

FINANCIAL STATEMENTS

Statement of Accounting Policies for the year ended 30 June 2004

1. Reporting Entity

Hauraki District Council (HDC) is a territorial local authority governed by the Local Government Act 1974 and Local Government Act 2002. The financial statements of HDC have been prepared in accordance with the transitional provisions of the Local Government Act 2002 (S283).

2. Measurement Base

The general accounting principles recognised as appropriate for the measurement and reporting of results and financial position on an historical cost basis, modified by the revaluation of certain fixed assets, have been followed.

3. Accounting Policies

The following accounting policies which materially affect the measurement of results and financial position have been applied:

A) Revenue

Rates are recognised as income on the due date for each instalment. Other levies and charges are recognised as income when the goods or services have been supplied. Government grants are recognised as income when conditions associated with the grant approval have been fulfilled.

B) Investments

Investments are valued at market value. Fixed interest investments are valued at cost plus accrued interest.

Council has had its forestry assets professionally valued as at 30 June 2004 by P F Olsen and Company, a recognised forestry valuer. The basis used to value the forests was the expected yield at maturity. A discount factor was then applied to obtain a net present value. Trees are assumed to reach maturity twenty-eight years from the date of planting.

C) Debtors

Debtors are stated at estimated realisable value after providing for debts where collection is considered doubtful.

D) Stocks/Inventories

Stocks are valued at the lower of cost or net realisable value, less any provisions for damaged or obsolete items. Quarry metal stocks are valued at the lower of cost, using the cost of extraction including production overheads, and net realisable value.

E) Taxation

(i) Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis with the exception of debtors and creditors, which are stated with GST included. The balance of GST at 30 June 2004 is included in debtors in the Statement of Financial Position.

- (ii) Fringe Benefit Tax
Where a fringe benefit tax liability arises this has been charged to operating expenditure.

F) Special Funds

In accordance with the Local Government reorganisation scheme Special Funds set up by the former authorities under the Local Government Act 1974, have been set aside for specific purposes. These are disclosed under the category Council Created Reserves.

G) Maintenance and Capital Expenditure

Capital expenditure is expenditure that adds to the service potential or usefulness of an asset for more than one accounting period either by lengthening the asset's useful life or by increasing its capacity. Capital expenditure includes expenditure on renewals. Capital expenditure is debited to asset accounts and allocated to the current and future periods through depreciation. Maintenance expenditure is debited to expense accounts when incurred.

H) Fixed Assets

- (i) Fixed Assets are shown in the following major categories:

Operational: These are all tangible assets able to be dealt with as part of the operating strategy (i.e. land, buildings, motor vehicles, plant, furniture and chattels).

Infrastructural: These are the fixed utility systems providing an ongoing service to the Community, but are not generally regarded as tradable, (i.e. roads, bridges, culverts, and reticulation systems, including land and buildings associated with these activities).

Restricted: These cannot be disposed of because of legal or other restrictions, but provide a benefit or service to the Community (e.g. reserves vested under the Reserves Act, endowments and other property held in Trust for specific purposes, community halls, refuse disposal sites).

- (ii) Valuation:

All valuations are carried out three yearly, except for Library Books and Waihi Beach Leasehold Land, which are valued annually.

1. *Land and Buildings:* All land and buildings are recorded at rating valuation as at 1 July 2003, plus additions/development at cost, less disposals. These valuations have been confirmed by Valuation and Management Services Ltd, qualified valuers, as being suitable for financial reporting. The exception to this is Waihi Beach leasehold land owned by Council which was valued in accordance with FRS-3 by Townshend Cullen Associates as at 30 June 2004. Properties intended for resale are valued at the lower of cost or net realisable value.
2. *Motor Vehicles, Equipment, Fixtures and Fittings:* All items are recorded at depreciated cost.
3. *Library Books:* Library Books are valued at depreciated replacement cost as at 30 June 2004 by Council staff, assuming the books are on average half way through their useful life.

