

# FINANCIAL STATEMENTS

## Statement of Accounting Policies for the year ended 30 June 2005

### 1. Reporting Entity

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

### 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 2005 is included in creditors 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 and refuse disposal sites).

- (ii) Valuation:

Library Books and Waihi Beach Leasehold Land are valued annually. Land Buildings and Restricted Land are revalued three yearly. Infrastructural Assets will be next revalued as at 1 July 2008.

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 by Townshend Cullen Associates as at 30 June 2005. 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 2005 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 2005. Roading and above-ground Water, Wastewater, Stormwater and Drainage Assets were valued by MWH New Zealand Ltd. The valuation of below-ground Water, Wastewater, Stormwater and Drainage Assets were prepared by Council staff and peer-reviewed by MWH New Zealand 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 (10-70 years)	Basecourse (30 - 75 years)
Surface Water Channels (10-20 years)	Culverts (50-60 years)
Footpaths (15-50 years)	Bridges (50-100 years)

Buildings

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 (60 - 120 years)	Water Treatment (8 - 150 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.

**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 2005

Actual 2003-04 \$000's		Note	Actual 2004-05 \$000's	Budget 2004-05 \$000's
<b>Current Assets</b>				
8,297	Bank and Short Term Deposits	1	7,528	-
6,736	Debtors	2	6,107	3,096
596	Inventories	3	419	490
130	Income Accrued & Prepayments	4	115	17
342	Properties Intended for Resale	22	237	-
<u>16,101</u>	<b>Total Current Assets</b>		<u>14,406</u>	<u>3,603</u>
<b>Less Current Liabilities</b>				
-	Bank Overdraft	1	-	16
4,935	Creditors and Provisions	5	5,146	2,000
496	Employee Entitlements	6	494	977
30	Current Portion of Term Debt	7	29	-
<u>5,461</u>	<b>Total Current Liabilities</b>		<u>5,669</u>	<u>2,993</u>
10,640	<b>Working Capital</b>		8,737	610
<b>Non-Current Assets</b>				
342,435	Fixed Assets	8	379,174	346,984
INVESTMENTS				
32	Shares in Companies	9	32	32
792	Long Term Investments	10	818	1,006
<u>343,259</u>	<b>Total Non-Current Assets</b>		<u>380,024</u>	<u>348,022</u>
<u>353,899</u>			<u>388,761</u>	<u>348,632</u>
<b>Less Non-Current Liabilities</b>				
541	Employee Entitlements	6	564	-
1,646	Landfill Aftercare Provision	25	1,698	-
81	Term Debt	7	50	1,550
<u>2,268</u>	<b>Total Non-Current Liabilities</b>		<u>2,312</u>	<u>1,550</u>
<u>351,631</u>	<b>NET ASSETS</b>		<u>386,449</u>	<u>347,082</u>
<b>Represented by:</b>				
317,942	General Equity	11	321,315	338,868
2,996	Council Created Reserves	12	3,155	2,700
30,021	Asset Revaluation Reserve	13	61,307	4,790
672	Forestry Revaluation Reserve	14	672	724
<u>351,631</u>	<b>RATEPAYERS EQUITY</b>		<u>386,449</u>	<u>347,082</u>

.....  
J P Tregidga  
Mayor

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L D Cavers  
Chief Executive

27 October 2005

The notes and the statement of accounting policies form part of these financial statements.

## Statement of Financial Performance for the year ended 30 June 2005

Actual 2003-04 \$000's		Actual 2004-05 \$000's	Budget 2004-05 \$000's
<b>INCOME</b>			
1,700	Fees and Charges	1,724	1,693
3,205	External Subsidies	3,380	3,023
9,048	Targeted Rates	9,336	9,337
5,882	General Rates	6,004	5,837
278	Interest & Commission	524	-
185	Petrol Tax	196	120
447	Gain on Sale of Fixed Assets	714	-
-	Dividends	4	-
2,388	Quarry Sales	2,572	1,850
146	Business Unit Surpluses	(56)	158
224	Miscellaneous Income	196	-
-	Vested Assets	114	-
<b>23,503</b>		<b>24,708</b>	<b>22,018</b>
<b>Less</b>			
18,503	Total Cost of Service	19,361	18,930
-	Interest Expense	-	54
61	Provision for Bad Debts	157	50
1,848	Quarry Expenses	1,872	1,500
	Unwinding of Landfill Aftercare		
118	Interest	125	-
2,347	Revaluation Decrements	46	-
-	Miscellaneous	-	180
-	Write-off of Assets	34	-
<b>22,877</b>		<b>21,595</b>	<b>20,714</b>
<b>626</b>	<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>3,113</b>	<b>1,304</b>

