

# Statement of Accounting Policies

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## 1. Reporting Entity

Central Hawke's Bay District Council is a territorial local authority governed by the Local Government Act 2002. These financial statements are prepared in accordance with the requirements of Section 98 (e) of the Local Government Act 1974, and subsequent amendments, in accordance with generally accepted accounting practice, including standards approved by the Accounting Standards Review Board and the Institute of Chartered Accountants of New Zealand.

These financial statements include the financial results and position of the significant activities of the Central Hawke's Bay District Council.

## 2. Measurement System

The measurement system adopted is that of historical cost, modified by the revaluation of certain non current assets.

## 3. Accounting Policies

### 3.1 Financial Statements

The financial statements include the following for Council;

- Statement of Financial Performance (including Cost of Services Statement for each significant activity of Council);
- Statement of Movements in Equity;
- Statement of Financial Position;
- Statement of Cash Flows.

### 3.2 Investment in Associate

Associates are entities in which the council has significant influence, but not control, over the operating and financial policies of the associate. The Council's share of the net surplus of the associate is recognised as a component of the operating revenue in the Statement of Financial Performance. Dividends received from the associates are credited to the carrying amount of the investment in the associate. The Council's share of post acquisition increases or decreases in net assets are reflected in the investment in the associate.

### 3.3 Overhead Allocations

Administration overheads and indirect costs have been fully allocated to all significant activities, based on significant activity expenditure.

### 3.4 Revenue

Rates are recognised as revenue income when they are levied. Government grants and subsidies are recognised as income when entitlement has been established by the grants agency. Other income is recognised when an invoice is issued or cash received.

# Statement of Accounting Policies

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## 3.5 Valuation

### 3.5.1 Current Assets

Accounts receivable are stated at net realisable value, after providing for doubtful debts.

All other current assets are stated at cost.

### 3.5.2 Non Current Assets

#### (a) Investments:

Shares in the New Zealand Local Government Insurance Corporation Limited are stated at cost, being \$1 per share. Shares in New Zealand Counties Investment Company Limited are stated at estimated market value.

Investments in Local Government Stock are held at net realisable value. All other investments are stated at cost.

#### (b) Work In Progress

Work in progress is treated as a non current asset on the basis that there is a high likelihood that it will be capitalised. This covers work on plant, property or equipment that is incomplete at balance date.

#### (c) Property, Plant and Equipment (Fixed Assets)

On acquisition, all fixed assets are initially stated at cost.

Land and Buildings are revalued on a three yearly cycle to comply with FRS3. The values of the assets have been considered on their fair value basis in accordance with FRS-3 under a highest and best use scenario. "Fair Value" as defined under FRS-3 is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arms length transaction.

Furniture and Equipment owned by the Council at 30 June 1991, was valued by the Council's Senior Managers at that time in order to establish their carrying cost. They are stated in the financial statements at the deemed written down historical cost as at 30 June 1991 less accumulated depreciation to date.

Plant and Machinery are stated at cost less accumulated depreciation.

Library Books are valued by Council staff annually using the depreciated replacement cost method. The valuations are in accordance with guidelines established by the New Zealand Libraries Association.

#### (d) Infrastructural Assets:

Infrastructural Assets: water, stormwater, and waste/sewerage are revalued every three years using the depreciated replacement cost method, based on currently accepted valuation methodology.

The Landfill is stated at cost less accumulated depreciation.

Roading and its networks are revalued every three years using the depreciated replacement cost method. All subsequent additions to Infrastructural Assets are stated at cost.

# Statement of Accounting Policies

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## 3.6 Depreciation

### 3.6.1 Property, Plant and Equipment: (Excluding Infrastructural Assets)

Council's fixed assets, with the exception of infrastructural assets and land, are depreciated on a straight line basis at rates, which will write off their cost or value over their estimated useful economic lives. This depreciation charge is reflected in the appropriate cost of service statement.

The expected lives of major fixed asset classes are:

- |   | Years  |
|---|--------|
| • Buildings   | 50     |
| • Plant & Machinery   | 4 - 5  |
| • Furniture & Equipment   | 4 - 10 |
| • District Landfill   | 50     |
| • Land is considered to have an indefinite useful life and is not depreciated.  |        |
| • Council's Waste Management Plan for 2005 is to extend District landfill life up to 150 years. Based on usage estimates of first eight months of operation an extra 50-100 years have been added |        |

### 3.6.2 Infrastructural Assets

#### (a) Water, Sewerage and Stormwater Assets

Water, Sewerage and Stormwater Assets are the utility systems, which provide continuing services to the community and are not generally regarded as tradeable. The renewal of these assets will be funded via decline in service potential calculations using Straight Line Depreciation.

Depreciation has been calculated using useful life of components as provided by Opus International Consultants Asset Valuation Report as at 30 June 2003 and in accordance with the standard NZ Infrastructure Asset Valuation and Depreciation Guidelines (NZIAVDG).