4. *Infrastructural:* Roading, Water, Wastewater, Stormwater and Drainage Assets are stated at optimised depreciated replacement cost on a brownfields basis, using highest and best use basis, as at 30 June 2002 as valued by Opus International Consultants Ltd. Land under roads was valued by Opus International Consultants Ltd as at 30 June 2002 using the average market value of land by ward and land use category. All additions since the latest valuation are brought into the accounts at cost and depreciated in the year following construction.
5. *Restricted:* Restricted assets are valued at rating valuation as at 1 July 2003, plus additions/development at cost, less disposals. These valuations have been confirmed by Valuation and Management Services Ltd, qualified valuers, as being suitable for financial reporting.

(iii) Depreciation:

1. *Land and Assets Under Construction:* Land and assets under construction are not depreciated.
2. *Other Assets:* All other assets are depreciated on a straight line basis that will spread the cost of the asset, less any residual value, over the expected useful life of the asset. A summary of the range of expected useful lives of assets is as follows:

The useful lives of assets have been identified on a component-by component basis.

Roading

Seal (10-60 years)	Basecourse (30 - 75 years)
Surface Water Channels (10-20 years)	Culverts (50-80 years)
Footpaths (15-50 years)	Bridges (50-100 years)

Building

Structure (80 years)	Roof cladding (30 years)
Electrical/Mechanical (25 years)	Plumbing (30 years)
Internal wall linings (25 years)	Lifts (25 years)
Air Conditioners (15 years)	Site Improvements (25 years)

Other Assets

Water Reticulation (8 - 100 years)	Water Treatment (2 - 130 years)
Wastewater (10 - 100 years)	Computer Hardware (3 years)
Stormwater/Drainage (20 - 200 years)	Fixtures & Fittings (5-10 years)
Communications Equipment (5 years)	Heavy Plant & Machinery (8 years)
Light Plant (2-5 years)	Motor Vehicles - Cars & Utilities (3-5 years)

Assets purchased during the financial year are depreciated on a remaining month's basis.

Computer software is expensed.

I) Overhead Allocation

The cost of Support Services has been fully allocated over the significant activities.

The costs of debt servicing have been allocated to the internal treasury function, which charges and pays interest to each separately rated activity on the basis of its opening cash position.

J) Employee Entitlements

Provision is made in respect of Council's liability for annual leave, long service leave, and retirement gratuities. These have been calculated on an actuarial entitlement basis at current rates of pay, except for annual leave which is on an actual basis.

K) Statement of Cashflows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Council invests as part of its day-to-day cash management.

Operating activities include cash received from all income sources and record the cash payments made for the supply of goods and services.

Investing activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise the change in Council's equity and debt capital structure.

L) Landfill Aftercare Provision

Council has responsibility for the closure and aftercare of three closed landfills and has recognised its liability for these costs as a provision.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and risks specific to Council.

M) Financial Instruments

Council is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, debtors, creditors and loans. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance. Except for loans, which are recorded at cost, and those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

N) Leases

Finance Leases

Leases which effectively transfer to Council the risks and benefits of ownership of the leased item are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the statement of financial position. The leased assets are depreciated over the period the Council is expected to benefit from their use.

Operating Leases

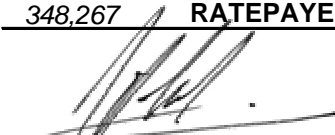
Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.


4. Changes in Accounting Policies

There have been no significant changes in accounting policies. All policies have been applied on a consistent basis with previous years.