## Statement of Movements in Equity for the year ended 30 June 2005

Actual 2003-04 \$000's		Note	Actual 2004-05 \$000's	Budget 2004-05 \$000's
348,267	Opening Equity		351,631	345,778
626	Net Surplus for the Period		3,113	1,304
<u>2,738</u>	Increase in Revaluation Reserves	<b>13/14</b>	<u>31,705</u>	-
3,364	<b>Total Recognised Revenue and Expenses</b>		34,818	1,304
<b>351,631</b>	<b>Closing Equity</b>		<b>386,449</b>	<b>347,082</b>

The notes and the statement of accounting policies form part of these financial statements.

## Statement of Cashflows for the year ended 30 June 2005

Actual 2003-04 \$000's	Note	Actual 2004-05 \$000's	Budget 2004-05 \$000's
<b>Operating Activities</b>			
Cash was provided from:			
14,420		15,455	15,230
217		553	-
-		4	-
<u>7,626</u>		<u>8,806</u>	<u>6,793</u>
22,263		24,818	22,023
Cash was applied to:			
16,584		16,002	15,858
72		89	-
1		1	54
<u>(41)</u>		<u>11</u>	<u>31</u>
16,616		16,103	15,943
<b>5,647</b>	<b>15</b>	<b>8,715</b>	<b>6,080</b>
<b>Investing Activities</b>			
Cash was provided from:			
56		10	-
<u>3,511</u>		<u>1,888</u>	<u>1,500</u>
3,567		1,898	1,500
Cash was applied to:			
-		37	95
<u>5,894</u>		<u>11,254</u>	<u>12,051</u>
5,894		11,291	12,146
<b>(2,327)</b>		<b>(9,393)</b>	<b>(10,646)</b>
<b>Financing Activities</b>			
Cash was provided from:			
-		-	1,550
-		-	1,550
Cash was applied to:			
-		88	-
<u>5</u>		<u>3</u>	<u>-</u>
5		91	-
<b>(5)</b>		<b>(91)</b>	<b>1,550</b>
<b>3,315</b>		<b>(769)</b>	<b>(3,016)</b>
4,982		8,297	3,000
<b>8,297</b>	<b>1</b>	<b>7,528</b>	<b>(16)</b>
<b>Represented by:</b>			
296		842	(17)
1		1	1
<u>8,000</u>		<u>6,685</u>	<u>-</u>
<b>8,297</b>	<b>1</b>	<b>7,528</b>	<b>(16)</b>

The notes and the statement of accounting policies form part of these financial statements.

## Statement of Commitments and Contingencies as at 30 June 2005

Actual 2003-04 \$000's		Actual 2004-05 \$000's
	<b>Commitments</b>	
627	Capital Commitments Contracted	1,350
3,746	Other Non-cancellable Contracts	3,332
	Operating Leases	
14	Payable next year	8
9	Payable 1 - 2 years	-
-	Payable 2 - 3 years	-
-	Payable 3 - 5 years	-
	<b>Contingencies</b>	
	Guarantees	
105	Thames Valley Turf Trust	105
15	Paeroa Netball Association	15
30	Paeroa Centennial Park Board	30
50	Waihi Netball Association	50
	Other	

### Building Claims

Three claims have been lodged with the Weathertight Homes Resolution Service for buildings located within Hauraki District. Council has been notified of two of these claims and has been named as a party in one claim. Council believes it has no liability under any of these claims. In any case Council's maximum exposure would be the insurer's excess which is estimated at \$30,000 in total.

### Other Claims

Council also has various small legal or insurance claims outstanding. The current estimate for outstanding claims is \$16,000 (2004 \$10,000).

