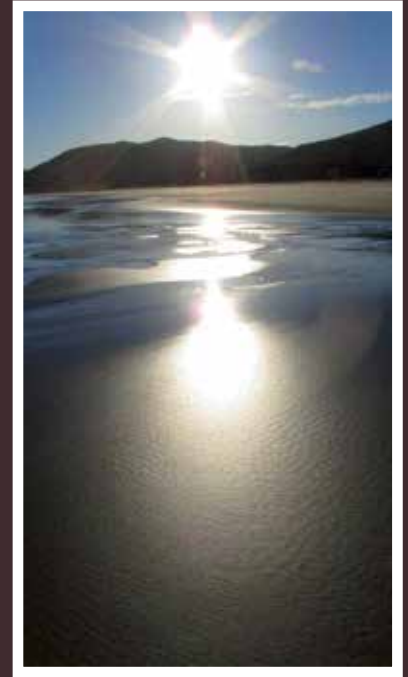


2012/13



Ⓣ ARARUA DISTRICT COUNCIL  
**SUMMARY**  
OF THE **ANNUAL REPORT**  
2012/13

# FROM YOUR MAYOR AND CHIEF EXECUTIVE

The 2012/13 has been a very positive year for delivering the projects and changes sought by our district's ratepayers and residents.

In balancing the requests to continue with our capital improvements programme in roading, water and wastewater, a prudent rate increase of 4% was required (compared to the 4.2% forecast). These improvements were set out in our Long Term Plan to increase resilience and levels of service for core services, along with meeting increased government standards and compliance costs.

We continue to address the issue of affordability as rates increases were further trimmed in our 2013/14 Annual Plan from a forecast increase of 4.52% to an increase of 3.65%. This again was achieved without compromising on our investments in our infrastructure and service levels across our district.

*"rates increases were further trimmed in our 2013/14 Annual Plan"*

Our relationships with Horizons, New Zealand Transport Agency, local Iwi and other Councils through our shared services agreements have further improved. These relationships have resulted in lower costs to our residents and have delivered better outcomes.

An example is securing funding of \$2 million from the Ministry of Environment's 'Fresh Start for Fresh Water Clean-up Fund' for wastewater treatment upgrades.

We have positive relationships with Rangitane O Tamaki Nui A Rua and Ngati Kahungunu and have worked on a number of partnership projects over the last year. These projects were predominantly focused on protecting the district's environment, rivers and natural habitat.

*"These relationships have resulted in lower costs to our residents and have delivered better outcomes"*

The reopening of the Manawatu Gorge in November 2012, following a record 15 months of closure, allowed us to begin repairs to local roads - especially the Saddle Road - that had been badly affected by increased traffic volumes. We are negotiating with NZ Transport Agency to transfer the management of the improvement work on the

Saddle Road to Council. This upgrade project has an estimated value of \$4.5 million over two years and is 100% funded by NZ Transport Agency.

*"security of water supplies in our other towns"*

However, it has not always been plain sailing for us. We had to cope with several bad storms. The September 2012 "weather bomb" caused significant damage to our district's local and state highway roads amounting to \$2.5 million, for which we are pleased to note that we received 80% subsidy from the NZ Transport Agency.

The drought had a significant impact on the community, especially farmers. Being able to continue delivering quality drinking water during future droughts was one of the outcomes from the Dannevirke Impounded Supply and the Pahiatua second bore and storage projects. Focus will now move to improving the security of water supplies in our other towns. We will be working with Horizons and the affected communities in regards to consents, and with farmers and urban residents on ways to secure and have access to water supplies.

*"We are innovative and proactive in addressing the issues we face"*

Changes to regulation and legislation prompted by Central Government continue to impose significant cost on us. The Earthquake Prone Building policy and Sale and Supply of Alcohol Act 2012 are examples where the cost to implement these policies now rests with the ratepayer. We are unimpressed that the Government believes that this is the optimum use of ratepayer funding, relative to other risks - be it providing safer roads, better drinking water, or removing the impact of urban wastewater discharges into our rivers. We will continue to work with the Local Government sector and Central Government to represent the best interest of ratepayers.