The expected lives of major fixed asset classes are:

	Years
<b>Water Systems</b>	
• Pipes	40 - 100
• Valves, Hydrants, Meters, Tobies	20 - 60
• Pump Stations	15 - 90
• Reservoirs	60 - 90
<b>Sewerage Systems</b>	
• Pipes	50 - 120
• Manholes	100
• Valves	25 - 40
• Pump Stations	25 - 90
• Treatment Plant	15 - 100
<b>Stormwater Systems</b>	
• Pipes	50 - 125
• Manholes	100
• Open Channels	50
• Service Laterals	80
• Sumps	75

# Statement of Accounting Policies

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## (b) Roothing Assets

Roothing Assets is the rooding network, which provides continuing services to the community and is not generally regarded as tradeable. The renewal of these assets will be funded via decline in service potential calculations using Straight Line Depreciation.

The expected lives of major fixed asset classes are:

	Years
• Pavement Maintenance - Unsealed	7
• Pavement Maintenance - Sealed	70
• Chip Seals	10
• Area Wide Pavement Treatment	
Surface	10
Base course	70
Sub base	not depreciated
Wearing Course	7
• Bridges	50
• Traffic – pavement marking	1
• Traffic – signs	15
• Footpaths	50-70

Depreciation on bridges is being charged but is not being funded. Council will consult the community at the time a decision is made to replace these assets.

## (c) Landfill

Landfill is the individual facility which provides continuing services to the community and it not generally regarded as tradeable. The renewal of assets will be funded via a decline in service potential calculations using Straight Line Depreciation. Council is to establish a Waste Asset Management Plan to come into effect in 2005.

### 3.7 Taxation

The income tax expense for the year is the estimated liability in respect of the profit. It is calculated after allowance for permanent differences and timing differences not expected to reverse in future periods. This is the partial basis for the calculation of deferred taxation. The Council uses the liability method of accounting for deferred taxation. Future tax benefits attributable to tax losses or timing differences are only recognised when there is a virtual certainty of realisation.

# Statement of Accounting Policies

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## 3.9 Goods and Services Tax

Amounts stated in the financial statements are exclusive of GST except for accounts receivable and accounts payable. Where GST is not recoverable as an input tax, then it is recognised as part of the related asset or expense.

## 3.10 Employee Entitlements

Provision is made in respect of the Council's liability for annual leave and long service leave. Wages, Salaries and Annual leave are measured at nominal values on actual entitlement basis at current rates of pay. Entitlements that are payable beyond twelve months, such as long service leave, have been calculated on a probability basis, which takes into consideration the likelihood that the Council will be obligated to make the payments.

## 3.11 Financial Instruments

Financial Instruments are limited to bank balances, investments, accounts receivable, accounts payable, and public debt; all of which are included in the financial statements at their estimated fair value.

## 3.12 Cash

**The following definitions have been used for the preparation of the Financial Statements:**

**Cash** – Cash and investments which are at call.

**Operating Activities** – Transactions and other events that are not investing or financing activities

**Investing Activities** – Activities relating to the acquisition, holding and disposal of fixed assets and of investments such as securities, not falling within the definition of cash.

**Financing Activities** – Activities which result in changes in the size and composition of the capital structure of the Council, both equity and debt not falling within the definition of cash.

## 3.13 Budget Figures

The budget figures are those approved by Council at the beginning of the year after consultation with the public in the Annual Plan process. The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by Council for the preparation of the financial statements.

## 3.14 Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are charged as expenses in the period in which they are incurred.

# Statement of Accounting Policies

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## **3.15 Landfill Post-closure Provision**

Council as operator of the district landfill has a legal obligation to apply for resource consents when the landfill reaches the end of its operating life. The resource consents will set out the closure requirements and requirements for ongoing maintenance and monitoring services at the landfill site after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises. The provision is measured based on the present value of future cashflows expected to be incurred, taking into account future events including known changes to legal requirements and technological improvements. The provision includes all costs associated with landfill post-closure: final cover application and vegetation, fencing off, completing facilities for leachate collection and the monitoring of gas systems, stormwater systems, and vegetation systems. Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits or if they are incurred to enable future economic benefits to be obtained. The capitalised landfill asset is depreciated over the life of the landfill based on the anticipated capacity used.

## **3.8 Changes in Accounting Policies**

There have been no changes in accounting policies.

NB: The Statement of Accounting Policies forms part of, and should be read in conjunction with the Financial Statements.