Statement of Financial Position as at 30 June 2004

<i>Actual</i> 2002-03 \$000's		Note	Actual 2003-04 \$000's	Budget 2003-04 \$000's
Current Assets				
4,982	Bank and Short Term Deposits	1	8,297	-
5,168	Debtors	2	6,736	3,096
624	Inventories	3	596	490
86	Income Accrued & Prepayments	4	130	17
1,634	Properties Intended for Resale	21	342	-
<u>12,494</u>	Total Current Assets		<u>16,101</u>	<u>3,603</u>
Less Current Liabilities				
-	Bank Overdraft	1	-	10
4,766	Creditors and Provisions	5	4,935	2,000
463	Employee Entitlements	6	496	977
2	Current Portion of Term Debt	7	30	-
<u>5,231</u>	Total Current Liabilities		<u>5,461</u>	<u>2,987</u>
<u>7,263</u>	Working Capital		<u>10,640</u>	<u>616</u>
Non-Current Assets				
342,047	Fixed Assets	8	342,435	346,964
32	Shares in Companies	9	32	32
900	Long Term Investments	10	792	994
<u>342,979</u>	Total Non-Current Assets		<u>343,259</u>	<u>347,990</u>
<u>350,242</u>			<u>353,899</u>	<u>348,606</u>
Less Non-Current Liabilities				
488	Employee Entitlements	6	541	-
1,474	Landfill Aftercare Provision	24	1,646	-
13	Term Debt	7	81	5,900
<u>1,975</u>	Total Non-Current Liabilities		<u>2,268</u>	<u>5,900</u>
<u>348,267</u>	NET ASSETS		<u>351,631</u>	<u>342,706</u>
Represented by:				
315,831	General Equity	11	317,942	334,496
2,782	Council Created Reserves	12	2,996	2,696
28,930	Asset Revaluation Reserve	13	30,021	4,790
724	Forestry Revaluation Reserve	14	672	724
<u>348,267</u>	RATEPAYERS EQUITY		<u>351,631</u>	<u>342,706</u>


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J P Tregidga
Mayor


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L D Cavers
Chief Executive

25 November 2004

Statement of Financial Performance for the year ended 30 June 2004

Actual 2002-03		Note	Actual 2003-04	Budget 2003-04
\$000's			\$000's	\$000's
Income				
7,422	General Rates		5,882	5,733
170	Interest & Commissions		278	-
773	Gain on Sale/Disposal of Fixed Assets		447	20
344	Miscellaneous Income		398	120
342	Surplus from Quarry Operations		540	350
(3)	Surplus from Technical Services Operations		(35)	6
425	Surplus from C&M Operations		181	150
<u>11,082</u>	Total Recoveries (ex page 16)		<u>13,962</u>	<u>13,115</u>
20,555	TOTAL INCOME		21,653	19,494
Less Expenditure				
59	Bad Debts Written Off		61	50
-	Interest Costs		-	81
-	Miscellaneous Expenses		-	180
178	Unwinding of Landfill Aftercare Interest		118	-
-	Revaluation Decrements		2,347	-
<u>18,511</u>	Total Gross Cost of Service (ex page 16)		<u>18,501</u>	<u>18,105</u>
18,748	TOTAL EXPENDITURE		21,027	18,416
<u>1,807</u>	NET SURPLUS		626	1,078

Statement of Movements in Equity for the year ended 30 June 2004

Actual 2002-03		Note	Actual 2003-04	Budget 2003-04
\$000's			\$000's	\$000's
344,679	Opening Equity		348,267	341,628
1,807	Net Surplus for the Period		626	1,078
<u>1,781</u>	Increase in Revaluation Reserves	13/14	<u>2,738</u>	-
3,588	Total Recognised Revenue and Expenses		3,364	1,078
<u>348,267</u>	Closing Equity		<u>351,631</u>	<u>342,706</u>