## Summary Statement of Cost of Services for the year ended 30 June 2005

Actual 2003-04 \$000's		Actual 2004-05 \$000's	Budget 2004-05 \$000's
<b>OPERATING EXPENDITURE</b>			
12,311	Network Services	13,349	13,133
1,351	Leadership	1,541	1,631
2,305	Community Services	2,449	2,345
1,070	Community Development	1,110	881
1,618	Regulatory Services	1,744	1,758
<b>18,655</b>		<b>20,193</b>	<b>19,748</b>
(737)	Less Internal Interest	(800)	(818)
254	Less Net Overheads	(312)	-
180	Add Net Property	183	-
150	Add Net Plant	96	-
<b>18,502</b>		<b>19,360</b>	<b>18,930</b>
<b>OPERATING REVENUE</b>			
1,700	Fees and Charges	1,724	1,693
3,205	External Subsidies	3,380	3,023
9,048	Targeted Rates	9,336	9,337
<b>13,953</b>		<b>14,440</b>	<b>14,053</b>
<b>(4,549)</b>	<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>(4,920)</b>	<b>(4,877)</b>
<b>FUNDED BY</b>			
6,860	General Rates and Funds	6,997	6,997
	Transfers from Community		
11	Recreational Reserves	110	-
(2,322)	General Reserve Funding	(2,187)	(2,120)
<b>4,549</b>		<b>4,920</b>	<b>4,877</b>

## Notes to the Financial Statements for the year ended 30 June 2005

Actual 2003-04 \$000's		Actual 2004-05 \$000's
<b>1. Bank and Short Term Deposits</b>		
296	BNZ General Accounts	842
8,000	Short Term Deposits due to mature within one year	6,685
<u>1</u>	Petty Cash	<u>1</u>
<u>8,297</u>		<u>7,528</u>
The weighted average interest rate for all short term deposits as at 30 June 2005 was 6.96%.		
<b>2. Debtors</b>		
1,690	Rates	1,353
1,066	Transfund Subsidies	1,047
2,551	Water by Meter Charges, (including unread meters)	2,396
35	GST	-
<u>1,394</u>	Sundry Debtors	<u>1,311</u>
<u>6,736</u>		<u>6,107</u>
<b>3. Inventories</b>		
505	Quarry Metal Stockpile	335
<u>91</u>	Other	<u>84</u>
<u>596</u>		<u>419</u>
<b>4. Income Accrued &amp; Prepayments</b>		
51	Interest Accrued on Short Term Investments	23
<u>79</u>	Prepayments	<u>92</u>
<u>130</u>		<u>115</u>
<b>5. Creditors and Provisions</b>		
3,545	Trade Creditors	3,622
3	Councillors' Fees Payable	8
-	GST	4
235	Bonds & Deposits	269
845	Other	949
<u>307</u>	Current Portion of Landfill Provision (note 25)	<u>294</u>
<u>4,935</u>		<u>5,146</u>
<b>6. Employee Entitlements</b>		
444	Accrued Holiday Pay	461
541	Provision for Retiring Allowance	564
<u>52</u>	Provision for Long Service Leave	<u>33</u>
<u>1,037</u>		<u>1,058</u>
496	Current Portion of Accruals	494
541	Non-Current Portion of Accruals	564

Actual 2003-04 \$000's		Actual 2004-05 \$000's
<b>7. Term Liabilities</b>		
Net Loan Balances		Net Loan Balances
101	Finance Leases	72
10	Rural Housing Loans	7
<u>111</u>		<u>79</u>
Debt outstanding grouped by repayment date		
30	2004/05	-
30	2005/06	29
29	2006/07	29
18	2007/08	17
1	2008/09	1
1	2009/10	1
2	2010/11	2
<u>111</u>		<u>79</u>
<u>30</u>	Less current portion	<u>29</u>
<u>81</u>		<u>50</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 2003-04 \$000's	Actual 2003-04 \$000's	Actual 2003-04 \$000's	Actual 2003-04 \$000's		Actual 2004-05 \$000's	Actual 2004-05 \$000's	Actual 2004-05 \$000's	Actual 2004-05 \$000's
<b>8. Fixed Assets</b>								
Cost	Valuation	Accum. Dep'n	Book Value		Cost	Valuation	Accum. Dep'n	Book Value
981	8,151	-	9,132	Operational Assets	468	8,290	-	8,758
-	11,305	496	10,809	Land	744	11,175	1,059	10,860
5,646	-	3,484	2,162	Buildings	6,641	-	3,736	2,905
-	376	-	376	Plant & Motor Vehicles	-	379	-	379
2,101	-	1,487	614	Library Books	2,596	-	1,752	844
<u>8,728</u>	<u>19,832</u>	<u>5,467</u>	<u>23,093</u>	Office Equipment	<u>10,449</u>	<u>19,844</u>	<u>6,547</u>	<u>23,746</u>
				Total Operational Assets				
7,046	242,888	3,644	246,290	Infrastructural Assets				
				Roading	-	247,653	-	247,653
942	28,168	1,761	27,349	Treatment & Reticulation Systems				
1,856	21,136	1,265	21,727	- Water	-	39,669	-	39,669
702	20,089	827	19,964	- Wastewater	-	30,075	-	30,075
<u>10,546</u>	<u>312,281</u>	<u>7,497</u>	<u>315,330</u>	- Stormwater/Drainage	-	33,987	-	33,987
				Total Infrastructural Assets	<u>-</u>	<u>351,384</u>	<u>-</u>	<u>351,384</u>
-	4,011	-	4,011	Restricted Land	-	4,044	-	4,044
<u>19,274</u>	<u>336,124</u>	<u>12,964</u>	<u>342,434</u>	<b>Total Fixed Assets</b>	<u>10,449</u>	<u>375,272</u>	<u>6,547</u>	<u>379,174</u>