We are innovative and proactive in addressing the issues we face. Water management is now a focus by Central Government and we

# ABOUT THIS ANNUAL REPORT SUMMARY

are "ahead of the game". Our Water Management Strategy has been partially implemented with the completion of the Dannevirke Impounded Supply. The following projects will be carried out next year, or are currently underway:

- Commence the Pahiatua second bore and additional storage now that a significant subsidy has been obtained;
- further high-tech leak detection to reduce losses;
- ensuring large users have contingency plans in place to cater for periods where our intakes need to be cut back to preserve stream environments and other users water takes;
- update historical easements on farm connections at Eketahuna and Woodville that balance needs against supply constraints.

Our group structure was simplified by transferring Tararua Forests Limited's forestry assets back into Council. The voluntary liquidation of Tararua Forests Limited was resolved by Council on 1 July 2013. This will further improve our control and governance over our investments. We were pleased to note that Tararua Forests Limited reported a \$426,000 net profit this year.

*"Our group structure was simplified ... [to] further improve our control and governance over our investments"*

Looking ahead, our primary focus will continue to be affordability. We will look for further efficiencies and savings to cater for the increased compliance and regulatory cost resulting from changes to legislation.

We will continue to invest in our core infrastructure, working towards our 10-year vision in our Long Term Plan.

We will invest modestly in economic development activities as we see these attracting industries, businesses and people into our district, which ensures that we will continue to grow and prosper.

We would like to thank the Community Boards and Community Committees, Councillors and staff for their tireless efforts towards delivering on our vision and strategic objectives in our Long Term Plan.



Roly Ellis  
Mayor



Blair King  
Chief Executive

This Annual Report Summary is the year end snapshot of the Council's activities and the group's finances for the financial year ended 30 June 2013.

The information this Summary contains is taken from the Annual Report 2012/13 itself, which was finalised on 30 October 2013. The Annual Report 2012/13 provides detailed information on the Council's service and financial performance at year end.

This summary report cannot be expected to provide as complete an understanding as provided by the Annual Report of the full financial statements and service performance of the Council. Both this summary and the full Annual Report can be viewed on the Council's website: [www.tararua.govt.nz](http://www.tararua.govt.nz)

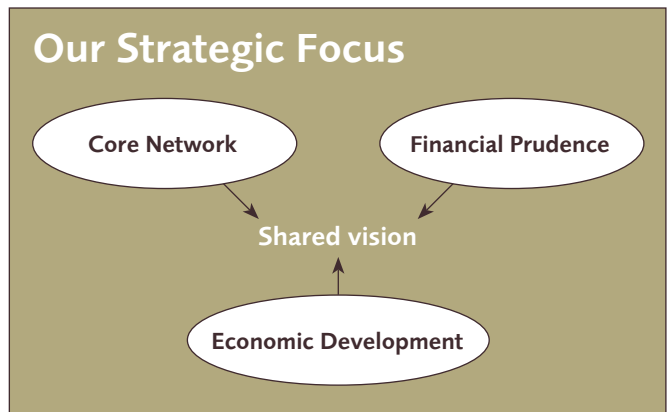
This summary has been audited by the Council's independent auditors to ensure consistency with the full Annual Report for 2012/13. The Council received an "unmodified" opinion on both documents.

# OUR YEAR AT A GLANCE

This is a quick summary of what we have been doing for the year, and how we have performed against what we said we would do.

## Our Shared Vision

"A growing and prosperous district providing a wide range of employment opportunities that is underpinned by highly efficient, capable and affordable infrastructure."



## What We Said We Would Do

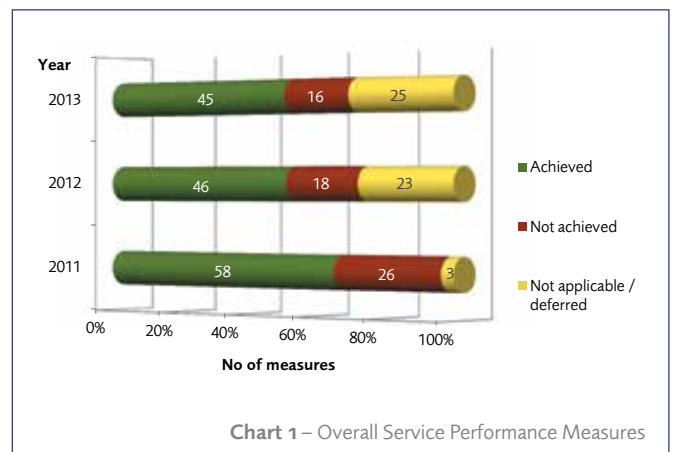
● Achieved    ● Almost achieved    ● Not achieved