# Statement of Financial Performance

## STATEMENT OF FINANCIAL PERFORMANCE

### Statement of Financial Performance

#### For the Year Ended 30 June 2004

2003 Council Actual \$'000	Notes	2004 Council Actual \$'000	2004 Council Budget \$'000
<b>Operating Revenue</b>			
8,475	Rates	9,028	9,029
115	Petroleum Tax	99	90
4,154	Government Grants & Subsidies	5,530	4,418
397	Investment Interest	512	367
793	User Charges	981	1,022
9	Other Income	16	28
(29)	Share Of income in Associate	180	-
2,488	Gain on Amalgamation of CHB Works	-	-
102	Dividends	120	100
16,504	<b>Total Operating Revenue</b>	16,466	15,054
<b>Operating Expenses</b>			
670	Democracy	603	799
638	Regulatory	751	744
7,987	Land Transport	10,422	7,910
3,058	Services	3,696	3,668
1,678	Cultural	1,587	1,744
145	Property	163	201
-	Loss on Disposal of Assets	643	-
14,176	<b>Total Operating Expenses</b>	17,865	15,066
2,328	<b>Operating Surplus/(Deficit) Before Taxation</b>	(1,399)	(12)
-	Taxation	-	-
2,328	<b>Net Transfer to Equity [Surplus/(Deficit)]</b>	(1,399)	(12)

Mayor  
Dated at Waipawa this

General Manager  
day of February 2005

# Statement of Movements in Equity

## STATEMENT OF MOVEMENTS IN EQUITY

### For the Year Ended 30 June 2004

2003 Council Actual \$'000			2004 Council Actual \$'000	2004 Council Budget \$'000
453,024	Public Equity at Beginning of Year		463,604	452,139
8,252	Asset Revaluation Reserves	[9]	(1,443)	-
-	- Ratepayers Equity	[9]	521	-
2,328	Net Surplus/(Deficit) for the Year	[9]	(1,399)	(12)
10,580	<b>Total Recognised Revenue &amp; Expenses for the Year</b>		(2,321)	(12)
463,604	Public Equity at End of Year		461,282	452,127

Mayor  
Dated at Waipawa this

General Manager  
day of February 2005

# Statement of Financial Position

## STATEMENT of FINANCIAL POSITION

Statement of Financial Position

As at 30 June 2004

2003 Council Actual \$'000			2004 Council Actual \$'000	2004 Council Budget \$'000
<b>ASSETS</b>				
<b>Current Assets</b>				
2,444	Accounts Receivable	[2]	3,207	1,270
255	Cash and Short Term Investment	[3]	856	87
59	Prepayments		54	34
<b>2,758</b>	<b>Total Current Assets</b>		<b>4,117</b>	<b>1,391</b>
<b>Non Current Assets</b>				
4,801	Term Investments	[4]	4,516	5,964
-	Investment in Late		-	1,664
4,123	Shares in Infracon	[4]	4,303	-
-	Work in Progress	[5]	469	-
8,079	Property Plant & Equipment	[5]	11,759	8,100
451,019	Infrastructural Assets	[5]	444,652	442,459
<b>468,022</b>	<b>Total Non Current Assets</b>		<b>465,699</b>	<b>458,187</b>
<b>470,780</b>	<b>TOTAL ASSETS</b>		<b>469,816</b>	<b>459,578</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
2,424	Accounts Payable & Accrued Expenses	[6]	3,153	1,587
94	Employees Entitlement	[6]	139	-
140	Current Portion of Public Debt	[7]	1,487	138
<b>2,658</b>	<b>Total Current Liabilities</b>		<b>4,779</b>	<b>1,725</b>
<b>Non Current Liabilities</b>				
4,441	Public Debt	[7]	3,663	5,663
77	Provision for Landfill Post-closure Costs	[8]	92	63
<b>4,518</b>	<b>Total Non Current Liabilities</b>		<b>3,755</b>	<b>5,726</b>
<b>7,176</b>	<b>TOTAL LIABILITIES</b>		<b>8,534</b>	<b>7,451</b>
<b>PUBLIC EQUITY</b>				
3,954	Special Funds	[9]	4,536	3,102
171	Trust Funds	[9]	177	167
216,914	Revaluation Reserve of Assets	[9]	215,224	208,663
242,565	Ratepayers' Equity	[9]	241,345	240,195
<b>463,604</b>	<b>TOTAL PUBLIC EQUITY</b>		<b>461,282</b>	<b>452,127</b>
<b>470,780</b>	<b>TOTAL LIABILITIES &amp; PUBLIC EQUITY</b>		<b>469,816</b>	<b>459,578</b>