Statement of Cashflows for the year ended 30 June 2004

Actual 2002-03 \$000's		Note	Actual 2003-04 \$000's	Budget 2003-04 \$000's
Operating Activities				
Cash was provided from:				
10,154	Rates		11,294	11,043
3,356	WRC Rates		-	-
172	Interest Income		217	-
<u>9,742</u>	Revenue from Services Provided		<u>10,752</u>	<u>9,959</u>
23,424			22,263	21,002
Cash was applied to:				
15,163	Employees and Suppliers		16,584	14,961
3,341	Rates paid to WRC		72	-
2	Interest on Loans		1	81
<u>119</u>	Net Taxes paid		<u>(41)</u>	<u>31</u>
<u>18,625</u>			<u>16,616</u>	<u>15,073</u>
4,799	Net Cash flows from Operating Activities	15	5,647	5,929
Investing Activities				
Cash was provided from:				
28	Mortgage Payments Received		56	-
117	Proceeds from Forestry Sales		-	-
<u>4,003</u>	Sale of Assets		<u>3,511</u>	<u>-</u>
4,148			3,567	-
Cash was applied to:				
-	Acquisition of Investments		-	83
<u>8,209</u>	Operating & Infrastructural Asset Acquisitions		<u>5,894</u>	<u>10,606</u>
<u>8,209</u>			<u>5,894</u>	<u>10,689</u>
(4,061)	Net Cash flows from Investing Activities		(2,327)	(10,689)
Financing Activities				
Cash was provided from:				
-	Loans Raised		-	4,750
-			-	4,750
Cash was applied to:				
<u>5</u>	Loan Repayments		<u>5</u>	<u>-</u>
<u>5</u>			<u>5</u>	<u>-</u>
(5)	Net Cash flows from Financing Activities		(5)	4,750
733	NET CHANGE IN CASH HOLDINGS		3,315	(10)
4,249	Plus Opening Cash		4,982	-
4,982	CLOSING CASH BALANCE	1	8,297	(10)
Represented by:				
1,448	Cash at Bank		296	(11)
1	Petty Cash		1	1
<u>3,533</u>	Short Term Deposits		<u>8,000</u>	<u>-</u>
4,982		1	8,297	(10)

Statement of Commitments and Contingencies as at 30 June 2004

<i>Actual</i> 2002-03 \$000's		Actual 2003-04 \$000's
	Commitments	
202	Capital Commitments Contracted	627
-	Other Non-cancellable Contracts	3,746
	Operating Leases	
19	Payable next year	14
12	Payable 1 - 2 years	9
12	Payable 2 - 3 years	-
6	Payable 3 - 5 years	-
	Contingencies	
	Guarantees	
105	Thames Valley Turf Trust	105
15	Paeroa Netball Association	15
30	Paeroa Centennial Park Board	30
50	Waihi Netball Association	50
	Other	

High Court proceedings have been issued against Council as a co-defendant. A house owner is claiming the cost of reinstating his house because of a defective foundation design. Council's liability will not exceed its insurance excess of \$10,000.

Summary Statement of Cost of Services for the year ended 30 June 2004

<i>Actual</i> 2002-03 \$000's	Note	Actual 2003-04 \$000's	Budget 2003-04 \$000's
Cost of Service			
1,206	Community Facilities	1,340	1,182
974	Democracy	987	1,038
1,504	Land Drainage	1,428	1,456
1,776	Other Activities	1,387	1,325
722	Parks & Reserves	889	746
1,770	Planning & Environmental Services	1,813	1,920
5,228	Roading	5,475	5,196
1,026	Solid Waste Management	731	997
1,791	Wastewater	1,856	1,982
3,133	Water	2,756	2,895
19,130	TOTAL GROSS COST OF SERVICE	18,662	18,737
(747)	Less Internal Interest	(737)	(632)
-	Less Net Workshop	-	-
116	Plus Net Plant	119	-
149	Plus Net Property	145	-
(137)	Plus Net Overheads	312	-
18,511	GROSS COST OF SERVICE	18,501	18,105
Less Recoveries			
158	Community Facilities	796	591
-	Democracy	-	-
1,064	Land Drainage	1,320	1,310
287	Other Activities	414	561
7	Parks & Reserves	550	536
648	Planning & Environmental Services	811	633
2,812	Roading	3,720	3,382
544	Solid Waste Management	722	544
1,780	Wastewater	1,943	1,875
3,782	Water	3,686	3,683
11,082	Total Recoveries	13,962	13,115
7,429	NET COST OF SERVICE	4,539	4,990