- **Trim forecasted rates increases**
- **Continue investment in roading infrastructure**
- **Complete the capital expenditure programme for the year**
- **Improve water supply and quality issues**
- **Deliver on service level performance targets**  
We did not achieve 15 (24%) of our service level measures.
- **Reduce environmental impact from our waste management practices**
- **Debt managed within Long Term Plan forecast**
- **Operating cost does not exceed budget**  
Operating expenses for roading and solid waste management exceeded budget due to flood damage repairs and increase in service levels respectively. We were able to recover 80% of flood damage costs from NZ Transport Agency subsidies.
- **Branding of each town and promoting Tararua**
- **Promote economic development**
- **Improve relationships and collaboration with other organisations to benefit ratepayers and residents**

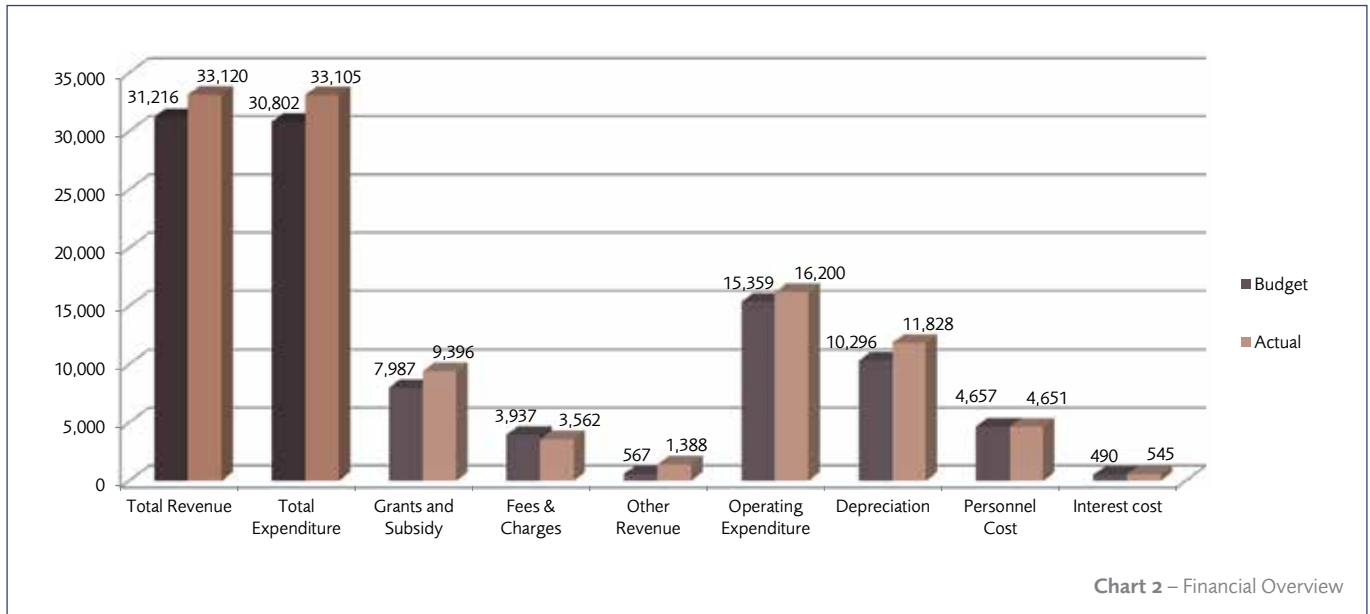
## Service Performance

We use a range of service performance measures to monitor the service levels we deliver to our customers. As part of the Long Term Plan, we reviewed our service performance measures and made significant changes. We wanted the measures to reflect customers' expectation of the service they want to receive for the rates that they pay. As a result, 44 new measures were introduced this year with 45 previous measures either changed to better reflect the outcomes we want to achieve or replaced with the new measures.

Refer to the graph below for our service performance for the last three years.



## Financial Overview



This table shows what each resident owns, owes and spent for the last three years.