Mayor

Dated at Waipawa this

General Manager

day of February 2005

# Statement of Cash Flows

## STATEMENT of CASHFLOWS

### Statement of Cash Flows

#### For the Year Ended 30 June 2004

2003 Council Actual \$'000	Notes	2004 Council Actual \$'000	2004 Council Budget \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from</b>			
8,493	Rates	8,930	9,029
3,782	Subsidies & Grants	4,866	4,418
-	Other Income	-	28
397	Interest	500	359
409	User Charges	956	1,022
113	Petroleum Tax	99	90
-	Dividends	120	100
13194		15,471	15,046
<b>Cash was applied to</b>			
(5,855)	Payments to Suppliers of Goods & Services	(7,790)	(12,737)
(1,654)	Payments to employees	(2,097)	(1,600)
(406)	Interest paid	(328)	(7)
(7915)		(10,215)	(14,344)
<b>5279</b>	<b>Net Cash from Operating Activities</b>	<b>5,256</b>	<b>702</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from</b>			
7	Proceeds from Sale of Assets	(12)	-
-	Realisation of Investments	-	350
7		(12)	350
<b>Cash was applied to</b>			
(5,931)	Purchase of Fixed Assets	(5,543)	(2,800)
(101)	Realisation / (Purchase) of Investments	331	-
(6,032)		(5,212)	(2,800)
<b>(6,025)</b>	<b>Net Cash Flow from Investing Activities</b>	<b>(5,224)</b>	<b>(2,450)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was provided from</b>			
2,330	Loans Raised	738	1,900
2,330		738	1,900
<b>Cash was applied to</b>			
(2,645)	Repayment of Public Debt	(169)	(156)
(2,645)		(169)	(156)
<b>(315)</b>	<b>Net Cash Flow From Financing Activities</b>	<b>569</b>	<b>1,744</b>
<b>(1,061)</b>	<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>601</b>	<b>(4)</b>
1,316	PLUS TOTAL CASH RESOURCES AT 1 JULY	255	91
255	NET CASH RESOURCES AT 30 JUNE	856	87
<b>Represented by</b>			
255	Cash & Short Term Investments	856	87
<b>255</b>		<b>856</b>	<b>87</b>

Mayor  
Dated at Waipawa this

General Manager  
day of February 2005

# Notes to Financial Statements

## 1 Operating Expenses

This note lists items requiring separate disclosure, having not been disclosed on the face of the Statement of Financial Performance or in other notes.

(a) Pursuant to Section 98 of the Local Government Act 2002, Council incurred the following expenses.

	<b>2004</b>	<b>2003</b>
	<b>Council</b>	<b>Council</b>
<b>Expenses</b>	<b>\$'000</b>	<b>\$'000</b>
Insurance premiums	104	83
Entertainment	3	5
Subscriptions and levies	28	34

(b) Pursuant to FRS-9, issued by the Institute of Chartered Accountants of New Zealand, Council and it incurred the following expenses.

	<b>2004</b>	<b>2003</b>
	<b>Council</b>	<b>Council</b>
<b>Expenses</b>	<b>\$'000</b>	<b>\$'000</b>
Audit Fees	49	35
Interest	512	369
Bad Debts	25	
Depreciation (see note 5)	6,024	5,266
Diminution in Value of Library Books	26	26
Lease and Rental Costs	137	98

## 2 Accounts Receivable

Rates Debtors	490	393
Transfund NZ Subsidies	1,918	1,264
General Debtors	835	796
	<u>3,243</u>	<u>2,453</u>
Less Provision for Bad Debts	(36)	(11)
	<u><u>3,207</u></u>	<u><u>2,442</u></u>

## 3 Cash & Short Term Investments

<b>Funds at Over Night Call</b>	14	(795)
<b>Short Term Investments at Bank</b>		
Bank Deposits & Notes	842	1,050
Total Cash & Short Term Investments at Bank	<u><u>856</u></u>	<u><u>255</u></u>

## Notes to Financial Statements

<b>4 Long Term Investments</b>	<b>2004</b>	<b>2003</b>
	<b>Council</b>	<b>Council</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Term Investments at Bank</b>		
Local Authority Stock	1,800	2,062
Telecom Bonds	1,120	1,120
United Networks	-	414
PowerCo	100	-
Bank Deposits & Notes	978	685
Bank Unsecured Notes	510	512
	4,508	4,793
 <b>Shares</b>		
N.Z. Local Government Insurance Corp. Limited	8	8
	8	8
 <b>Total Term Investments</b>	4,516	4,801
 <b>Investment in Associate Infracon Limited as @ 30 June 2004</b>		
Share of movements in reserve	-	-
Share of Surpluses before tax	420	90
Share of Income tax	(120)	(16)
Share of Surplus	300	73
 Share of Dividend declared but not paid	(120)	(102)
Share of retained surplus	180	(29)
 Carrying amount at beginning of year	4,123	4,152
Cost of investments acquired during the year	-	-
Share of Retained Surplus/Deficit	180	(29)
Impairment (loss)/reversal of loss	-	-
<b>Carrying amount at end of year</b>	4,303	4,123
 Share of Capital expenditure commitments	-	-
Share of Contingent Liabilities	892	553
Aggregate amount of liabilities for which the Council is jointly and severably liable	-	-
 <b>Total Investments</b>	8,819	8,924