Notes to the Financial Statements for the year ended 30 June 2004

Actual 2002-03 \$000's		Actual 2003-04 \$000's
1. Bank and Short Term Deposits		
1,448	BNZ General Accounts	296
3,533	Short Term Deposits due to mature within one year	8,000
<u>1</u>	Petty Cash	<u>1</u>
<u>4,982</u>		<u>8,297</u>
The weighted average interest rate for all short term deposits as at 30 June 2004 was 5.47%.		
2. Debtors		
1,463	Rates	1,690
878	Transfund Subsidies	1,066
1,917	Water by Meter Charges, (including unread meters)	2,551
132	GST	35
<u>778</u>	Sundry Debtors	<u>1,394</u>
<u>5,168</u>		<u>6,736</u>
3. Inventories		
529	Quarry Metal Stockpile	505
<u>95</u>	Other	<u>91</u>
<u>624</u>		<u>596</u>
4. Income Accrued & Prepayments		
3	Interest Accrued on Short Term Investments	51
<u>83</u>	Prepayments	<u>79</u>
<u>86</u>		<u>130</u>
5. Creditors and Provisions		
2,900	Trade Creditors	3,545
6	Councillors' Fees Payable	3
203	Bonds & Deposits	235
907	Other	845
<u>750</u>	Current Portion of Landfill Provision (note 24)	<u>307</u>
<u>4,766</u>		<u>4,935</u>
6. Employee Entitlements		
404	Accrued Holiday Pay	444
488	Provision for Retiring Allowance	541
<u>59</u>	Provision for Long Service Leave	<u>52</u>
<u>951</u>		<u>1,037</u>
463	Current Portion of Accruals	496
488	Non-Current Portion of Accruals	541

Actual 2002-03 \$000's		Actual 2003-04 \$000's
7. Term Liabilities		
<i>Net Loan Balances</i>		<i>Net Loan Balances</i>
-	Finance Leases	101
<u>15</u>	Rural Housing Loans	<u>10</u>
<u>15</u>		<u>111</u>
Debt outstanding grouped by repayment date		
2	2003/04	-
2	2004/05	30
2	2005/06	30
2	2006/07	29
2	2007/08	18
2	2008/09	1
1	2009/10	1
<u>2</u>	2010/11	<u>2</u>
15		111
<u>2</u>	Less current portion	<u>30</u>
<u>13</u>		<u>81</u>

Council Loans are secured over either separate rates or Council Assets. There have been no variations to the Borrowing Management section of Council's Treasury Policy.

Actual 2002-03 \$000's	Actual 2002-03 \$000's	Actual 2002-03 \$000's	Actual 2002-03 \$000's		Actual 2003-04 \$000's	Actual 2003-04 \$000's	Actual 2003-04 \$000's	Actual 2003-04 \$000's
				8. Fixed Assets				
<i>Cost</i>	<i>Valuation</i>	<i>Accum. Dep'n</i>	<i>Book Value</i>		<i>Cost</i>	<i>Valuation</i>	<i>Accum. Dep'n</i>	<i>Book Value</i>
				<i>Operational Assets</i>				
69	7,987	-	8,056	Land	981	8,151	-	9,132
673	6,430	424	6,679	Buildings	-	11,305	496	10,809
5,372	-	3,150	2,222	Plant & Motor Vehicles	5,646	-	3,484	2,162
375	-	-	375	Library Books	376	-	-	376
<u>1,838</u>	<u>-</u>	<u>1,239</u>	<u>599</u>	Office Equipment	<u>2,101</u>	<u>-</u>	<u>1,487</u>	<u>614</u>
8,327	14,417	4,813	17,931	Total Operational Assets	9,104	19,456	5,467	23,093
				<i>Infrastructural Assets</i>				
3,438	242,989	1,820	244,607	Roading	7,046	242,888	3,644	246,290
				Treatment & Reticulation Systems				
601	28,190	888	27,903	- Water	942	28,168	1,761	27,349
1,383	21,087	647	21,823	- Sewerage	1,856	21,136	1,265	21,727
382	20,089	412	20,059	- Stormwater/Drainage	702	20,089	827	19,964
<u>5,804</u>	<u>312,355</u>	<u>3,767</u>	<u>314,392</u>	Total Infrastructural Assets	10,546	312,281	7,497	315,330
2,053	7,791	120	9,724	<i>Restricted Assets</i>	-	4,011	-	4,011
<u>16,184</u>	<u>334,563</u>	<u>8,700</u>	<u>342,047</u>	Total Fixed Assets	<u>19,650</u>	<u>335,748</u>	<u>12,964</u>	<u>342,434</u>

Council considers the Land and Buildings figures shown above are an indication of fair value.