	2011	2012	2013
Number of residents*	17,634	17,634	17,634
Assets	\$48,742	\$50,533	\$50,160
Liabilities	\$829	\$902	\$846
Equity	\$47,912	\$49,631	\$49,314
Debt	\$567	\$590	\$580
Operating Cost	\$1,694	\$1,851	\$1,877
Capital Expenditure	\$530	\$697	\$713
Interest cost†	\$36	\$34	\$31
Cash Investments	\$723	\$585	\$461

\* Based on Statistics NZ 2006 census.

† Excludes fair value movements in interest rate swaps and landfill provisions.

Table 1 – Summary of Financials Per Resident

## Infrastructure Investments

Investments in our core infrastructure remain consistent with last year. We continued with our capital programme on footpaths and roads, and upgrading our water and wastewater systems with a total spend of \$11.4 million. Total capital for the year was \$12.6 million.

### Big-Ticket Items

#### Roading and Footpath – total \$6 million

- Woodville town upgrade – \$500,000
- Road reseal – \$2.4 million
- Pavement rehabilitation – \$1.7 million
- Minor safety improvements – \$500,000

#### Water – total \$2.7 million

- Dannevirke impounded water – \$1.6 million\*
- Woodville treatment plant upgrade – \$100,000\*
- Eketahuna treatment plant upgrade – \$400,000

\* most of the expenditure was in the prior year

#### Wastewater – total \$2.7 million

- Dannevirke oxidation pond remedial work – \$1.9 million
- Woodville treatment plant upgrade and oxidation pond remedial work – \$300,000

# HIGHLIGHTS OF THE YEAR

## Relationships and Shared Services

### Shared Vision with Horizons

Horizons and ourselves have a shared vision of improving the state of our environment. The two councils are working closely on relining the wastewater oxidation ponds and treatment plant upgrades whilst also maintaining the relationship of applicant/consenting authority for discharge consents under the provisions of the Resource Management Act. This is a reflection of the level of maturity of the relationship between the two organisations.

### Working with Local Iwi

We have a positive relationship with Rangitane O Tamaki Nui A Rua and Ngati Kahungunu. We have worked on a number of partnership projects over the last year and these projects generally focused on protecting the district's environment, rivers and natural habitat.

### MW LASS Project

We continue to actively participate in the projects under the Manawatu Wanganui Local Authority Shared Services company (MW LASS) namely the Regional Archive, Rating and Valuation services and Insurance services projects.

### Shared Services

We have a shared services arrangement with Central Hawke's Bay District Council (Central Hawke's Bay) providing some regulatory and financial services to them. The arrangement has been running for more than six months. Both Central Hawke's Bay and ourselves are learning, and benefiting, from the realised cost savings and the sharing of best practise.

## Economic Development

We are part of the Manawatu Gorge Biodiversity Group and also part of The Gorge Strategy Group. These groups are striving for national and international recognition of "The Gorge". The Gorge is a destination in itself much like the Tongariro Crossing and The Gorge Strategy Group would like to grow the visitor numbers from 28,000 per year to 50,000 per year by 2016.

The Go! Project has been very successful with public workshops for the first two crops – hazelnuts and feijoas – attracting strong interest from landowners, both local and further afield. This project offers the Tararua community increased opportunities for job creation, biodiversity, sustainable farming systems and increased family business incomes.

We are continuing to work with Vision Manawatu who are our Regional Development Agency. They manage the Regional Business Partners programme, which helps local businesses with capability development and the encouragement of research and development.

Events are one of the fastest growing forms of tourism. They are a means to revitalise local economies. We had about 22,000 visitors come to our district for the following major events namely the Honda International Motocross Grand Prix at Woodville, the Dannevirke A & P Show, "Wheels with Attitude", the Super Rugby preseason game at Mangatainoka, and the Scandinavian Festival at Norsewood.

## Infrastructure Investments

### Upgrade of Local Roads

The opening of the Manawatu Gorge in November 2012, following a record 15 months of closure, allowed us to begin repairs to local roads which had been badly affected by increased traffic volumes. A total of \$536,000 was spent repairing pavement surfaces on these roads for which we received 100% subsidy.

### Saddle Road Upgrade

We are in negotiation with the NZ Transport Agency to transfer the improvement work on the Saddle Road to Council for an estimated value of \$4.5 million over two years at a 100% subsidy.