# Notes to Financial Statements

## 5 Fixed Assets

Infrastructural Assets	Water, Sewerage, Stormwater	Roading	Landfill	Total
	\$'000	\$'000	\$'000	\$'000
Opening Book Value 1 July 2003	26,339	421,181	2,905	450,425
Opening Cost 1 July 2003	27,297	425,858	3,225	456,379
Additions	617	4,488	-	5,104
Disposals	(648)	-	-	(648)
Revaluation*	(5,360)	-	-	(5,360)
Closing Cost 30 June 2004	21,906	430,345	3,225	455,476
Opening Accum. Depn.	958	4,676	320	5,954
Depn Adjustment**	(957)	-	-	(957)
Depn. Expense	699	5,073	55	5,827
Closing Accum. Depn.	700	9,750	375	10,824
Closing Book Value 30 June 2004	21,206	420,596	2,850	444,652

Note:

\*The 2002/03 Annual Report by double counting overstated the revaluation of utility assets. This adjustment restates the asset to the correct revaluation.

\*\* The 2002/03 Annual Report overstated accumulated depreciation expense for the same reason as above.

These Two amounts have resulted in an adjustment to the revaluation reserve of \$4,403,024 as reflected in note 9

Water, Stormwater, and Waste/sewerage were revalued by Opus International Consultants Ltd,

as at 30 June 2003 using the depreciated replacement cost method,

Roading and its networks were revalued as at 30 June 2002 by Opus International Consultants Ltd using the

depreciated replacement cost method.

Landfill is stated at cost less accumulated depreciation

Property, Plant & Equipment Assets	Land	Buildings	Emergency Equipment	Misc. Plant	Sub Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Book Value 1 July 2003	2,929	4,968	9	84	7,991
Opening Cost 1 July 2003	2,929	5,177	116	127	8,350
Additions	-	92	27	104	223
Disposals	(7)	-	-	-	(7)
Revaluation	2,147	511	-	-	2,658
Closing Cost 30 June 2004	5,069	5,781	143	231	11,224
Opening Accum. Depn.	-	209	107	43	359
Depn Adjustment	-	(313)	-	-	(313)
Depn. Expense	-	104	10	23	136
Closing Accum. Depn.	-	-	117	66	182
Closing Book Value 30 June 2004	5,069	5,781	26	166	11,042

## Notes to Financial Statements

Property, Plant & Equipment Assets (continued)	Computer Equipment	Office Furniture and Equipment	Library Books	Sub Total	Total Property Plant & Equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
Opening Book Value 1 July 2003	74	78	530	682	8,673
Opening Cost 1 July 2003	514	386	530	1,430	9,780
Additions	31	36	55	122	345
Disposals	-	-	-	-	(6)
Revaluation	-	-	(26)	(26)	2,632
Closing Cost 30 June 2004	545	422	558	1,526	12,752
Opening Accum. Depn.	440	308	-	748	1,107
Depn Adjustment	-	-	-	-	(313)
Depn. Expense	37	25	-	62	198
Closing Accum. Depn.	477	333	-	810	992
Closing Book Value 30 June 2004	68	89	558	716	11,759

Note:

Land & Buildings were most recently valued by Valuation NZ (registered valuers) as at 30 June 2004 using the Net Current Value Method.

Plant and Machinery are stated at cost less accumulated depreciation

Furniture and Equipment are stated at cost less accumulated depreciation

Library Books are valued by Council staff annually using the depreciated replacement cost method.

Total Assets	Total Infrastructural Assets	Total Property Plant & Equipment	Total Assets
	\$'000	\$'000	\$'000
Opening Book Value 1 July 2003	450,425	8,673	459,098
Opening Cost 1 July 2003	456,379	9,780	466,159
Additions	5,104	345	5,449
Disposals	(648)	(6)	(654)
Revaluation	(5,360)	2,632	(2,728)
Closing Cost 30 June 2004	455,476	12,752	468,227
Opening Accum. Depn.	5,954	1,107	7,061
Depn Adjustment	(957)	(313)	(1,270)
Depn. Expense	5,827	198	6,024
Closing Accum. Depn.	10,824	992	11,815
Closing Book Value 30 June 2004	444,652	11,759	456,412

## Notes to Financial Statements

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### Disposals

Description	Cost	Accum. Depn	Proceeds on Sale	(Profit) / Loss on Sale
	\$'000	\$'000	\$'000	\$'000
Land - 8 Brogden St. Waipawa	7	-	(12)	(5)
Water Races - Ashcott	43	-	-	43
Water Races - Argyll	46	-	-	46
Water Races - Forest Gate	34	-	-	34
Water Races - Lindsay	47	-	-	47
Water Supply - Hautope	479	-	-	479
<b>Total</b>	<b>654</b>	<b>-</b>	<b>(12)</b>	<b>643</b>

Note:

Consent for Water Races closed 31/05/04 and water races ceased to operate and were filled in.

Hautope Water Supply Scheme was returned to ratepayer group that funded establishment and operation of scheme at 30/06/04.