Infrastructural Assets includes land valued at \$78,868,000 and buildings valued at \$572,000

Restricted Assets includes land valued at \$4,011,000. Buildings included in Restricted Assets in previous years were transferred to the Building category under Operational Assets as at 30 June 2004.

<i>Actual</i> 2002-03 \$000's	<i>Actual</i> 2002-03 \$000's		<i>Actual</i> 2002-03 \$000's	<i>Actual</i> 2002-03 \$000's
<i>Book</i> <i>Value</i>	<i>Fair</i> <i>Value</i>	9. Shares in Companies	<i>Book</i> <i>Value</i>	<i>Fair</i> <i>Value</i>
32	32	Shares held in New Zealand Local Government Insurance Corporation 31,717 shares at \$1.00 per share. (30 June 2003 - 31,717 shares)	32	32
<u>32</u>	<u>32</u>		<u>32</u>	<u>32</u>

<i>Actual</i> 2002-03 \$000's		<i>Actual</i> 2003-04 \$000's
	10. Long Term Investments	
15	Rural Housing Loans to Farmers	10
5	Loans to Sporting Bodies	5
752	Forestry Plantations	701
49	Emergency Planning Unit Investment (note 23)	48
<u>79</u>	Loans to Community Groups	<u>28</u>
<u>900</u>		<u>792</u>

Investments are subject to Council's Treasury Management Policy which became operative 1 July 1998.

	11. General Equity	
311,817	Opening Balance	315,831
1,807	Surplus for the year	626
<u>2,207</u>	Plus net transfers from reserves (notes 12 and 13)	<u>1,485</u>
<u>315,831</u>	Closing Balance	<u>317,942</u>

Actual
2002-03
\$000's

Actual
2003-04
\$000's

12. Council Created Reserves

2,558	Opening Balance	2,782
151	Plus transfers from general equity	183
149	Plus interest transfers from general equity	139
<u>(76)</u>	Less transfers to general equity	<u>(108)</u>
<u>2,782</u>	Closing Balance	<u>2,996</u>

13. Asset Revaluation Reserve

29,580	Opening Balance	28,930
1,781	Net Increase in Valuation of Land	2,790
<u>(2,431)</u>	Less Reversed to general equity on Disposals	<u>(1,699)</u>
<u>28,930</u>	Closing Balance	<u>30,021</u>

Made up of:

2,498	Land	3,394
1,389	Restricted Land	1,694
16,905	Roading	16,905
714	Stormwater/Drainage	714
2,904	Wastewater	2,900
<u>4,520</u>	Water	<u>4,414</u>
<u>28,930</u>		<u>30,021</u>

14. Forestry Revaluation Reserve

724	Opening Balance	724
-	Add Increase in value of forests	(52)
-	Less Reversed on Disposals	-
<u>724</u>	Closing Balance	<u>672</u>

Actual 2002-03 \$000's		Actual 2003-04 \$000's
	15. Cashflow Reconciliation	
1,807	Surplus per Statement of Financial Performance	626
	<u>Add back Noncash Items</u>	
-	Writedown of Assets	2,347
-	Recognition of Equity in Investment	-
178	Unwinding of Landfill Aftercare Interest	118
-	Adjustment to Landfill Liability	(277)
<u>4,544</u>	Depreciation	<u>4,809</u>
6,529		7,623
	<u>Movement in Working Capital</u>	
(912)	Less: Increase in Debtors (net of Investment Debtors)	(1,568)
14	Plus: Decrease in Inventories	28
(10)	Less: Increase in Income Accrued & Prepayments	(44)
(49)	Plus: Increase in Creditors (net of Capital Creditors and Landfill Provision)	55
<u>(957)</u>		<u>(1,529)</u>
	<u>Less Items classified as Investing/Financing</u>	
(773)	Less: Gain on Sale/Disposal of Assets/Revaluation	(447)
0	Less: Gain on Sale of Forests	-
<u>0</u>	Less: Gain on Sale of Shares	<u>-</u>
<u>(773)</u>		<u>(447)</u>
4,799		5,647
<u>4,799</u>	Net Cashflow from Operating Activities	<u>5,647</u>

16. Financial Instruments

Council is party to financial instruments as part of its normal operations. These include bank accounts, term deposits, property mortgages, sporting advances, accounts payable and accounts receivable. All of these are recognised in the Statement of Financial Position. Revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

Credit Risk

Council's exposure to credit risk is limited to loss associated with bank accounts, term deposits, property mortgages, sporting advances and accounts receivable.