### Significant Events

The September 2012 "weather bomb" caused significant damage to our district's local and state highway roads.

The total flood damage repairs for the year amounted to \$2.5 million, for which we received 80% subsidy from the NZ Transport Agency. The cost to us was close to \$500,000, which would have been another 2.7% rates increase. This volume of work was funded from our Depreciation Reserves.

### Woodville Town Centre Upgrade

The Woodville town centre upgrade was a positive success. The face-lift for Woodville has been well received by both local residents and visitors to the town.

### Ministry of Environment Project Wastewater projects

Our involvement in the Manawatu River Accord and on-going good relationships with Horizons Regional Council resulted in us obtaining grants totalling \$2 million, via Horizons, from the Ministry

of Environment's 'Fresh Start for Fresh Water Clean-up Fund' for a number of projects to upgrade our urban wastewater systems.

### **Infiltration and Improving Assets Condition Data**

Infiltration of stormwater into the sewer reticulation is a major factor in increased flows into our oxidation ponds that occur during wet weather.

We have purchased a closed circuit TV camera to not only identify pipe condition, but also identify leakages into the system from cracked or broken pipes and laterals, root intrusion etc. In some cases the entire pipe will not require replacement, as a repair to a section of pipe will be sufficient to stop groundwater getting into the system. These repairs will result in significant cost savings. The aim is to better identify minor problems before they become more expensive major problems that disrupt services.

### **Tephra (Volcanic Ash) Experiment to Remove Phosphorus**

Each wastewater plant has been treated with a pilot scheme using tephra to remove phosphorus. Tephra is a naturally occurring mineral from the Central Volcanic Plateau, to which phosphates chemically bind. Phosphorus levels are currently a key issue that need to be reduced as part of improving the water quality of the Manawatu River.

### **Response to the Drought**

Our district was severely impacted by the drought this year and our urban water supplies were very low. We are investing heavily in improving the service levels in the urban water supply. The Dannevirke Impounded Supply will be completed in July 2013 and be operational during 2013. This is a significant milestone for us and will greatly lessen the adverse impact from future drought on the Dannevirke community.

We also have several other projects in the coming year to improve water quality and supply namely the Pahiatua second bore, treatment and additional storage, the Eketahuna water storage and the Dannevirke treatment plant.

We will also be working with Horizons, in regards to consents, and with farmers and urban residents on ways to secure and have access to water.

### **Earthquake Prone Buildings**

We carried out the initial Earthquake Prone Building assessments for buildings we own. External structural engineers were engaged to carry out seismic assessments of these buildings.

As a result of these assessments we identified several Council owned buildings as earthquake prone. We increased the 2013/14 budget for earthquake prone building strengthening improvement work from \$250,000 to \$300,000 for these buildings.

### **Increase in Level of Service for Solid waste management**

We extended the kerbside collection and recycling to Ormondville and Norsewood. With the removal of privately owned mobile recycling centres, we introduced Council bins to Eketahuna and Woodville.

### **TV Takeback Programme**

In response to TV broadcast going digital, we have been granted \$40,000 for setting up the infrastructure for the TV Takeback Programme at our existing waste management facilities. We have also been approved a quota of 792 TV's in the TV Takeback Programme and this amount is allocated based on proportion of ratepayers across the various towns.

### **Oil Exploration and Our District Plan**

Along with Horizons Regional Council, we granted consents to TAG Oil to drill and test two petroleum exploration wells near Dannevirke.

We also engaged an external consultant to review our District Plan's capability of managing the foreseeable environmental effects of oil and gas exploration and production in the district. The consultant concluded that, on the whole, our District Plan policies and rules are robust and if appropriately implemented, the adverse effects of petroleum exploration and production can be avoided, remedied or mitigated.

We are working with the local community, Iwi and Regional Council in managing and monitoring the resource consenting process for petroleum exploration and production.

## **Other Investments**

### **Youth Services Project**

We received funding approval of \$35,000 to provide youth leadership training in the Tararua from the Ministry of Youth Affairs. This training is being provided by Tararua Youth Services. Plans are well underway to involve over a hundred youths in various levels of leadership programmes and for some to achieve Level 3 NCEA credits, with training being provided by Tararua Youth Services.