Council considers the Land and Buildings figures shown above are an indication of fair value. Infrastructural Assets includes land valued at \$78,900,000 and buildings valued at \$637,000

<b>Actual 2003-04</b>	<b>Actual 2003-04</b>		<b>Actual 2004-05</b>	<b>Actual 2004-05</b>
\$000's	\$000's		\$000's	\$000's
Book Value	Fair Value	<b>9. Shares in Companies</b>	Book Value	Fair Value
32	32	Shares held in New Zealand Local Government Insurance Corporation 31,717 shares at \$1.00 per share. ( 30 June 2004 - 31,717 shares)	32	72
<u>32</u>	<u>32</u>		<u>32</u>	<u>72</u>

<b>Actual 2003-04</b>		<b>Actual 2004-05</b>
\$000's		\$000's
	<b>10. Long Term Investments</b>	
10	Rural Housing Loans to Farmers	7
5	Loans to Sporting Bodies	5
701	Forestry Plantations	701
48	Emergency Planning Unit Investment (note 24)	48
<u>28</u>	Loans to Community Groups	<u>57</u>
<u>792</u>		<u>818</u>

Investments are subject to Council's Investment Management Policy which became operative 1 July 2004.

<b>11. General Equity</b>		
315,831	Opening Balance	317,942
626	Surplus for the year	3,113
<u>1,485</u>	Plus net transfers from reserves (notes 12 and 13)	<u>260</u>
<u>317,942</u>	Closing Balance	<u>321,315</u>

Actual 2003-04 \$000's		Actual 2004-05 \$000's
<b>12. Council Created Reserves</b>		
2,782	Opening Balance	2,996
183	Plus transfers from general equity	197
139	Plus interest transfers from general equity	199
<u>(108)</u>	Less transfers to general equity	<u>(237)</u>
<u>2,996</u>	Closing Balance	<u>3,155</u>
 <b>13. Asset Revaluation Reserve</b>		
28,930	Opening Balance	30,021
2,790	Net Increase in Valuation of Land	120
-	Net Increase in Valuation of Infrastructure	31,585
<u>(1,699)</u>	Less Reversed to general equity on Disposals	<u>(419)</u>
<u>30,021</u>	Closing Balance	<u>61,307</u>
 Made up of:		
3,394	Land	3,096
1,694	Restricted Land	1,694
16,905	Roading	16,241
714	Stormwater/Drainage	14,468
2,900	Wastewater	8,667
<u>4,414</u>	Water	<u>17,141</u>
<u>30,021</u>		<u>61,307</u>
 <b>14. Forestry Revaluation Reserve</b>		
724	Opening Balance	672
(52)	Add Increase in value of forests	-
<u>-</u>	Less Reversed on Disposals	<u>-</u>
<u>672</u>	Closing Balance	<u>672</u>