Council minimises its risk by limiting the value of funds that may be invested in any institution in addition to clearly specifying approved institutions.

Credit risk associated with accounts receivable is limited to the unsecured trade debtors.

These account for just under 21% of accounts receivable (12% as at 30 June 2003).

The remaining debtors are either secured against the land or were payable by Transfund New Zealand, or the Inland Revenue Department.

Currency Risk

Council has no exposure to currency risk.

Interest Rate Risk

All term borrowings are of a fixed interest nature and are detailed in note 7. The weighted average interest rate on short term deposits is detailed in note 1.

17. Related Party Transactions

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with the Council (such as payment of rates, purchase of rubbish bags).

Councillors also had interests in the following transactions (GST incl.) during the year:

Mrs D M Carmine	Publications	\$3,212
Mr D E Challis - Kerepehi Transport	Transport and Contracting	\$93,274
Mr B A Gordon - Dudding & Assoc.	Hardware	\$5,903
Mr B P Dunn - Paeroa Process Services	Serving Summons	\$140
Mr I D Troughton - I & S Troughton	Transport and Contracting	\$1,575
Mr J P Tregidga - L & P Café	Café-Refreshments	\$9,331
Mrs B T Wightman - Wightman Contractors	Transport	\$4,942

At 30 June 2004 Council owed the following amounts (GST incl.) to organisations that Councillors had an interest in. These amounts outstanding are included in the transactions noted above:

Mr D E Challis - Kerepehi Transport	\$44,275
Mr B A Gordon - Dudding & Assoc.	\$379
Mr J P Tregidga - L & P Café	\$801
Mrs D M Carmine	\$241

During the year Council paid the Thames Valley Combined Districts Emergency Planning Unit for Civil Defence services (note 23) \$67,798

Actual
2002-03
\$000's

Actual
2003-04
\$000's

18. Chief Executive's Remuneration

129	The Chief Executive of the Hauraki District Council, appointed under Section 119C(1)(a) of the Local Government Act 1974 received a salary (including accumulated leave) of:	141
	In terms of his contract the Chief Executive also receives the following additional benefits:	
1	Subscriptions	1
1	Telephone	1
12	Motor Vehicle	12
NIL	Gratuity, retiring leave and bonus payment	NIL
143	The total annual cost, including fringe benefit tax, to the Hauraki District Council of the remuneration package received by the Chief Executive is calculated at:	155

Actual
2002-03
\$000's

Actual
2003-04
\$000's

19. Miscellaneous Expenditure

(a) Section 223 of the Local Government Act 1974 requires the disclosure of various expenditure by Council. The relevant amounts are as follows:

155	Insurance Premiums	175
	Ex-gratia payments to any person who suffers any loss of/or damage to, property while rendering assistance to, or performing any action under the control or authority of, the Hauraki District Council.	24
NIL		
3	Ceremonies for the public or a section of the public	3
	Purchase of insignia and robes of office and civic insignia of any kind	NIL
NIL	Severance Payments greater than \$50,000	NIL
NIL	Provision of entertainment	NIL
	Payment of subscriptions, levies, fees or general contributions to any organisations that the Council considers appropriate in connection with its functions, duties and powers	198
196		
NIL	Unauthorised Expenditure	NIL

(b) Other Disclosures Required

226	Councillors' Fees	215
65	Audit Fees	69
31	Other Services Provided by Auditors	6
100	Increase in Provision for Doubtful Debts	-
2	Interest Expense	1
170	Interest Income	185
-	Dividend Income	-
20	Finance Lease Costs	16
25	Operating Lease Costs	29
	Depreciation	
165	Buildings	496
62	Restricted Buildings	-
202	Office Equipment	248
316	Plant and Machinery	335
1,820	Roading	1,824
412	Stormwater/Drainage	415
647	Wastewater	618
888	Water	873
<u>4,512</u>	Total Depreciation	<u>4,809</u>

