 2005/06 \$000s	Consolidated 2005/06 \$000s
Operating Revenue					
12,161	12,148	Rates	12,586	12,543	12,574
13,247	13,253	Grants and subsidies	(1) 13,970	7,406	13,970
3,963	35,266	Other income	3,818	3,335	32,532
29,371	60,667	Total operating revenue	30,374	23,284	59,076
Expenditures (by groups of activities)					
21,103	49,116	Operating expenses	(2) 20,129	14,148	45,456
6,643	8,146	Depreciation	6,871	6,652	8,688
639	975	Interest	662	645	1,095
28,385	58,237	Operating expenditure	27,662	21,445	55,239
986	2,430	Operating surplus	2,712	1,839	3,837
-	(547)	Taxation	-	-	(458)
(1,972)	(1,972)	Asset changes	(1,540)	-	(1,540)
(986)	(89)	Operating surplus/(deficit)	1,172	1,839	1,839
(986)	(539)	Comprising - parent interest	1,172	1,839	1,457
-	450	Comprising - minority interest	-	-	382
(986)	(89)		1,172	1,839	1,839

Note (1) The variance reflects an increase in subsidy for roading received from Land Transport NZ.

Note (2) Similarly, operating expenses are higher than planned due to additional roading expenses of \$5.8 million. This is partly related to storm events and part related to catch-up projects from previous years.

Statement of Movements in Equity for the Year Ended 30 June 2006

Opening Equity at 1 July 2005					
574,354	580,890	Parent Interest	598,082	576,353	605,968
-	4,302	Minority Interest	-	-	5,037
574,354	585,192	Total Opening Equity at 1 July 2005	598,082	576,353	611,005
Net Increase/(Decrease) in Equity for the Year					
23,728	25,078	Parent Interest	54,104	1,839	54,584
-	735	Minority Interest	-	-	333
23,728	25,813	Total Net Increase/(Decrease) in Equity for the Year	54,104	1,839	54,917
Closing Equity at 30 June 2006					
598,082	605,968	Parent Interest	652,186	578,192	660,552
-	5,037	Minority Interest	-	-	5,370
598,082	611,005	Total Closing Equity at 30 June 2006	652,186	578,192	665,922

Distributions to Council

Council received distributions during the year from its Council Controlled Trading Organisations (CCTO's) of \$382,250 compared to the budget of \$500,000. The main contributor was Infracon Limited which is 66% owned by the Tararua District Council.

Post Balance Date Events

No post balance date events occurred up to the date of the report adoption that are known to have a material affect on the Financial Statements and Notes to the Financial Statements of Council.

Accounting Policies

There were no changes in accounting policies from the previous financial year. Policies have been applied consistently throughout the year.

Summary Information

The summary financial report cannot be expected to provide an understanding as provided by the full financial report.

The full financial report has been audited and received an unqualified audit opinion. The summary financial report has been examined by the auditor for consistency with the full report and that an unqualified audit report is included within this summary.

Date of Issue

This summary is issued on 10 November 2006.

Acknowledgement

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

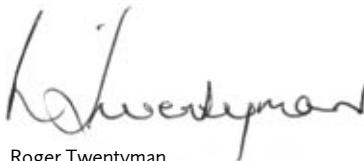
Support

The Tararua District Council is grateful for the support that it receives from the community.

We publicly acknowledge your support. It is the volunteers who are the unsung heroes of our community. To all those people, young and old, who have freely given of their time, their experience and their skills in making our community a better place, we acknowledge and thank you sincerely.



Maureen Reynolds
Mayor



Roger Twentyman
Chief Executive