**Actual  
2003-04**  
\$000's

**Actual  
2004-05**  
\$000's

**15. Cashflow Reconciliation**

626	Surplus per Statement of Financial Performance	3,113
	<u>Add back Noncash Items</u>	
0	Assets Vested in Council	(114)
2,347	Writedown of Assets	80
-	Recognition of Equity in Investment	-
118	Unwinding of Landfill Aftercare Interest	125
(277)	Adjustment to Landfill Liability	-
4,809	Depreciation	5,023
7,623		8,227
	<u>Movement in Working Capital</u>	
(1,568)	Plus: Decrease in Debtors (net of Investment Debtors)	629
28	Plus: Decrease in Inventories	177
(44)	Less: Increase in Income Accrued & Prepayments	15
55	Plus: Increase in Creditors (net of Capital Creditors and Landfill Provision)	381
(1,529)		1,202
	<u>Less Items classified as Investing/Financing</u>	
(447)	Less: Gain on Sale/Disposal of Assets/Revaluation	(714)
(447)		(714)
5,647		8,715
5,647	Net Cashflow from Operating Activities	8,715

**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 21% of accounts receivable (21% as at 30 June 2004). 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.

**Actual**  
**2003-04**  
 \$'s

**Actual**  
**2004-05**  
 \$'s

### 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:

\$3,212	Mrs Mary Carmine	Publications	\$3,503
\$93,274	Mr Don Challis - Kerepehi Transport	Transport and Contracting	\$92,628
\$5,903	Mr Bruce Gordon - Dudding & Assoc.	Hardware	\$22,854
\$140	Mr Bryan Dunn - Paeroa Process Services	Serving Summons	\$170
	Mr Tom Meyers	Roading Metal	\$1,892
\$1,575	Mr Ian Troughton - I & S Troughton	Transport and Contracting	\$340
\$9,331	Mr John Tregidga - L & P Café and L & P Catering	Café-Refreshments	\$28,991
\$4,942	Mrs Bronwyn Wightman - Wightman Contracting	Transport	\$3,694

Approval for above amounts greater than \$25,000 has been granted by the Office of the Auditor General

At 30 June 2005 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:

\$44,275	Mr Don Challis - Kerepehi Transport	\$21,076
\$379	Mr B A Gordon - Dudding & Assoc.	\$0
\$801	Mr John Tregidga - L & P Café and L & P Catering	\$1,177
\$241	Mrs Mary Carmine	\$359

\$67,798	During the year Council paid the Thames Valley Combined Districts Emergency Planning Unit for Civil Defence services (note 24)	\$74,439
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**Actual**  
**2003-04**  
\$'s

**Actual**  
**2004-05**  
\$'s

**18. Remuneration of Chief Executive and Elected Members**

	The Chief Executive of the Hauraki District Council, appointed under Section 42(1) of the Local Government Act 2002 received a salary of:	
141,309		155,058

In terms of his contract the Chief Executive also receives the following additional benefits:

	600 Subscriptions	600
	500 Telephone	500
	12,250 Motor Vehicle	14,167
	NIL Gratuity, retiring leave and bonus payment	NIL

	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:	
154,659		170,325

Elected members received Salary and Meeting Allowances as follows:

Current Members		
13,886	Mr Sel Baker	15,855
-	Mrs Julie Bubb	10,920
13,963	Mrs Mary Carmine	19,466
13,401	Mr Don Challis	12,919
8,088	Mr Bruce Gordon	13,502
-	Mr George Gray	6,508
8,755	Mr Mike Hayden	10,943
7,597	Mr Don Lockwood	10,780
-	Mr Tom Meyers	6,508
-	Mr Paul Milner	6,508
19,360	Mr John Tregidga (Mayor)	46,062
7,924	Mr Keith Trembath	10,889
10,097	Mr Ian Troughton	14,085
7,815	Mrs Bronwyn Wightman	11,899
Previous Members		
8,896	Mr Bryan Dunn	2,237
8,313	Mrs Valda Laurich	2,346
52,050	Mr Basil Morrison (Mayor)	16,019
9,849	Mrs Gill Munro	4,261

**Actual  
2003-04**  
\$'s

**Actual  
2004-05**  
\$'s

For sitting on Hearings Committees Elected Members also received remuneration as follows:

Current Members		
-	Mrs Julie Bubb	339
5,370	Mrs Mary Carmine	1,056
690	Mr Bruce Gordon	897
660	Mr Mike Hayden	438
3,450	Mr John Tregidga (Mayor)	386

Fringe Benefit Tax on vehicles was also paid on behalf of Elected Members as follows:

Current Members		
-	Mr John Tregidga (Mayor)	5,430
Previous Members		
5,483	Mr Basil Morrison (Mayor)	1,657

#### 19. Severance Payments

Council made the following severance payments to employees during the year:

Retirement Gratuities:

Employee One	14,093
Employee Two	9,476

Other:

No other severance payments were made.