**Actual
2002-03**

**Actual
2003-04**

20. Staff Numbers

1	Chief Executive	1
17	Community Services	16
20	Corporate Services	20
5	Infrastructural Asset Management	5
19	Planning & Environmental Services	23
31	Construction & Maintenance	31
9	Quarry	9
4	Technical Services	6
2	Workshop	2
<u>108</u>	Total Staff	<u>113</u>

21. Properties Intended for Resale

Council has developed two subdivisions in Ngatea and four subdivisions in Waihi. Council has accepted deposits on some of these sections prior to balance date and expects all remaining sections to be sold by 30 June 2005. Council has capitalised the cost of the land, design/survey fees, power and telephone reticulation, and other expenses directly associated with the project. Council considers the amounts capitalised to be less than net realisable value.

Expenditure incurred on the development of roading, including footpaths and kerb and channeling, sewerage and water reticulation and stormwater have not been included. The cost of these assets has been added to the appropriate infrastructural classification.

22. Major Budget Variations

Statement of Financial Performance

Total Income was \$2.2 million higher than budgeted. This was principally due to \$430,000 of unbudgeted Gain on Sale of Assets, \$310,000 of extra roading subsidy, \$280,000 of additional interest income, \$280,000 of unbudgeted miscellaneous income, \$150,000 of additional rate income, \$180,000 extra Solid Waste revenue, \$180,000 additional Planning revenue, and \$180,000 increased profit from the Business Units.

Total Expenditure was \$2.7 million higher than budgeted. This was principally due to \$2.3 million of revaluation write-downs, and \$280,000 of extra roading expenditure.

Statement of Financial Position

Bank is \$8 million higher than budget for the reasons stated in the Statement of Cashflows section below. Debtors were understated in the budget by \$3.6 million, and Creditors were \$2.9 million higher than budgeted. Fixed Assets were \$4.5 million lower than budgeted.

Term Debt is \$5.9 million lower than budget. The Asset Revaluation Reserve is \$25.2 million higher than budget, the effect of the 2002 revaluation was recognised in General Equity in the budget, hence General Equity is \$16.6 million lower than budget

Statement of Cashflows

Recoveries from services provided were \$800,000 greater than budgeted, principally due to increased Roothing Subsidy, while Payments to Employees and Suppliers were \$1.6 million higher. Opening Cash was \$5.0 million higher than budgeted due to 2001-02 and 2002-03 projects being deferred because of Resource Consenting delays. Further delays caused Asset Acquisitions to be underspent by \$4.9 million. Because of this and \$3.3 million received from unbudgeted Sale of Assets, the \$4.8 million budgeted to be borrowed was not required and Bank was \$8.0 million higher than budget.

23. Thames Valley Combined Districts Emergency Planning Unit

Council is a 27% principal in a joint venture operation, together with the Thames-Coromandel and Matamata-Piako District Councils for the operation of the Thames Valley Combined Civil Defence Committee. The joint venture shares a common balance date with Council, but its accounts have not been audited. Council's share of the loss (\$1,000) has been included in Civil Defence expenditure in the Other Activities Cost of Service Statement. Council's share of the Proprietors' Funds (\$48,000) has been recorded as a long term investment.

Actual
2002-03
\$000's

Actual
2003-04
\$000's

24. Provision for Landfill Aftercare

Council has three closed landfills at Paeroa, Kaihere and Waihi. Council has responsibility for the closure and aftercare of these facilities. Closure and aftercare include capping, drainage, leachate collection and treatment, and monitoring ground water quality and leachate.

2,189	Opening Balance	2,224
(143)	Amounts Used	(99)
-	Unused Portion Reversed	(277)
-	Movement in value of Assets Impaired	(13)
178	Discounting Changes	118
<u>2,224</u>	Closing Balance	<u>1,953</u>
750	Current Portion of Provision	307
1,474	Non-Current Portion of Provision	1,646

25. Post Balance Date Events

No events have occurred between the balance date and the date of signing these financial statements that materially affect the financial statements.