### Work In Progress

Description	\$'000
Water Supply-Takapau	42
Water Supply- Waipawa	14
Water Supply- Porangahau	46
Toilets-Aramoana	18
Waipukurau Library	176
District Sewer Consents	173
<b>Total</b>	<b>469</b>

## Notes to Financial Statements

<b>6 Accounts Payable &amp; Accrued Expenses</b>	<b>2004 Council \$'000</b>	<b>2003 Council \$'000</b>
<b>Trade Creditors</b>		
Other Trade Creditors	2,356	2,168
	<u>2,356</u>	<u>2,168</u>
<b>Other</b>		
Employee Entitlements	139	94
Other Accounts Payable and Accrued Expenses	797	726
	<u>936</u>	<u>820</u>
<b>Total</b>	<u><u>3,292</u></u>	<u><u>2,988</u></u>

<b>7 Public Debt</b>	<b>2004 Council \$'000</b>	<b>2003 Council \$'000</b>
<b>Public Debt</b>		
Loans as at 1 July 2003	4,581	4,895
Plus Loans raised during the year	738	2,330
Less Loans repaid during the year	(169)	(2,645)
Non Current Public Debt	<u>5,150</u>	<u>4,581</u>

Interest rates payable are in the range 3.5% to 8.16%. The average interest rate payable is 7.84%.

Term liabilities are due for repayment in the following periods :-

Current	1,487	140
One to Two years	2	1,485
Three to Five years	2,496	1,780
Five to Ten years	1,165	1,176
	<u>5,150</u>	<u>4,581</u>

<b>8 Provision for Landfill Decommissioning and Aftercare Cost</b>	<b>2004 Council \$'000</b>	<b>2003 Council \$'000</b>
Provision Established	76	63
Effect of Discounting	16	13
Amount utilised		
Closing Balance	<u>92</u>	<u>76</u>

A Provision for decommissioning and aftercare of the district landfill has been established. The Council operates one landfill. Council has responsibility for the closure of the landfill. To provide ongoing maintenance and monitoring of the landfill and after it closes. Closure includes closure responsibilities such as final cover application and vegetation, fencing off, completing facilities for leachate collection and monitoring gas systems, stormwater systems, leachate system and vegetation.

# Notes to Financial Statements

## 9 Public Equity

### (a) Special Funds

Special Funds are established by Council resolution restricting how the funds may be used. To show independence from general Ratepayers' Equity, a separate account is maintained for each fund.

	Council Balance 1/07/2003	Council Transfers from R'payers Equity	Council Transfers to R'payers Equity	Council Balance 30/06/04
	\$'000	\$'000	\$'000	\$'000
Capital Projects Fund	341	43	(333)	51
Ruahine Ward Disbursement Fund	402	34	-	435
Ruataniwha Ward Disbursement Reserve	43	4	-	47
Aramoana Ward Disbursement Fund	325	27	(105)	247
Takapau Ward Seal Extension Reserve	21	2	-	22
Elections & Byelection Reserve Fund	11	8	-	19
Retiring Allowances Reserve Fund	10	1	-	10
Wpa Depot Loan Reserve	7	1	-	8
Esplanade Reserves Fund	310	26	(4)	333
N.Z. Counties Co-op Insurance	-	-	-	-
Off Equip Disbursement Reserve	121	10	(41)	90
Emerg & Monitoring Disp Reserve	51	4	(9)	46
Ruahine Ward Hall Maintenance Reserve	16	1	-	18
Rural Fire Reserve	38	3	(2)	39
Mayors Relief Fund	2	150	(19)	133
Adverse Events Reserve Fund	524	44	(90)	478
Catastrophic Events Reserve Fund	1,414	118	(135)	1,397
Rates Relief Rebate Fund	-	277	-	277
Landfill Sinking Fund Reserve	27	2	-	29
Waipawa Water Supply Sinking Fund Reserve	2	-	-	2
Waipukurau Sewer Sinking Fund Reserve	28	2	-	30
Waipawa Sewer Sinking Fund Reserve	10	1	-	11
Waipukurau Storm Water Sinking Fund Reserve	4	0	-	4
Waipawa Sewer Service Renewal Reserve Fund	7	1	-	7
Waipawa Water Supply Reserve Fund	43	4	-	47
Kairakau Water Supply Reserve Fund	9	1	-	10
Takapau Water Supply Reserve Fund	66	6	(72)	(0)
Waipukurau Water Reserve Fund	9	1	-	9
Waipukurau Sewer Reserve Fund	34	3	-	36
Lindsay Water Race Reserve	9	1	-	10
Ashcott Water Race Reserve	6	1	-	7
Te Aute Drain Channel Clearing Reserve Fund	35	3	(2)	36
Library Donation Reserves	-	5	-	5
CHB District Pensioner Housing Reserve Fund	28	2	-	31
<b>TOTAL SPECIAL FUNDS</b>	<b>3,954</b>	<b>785</b>	<b>(813)</b>	<b>3,926</b>

### (b) Carryover Funds

Carryover Funds are set up to ensure funding carried from one financial year to another is easily identified.