**Actual  
2003-04**  
\$000's

**Actual  
2004-05**  
\$000's

#### 20. Other Income and Expenditure

69	Audit Fees	71
6	Other Services Provided by Auditors	-
-	Increase in Provision for Doubtful Debts	-
1	Interest Expense	1
185	Interest Income	524
-	Dividend Income	4
16	Finance Lease Costs	17
29	Operating Lease Costs	20
Depreciation		
496	Buildings	497
248	Office Equipment	265
335	Plant and Machinery	343
1,824	Roading	1,952
415	Stormwater/Drainage	432
618	Wastewater	652
873	Water	882
<u>4,809</u>	Total Depreciation	<u>5,023</u>

**Actual  
2003-04**

**Actual  
2004-05**

**21. Staff Numbers**

1	Chief Executive	1
16	Community Services	16
20	Corporate Services	19
5	Infrastructural Asset Management	5
23	Planning & Environmental Services	23
31	Construction & Maintenance	34
9	Quarry	10
6	Technical Services	6
2	Workshop	2
<u>113</u>	<b>Total Staff</b>	<u>116</u>

**22. Properties Intended for Resale**

The majority of property intended for resale relates to two subdivisions that Council has developed in Ngatea and 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 2006.

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.

**23. Major Budget Variations**

Statement of Financial Performance

The Operating Surplus was \$1.8 million higher than budgeted. This was principally due to \$670,000 of unbudgeted Gain on Sale of Assets, \$400,000 extra roading expenditure due to preparation for next year's AWT programme and increased contract rates, offset by \$360,000 of extra roading subsidy, \$520,000 of additional interest income, \$200,000 of unbudgeted miscellaneous income, and \$350,000 additional Quarry profit due to increased demand.

### Statement of Financial Position

Bank is \$7.5 million higher than budget for the reasons stated in the Statement of Cashflows section below. Debtors and creditors were both understated in the budget by \$3 million. Fixed Assets were \$32.2 million higher than budgeted principally due to the effects of the latest infrastructure, and land and building revaluations. The landfill aftercare liability for \$1.7 million was not recognised in the budget.

Term Debt is \$1.5 million lower than budget. The Asset Revaluation Reserve is \$56.5 million higher than budget due to the effects of the latest infrastructure, and land and building revaluations, and also the effect of the 2002 revaluation was recognised in General Equity in the budget, hence General Equity is \$17.6 million lower than budget

### Statement of Cashflows

Recoveries from services provided were \$2.0 million greater than budgeted, principally due to increased quarry sales, roading subsidy, miscellaneous income, and a decrease in debtors. Opening Cash was \$5.3 million higher than budgeted due to prior year projects being deferred because of resource consenting delays. Further delays caused asset acquisitions to be underspent by \$800,000. Because of this and \$400,000 received from unbudgeted sale of assets, and \$600,000 from interest income, the \$1.6 million budgeted to be borrowed was not required and bank was \$7.5 million higher than budget.

## **24. 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 profit (\$0) 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**  
**2003-04**  
\$000's

**Actual**  
**2004-05**  
\$000's

## 25. 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.

2,224	Opening Balance	1,953
(99)	Amounts Used	(88)
(277)	Unused Portion Reversed	-
(13)	Movement in value of Assets Impaired	-
118	Discounting Changes	127
<u>1,953</u>	<u>Closing Balance</u>	<u>1,992</u>
307	Current Portion of Provision	294
1,646	Non-Current Portion of Provision	1,698

## 26. Restatement of Budget and Comparative Figures

The budget figures have been restated to allocate internal interest of \$143,000 that had not previously been allocated to individual activities.

The 2004 figures have been restated to reflect the Long Term Council Community Plan format, and to show Quarry Income and Expenditure gross rather than net.

## 27. 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.

# Statement of Compliance and Responsibility

## Statement of Compliance

The Council and Management of Hauraki District Council confirm that the provisions of the Local Government Act 2002 regarding financial management and borrowing, have been complied with.

## Statement of Responsibility

The Council and Management of Hauraki District Council accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.

The Council and Management of Hauraki 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 Hauraki District Council, the annual Financial Statements for the year ended 30 June 2005 fairly reflect the financial position and operations of Hauraki District Council.

J P Tregidga  
Mayor

L D Cavers  
Chief Executive