	Council Balance 1/07/2003	Council Transfers from R'payers Equity	Council Transfers to R'payers Equity	Council Balance 30/06/2004
Admin Reserve Account	-	42	-	42
Land Transport Activity Reserve Account	-	347	-	347
Water Activity Reserve Account	-	107	-	107
Recreational Facility Reserve Account	-	77	-	77
	-	573	-	573

# Notes to Financial Statements

## (c) Other Funds

From time to time Council assists community organisations and holds funds on their behalf.

	Council Balance 1/07/2003	Council Transfers from R'payers Equity \$'000	Council Transfers to R'payers Equity \$'000	Council Balance 30/06/2004
Porangahau Playground Reserve	-	10	-	10
Te Aute Koiri Reserve	-	44	(18)	27
	-	55	(18)	37

### Total of Funds in a, b & c

	Council Balance 1/07/2003	Council Transfers from R'payers Equity \$'000	Council Transfers to R'payers Equity \$'000	Council Balance 30/06/2004
	3,954	1,413	(831)	4,536

## (d) Trust Funds

Trust Funds are set up to account for grants to council with restrictions on their use. They usually consist of donations and bequests.

	Council Balance 1/07/2003	Council Transfers from R'payers Equity \$'000	Council Transfers to R'payers Equity \$'000	Council Balance 30/06/2004
Wpa Building Society Scholarship Trust	102	9	(5)	106
Eric Tate Scholarship Trust	69	6	(4)	71
	171	15	(9)	177

## (e) Asset Revaluation Reserve Infrastructure

	Water, Stormwater, Sewerage \$'000	Roads \$'000	Total \$'000
Opening Balance 2003	7,923	206,298	214,221
Transfer to Ratepayers Equity	(247)	-	(247)
Prior Period Adjustment	(4,407)	-	(4,407)
Closing Balance 2004	3,269	206,298	209,567

### Property, Plant & Equipment

	Land \$'000	Buildings \$'000	Total \$'000
Opening Balance 2003	946	1,747	2,693
Current Year Revaluation	2,140	824	2,964
Prior Period Adjustment	-	-	-
Closing Balance 2004	3,086	2,571	5,657

### Total Revaluation Reserve

Opening Balance 2003	216,914
Transfer to Ratepayers Equity	(247)
Current Year Revaluation	2,964
Prior Period Adjustment	(4,407)
Closing Balance 2004	215,224

# Notes to Financial Statements

	<b>2004</b>	<b>2003</b>
	<b>Council</b>	<b>Council</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(f) Ratepayers' Equity</b>		
<b>Balance 1 July</b>	242,565	240,149
Net Transfers (to)/from Special Funds and Trust Funds	(589)	88
Ratepayers Equity*	521	-
Revaluation Reserve Portion of Disposal	247	-
Net Surplus/(Deficit)	(1,399)	2,328
<b>Balance 30 June</b>	<u>241,345</u>	<u>242,565</u>

\*Change in Equity is an adjustment of a prior period error where equity was incorrectly reduced as a consequence of the incorrect recognition of a liability.

## 10 Reconciliation of Net Surplus on Operations to Net Cash from Operating Activities

	<b>2004</b>	<b>2003</b>
	<b>Council</b>	<b>Council</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Operating Surplus/(Deficit) After Taxation</b>	(1,399)	2,328
	<u>(1,399)</u>	<u>2,328</u>
<b>Plus/ (less) Non-Cash Items</b>		
Depreciation	6,024	5,266
Interest on Aftercare provision	16	13
Loss on Sale of Fixed Assets	643	-
Diminution in Value of Library Books	26	26
	<u>6,709</u>	<u>5,305</u>
<b>Add/(less) Movements in Other Working Capital Items</b>		
Increase/(Decrease) in Accounts Payable	770	939
Increase/(Decrease) in Accrued Expenses	71	41
Increases/(Decrease) in Provision for Staff Payments	45	-
(Increase)/Decrease in Accounts Receivable	(765)	(749)
(Increase)/Decrease in Prepayments	5	(25)
	<u>126</u>	<u>206</u>
<b>Add/(less) Items Classified as Investing Activity</b>		
<b>Net</b>		
Infracon - Share of income	(180)	(72)
Gain on amalgamation	-	(2,488)
<b>Net Cash from Operating Activities</b>	<u>5,256</u>	<u>5,279</u>

## 11 Taxation

	<b>2004</b>	<b>2003</b>
	<b>Council</b>	<b>Council</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Operating Surplus/(Deficit) before Taxation</b>	(1,399)	2,328
Prima Facie Taxation at 33%	(462)	768
<b>Adjusted for the tax effect of Permanent Differences:</b>		
Council's non assessable income	(5,394)	(5,446)
Council's non deductible expenses	5,895	4,678
Imputation Credit	(39)	-
Other non deductible expenses	-	-
<b>Income Tax Expense</b>	-	-
<b>Provision/(Refund) for Taxation</b>	<u>-</u>	<u>-</u>

# Notes to Financial Statements

## 12 Related Party Transactions

Council owns 34% of Infracon Ltd which performed construction work for the Council.

	2004 Council \$'000	2003 Council \$'000
Charges made to Council by Infracon Ltd	6,335	5,945
Charges made by Council to Infracon Ltd	7	7
Amounts owed to Council by Infracon Ltd	2	1
Amounts owed by Council to Infracon Ltd	1,282	960
Dividends received by Council from Infracon	102	102

## 13 Statement of Commitments

(a) Lease Commitment	2004 Council \$'000	2003 Council \$'000
Less than 1 year	152	127
1 - 2 years	86	108
3 - 5 years	210	120
Over 5 years	2,511	1,268

NOTE:

the amounts included in the annual lease charge for each vehicle includes:

1. The monthly lease payment
2. The excess mileage charge.

Repairs, insurance, and other miscellaneous payments are not included.

### Buildings

#### **Waipukurau Office**

Rent reviews are carried out on a 2 yearly interval from 1 December 1992

Amounts are subject to these reviews.

Further terms = 1 of 6 years

Final expiry date = 13 Aug 2004

Annual rental = \$9,160

#### **Waipawa Library**

Further terms = N/a

Final expiry date = 30 Sept-04

Annual rental = \$16,000 plus GST

### Land

#### **Landfill**

Rent reviews are carried out as pro rata in direct proportion to any increase in the value above the present value of \$240,000.

Further terms = 10 years

Final expiry date = 28 Nov 45

Annual rental = \$68,146 plus GST (CPI adjust)

#### **Takapau Transfer Station**

Rent reviews are carried out at 5 yearly intervals from 11 September 1995

Amounts are subject to these reviews.

Further terms = 2 of 10 years

Final expiry date = 11 September 2025

Annual rental = \$1,820 plus GST

## Notes to Financial Statements

### **Vehicles**

Council has entered into operating lease agreements for its vehicle fleet.

The rates are subject to variation dependent on the kilometer usage through the term of the lease.

11 Vehicles are leased, typically for a 36 month period. Annual rental is \$76,749

### **(b) Capital Commitments**

	<b>2004</b>	<b>2003</b>
	<b>Council</b>	<b>Council</b>
	<b>\$'000</b>	<b>\$'000</b>
Total Commitments	469	778

### **14 Remuneration of Chief Executive Officer**

For the year ended 30th June 2004, total remuneration paid to the position General Manager, appointed under Section 119C(1)(a) of the Local Government Act 1974, was \$130,800 (2003: \$120,608)

The General Manager's remuneration was:

Salary	116,388
Motor Vehicle (including Fringe Benefit Tax)	14,412
<b>Total</b>	<u>130,800</u>

**Note:** This information has been provided to meet the requirements of section 98 of the Local Government Act 2002, and is in a form determined by the Minister of Local Government under the Local Government (Information on Remuneration of Chief/Senior Executive Officers) Determination 1991. Calculations have been made in accordance with guidelines prepared by the Department of Internal Affairs. The method of calculating the cost of the use of a motor vehicle differs from that used in the General Manager's contract, where the benefit is determined by reference to the company car classification system of P.A. Consulting Group's Salary survey.

### **15 Severance Costs**

Disclosure of the cost to the Council of severance agreements made in the year in excess of \$50,000 is required under Section 223(E)(7A) of the Local Government Act 1974.

2004 NIL (2003 NIL)

### **16 Councillors' Fees**

For the 2004 year, total Councillors Fees were \$191,509 (2003 \$148,269)

# Notes to Financial Statements

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## 17 Financial Instruments

### Recognition

The Council is party to financial instrument arrangements as part of its every day operations. All financial instruments have been recognised in the financial statements. Revenue and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. Assets and liabilities are recognised in the Statement of Financial Position.

### Fair Values

The values stated for financial instruments in the Statement of Financial Position are not materially different from fair values.

### Currency Risk

All financial instruments are denominated in New Zealand dollars.

### Interest Rate Risk

The Council is exposed to interest rate risk with respect to bank overdrafts, public debt (see note 7), and investments (see notes 3 and 4).

Risk is reduced by investing primarily in Government and Local Authority securities and with registered banks, by spreading maturity dates, and by placing no more than 20% of cash investments with any one financial institution.

### Credit Risk

The Council is exposed to credit risk with respect to accounts receivable and investments. Excepting claims owing, which are considered low risk, there are no significant exposures to any one debtor. Investments are diversified among institutions and are primarily with Local Government and Local Authorities. The only significant shareholding is Council's investment in its associate Infracon Limited (see note 4).

## 18 Contingencies

Council has no contingent liabilities at 30 June 2004.

## 19 Events Subsequent to Balance Date

No events of any significance