# How We Spent Your Rates

We provide a variety of services to the district ranging from animal control, consenting authority, libraries, service centres, public conveniences, sports and recreation facilities, emergency management, and maintaining our infrastructure like roading, footpaths, water and stormwater.

This page presents the significant projects we delivered to our community this year, and the amount spent providing Council services to the community, based on average yearly rates for a ratepayer in the district.



Group of Activities	Percentage	Spent
<b>District Promotion and Economic Development</b>	<b>2%</b>	<b>\$47</b>
Significant projects: District branding and promotion; GO! Project; Events attracting more than 22,000 visitors; Achieved a 14% net return on commercial properties.		

Group of Activities	Percentage	Spent
<b>Community and Recreation Facilities</b>	<b>21%</b>	<b>\$429</b>
Significant projects: Upgraded facilities; Woodville combined library and service centre; Grant to Pahiatua Harvard Playground; Pahiatua grandstand upgrade.		

Group of Activities	Percentage	Spent
<b>Regulatory Services</b>	<b>6%</b>	<b>\$124</b>
Significant projects: Earthquake prone assessments; Upgrade rural fire equipment and fire response; Windfarm, oil and gas exploration, monitoring and consenting; Building consents; Liquor licensing.		

Group of Activities	Percentage	Spent
<b>Roading and Footpaths</b>	<b>38%</b>	<b>\$791</b>
Significant projects: Saddle Road, Pahiatua Track, flood damage repairs across the district, reseals and culverts across the district.		



The symbols indicate the location of significant projects.





Group of Activities	Percentage	Spent
<b>Building Communities and Leadership</b>	7%	\$137
Significant projects: Community grants; CCTV for main streets; Governance, advocate for One Plan, amalgamation, and legislative changes.		

Group of Activities	Percentage	Spent
<b>Solid Waste Management</b>	5%	\$110
Significant projects: Extending refuse and recycling, and kerbside collection to other towns across the district ; Operation of transfer station and landfills.		

Group of Activities	Percentage	Spent
<b>Stormwater Drainage</b>	4%	\$77
Significant projects: District wide renewals; Pahiatua George Street renewals; Woodville main street stormwater upgrade.		

Group of Activities	Percentage	Spent
<b>Wastewater</b>	11%	\$227
Significant projects: Dannevirke and Woodville oxidation ponds; District wide renewals; Stock truck waste disposal.		

Group of Activities	Percentage	Spent
<b>Water Supplies</b>	8%	\$159
Significant projects: Dannevirke impounded supply; Eketahuna and Woodville treatment plant upgrades; District wide renewals.		

Group of Activities	Percentage	Spent
<b>Treasury</b>	(1%)	(\$23)
Significant projects: Achieved higher income; Debt levels and interest cost were well within budget.		

# SERVICE PERFORMANCE

## Significant Achievements

- 13 of our 22 activities met all of their service performance measures. The number of measures not achieved was 15, compared to 18 last year.
- Completed 96% of requests to fix road surface faults within the timeframe specified in contracts.
- 95% of our sealed roads passed the required standards.
- 99% of our 115.2km of footpaths were maintained in good condition.
- The number of unplanned loss and overflows of our wastewater systems were well below our targets.
- Significantly reduced the issues regarding taste of town water at Eketahuna and Woodville.
- Facilitated 5 applications for the Ministry of Science and Innovation Subsidy from businesses in the district.
- Adopted our District Plan and an external review concluded that the policies contained in our District Plan are robust.
- Achieved a result of 100% for completing building inspections and processing liquor licencing applications.

- Use of our community buildings and swimming pools increased from last year.

## Areas for Improvements

- Audits of building warrant of fitness, inspection of swimming pools and spas, and inspection of licensed premises were the targets not achieved this year. Most of the measures not achieved were new measures. We have since reviewed and implemented new business processes, improved work allocations and prioritised our work to ensure we rectify this issue and delivery of our service performance going forward.
- We had 46 recorded issues for clarity of town water, compared to a target of less than 29. Most of these relate to issues in Woodville and Pahiatua. The commissioning of the treatment plant in Woodville and the second bore for Pahiatua will help reduce water clarity issues in the future.
- For Footpaths, Health and Safety, and Resource Management, service requests were not always responded to within the agreed timeframes. We will continue to work with our contractors to ensure timely resolution of service requests.

This graph shows a summary of our service performance results for each of our activities.

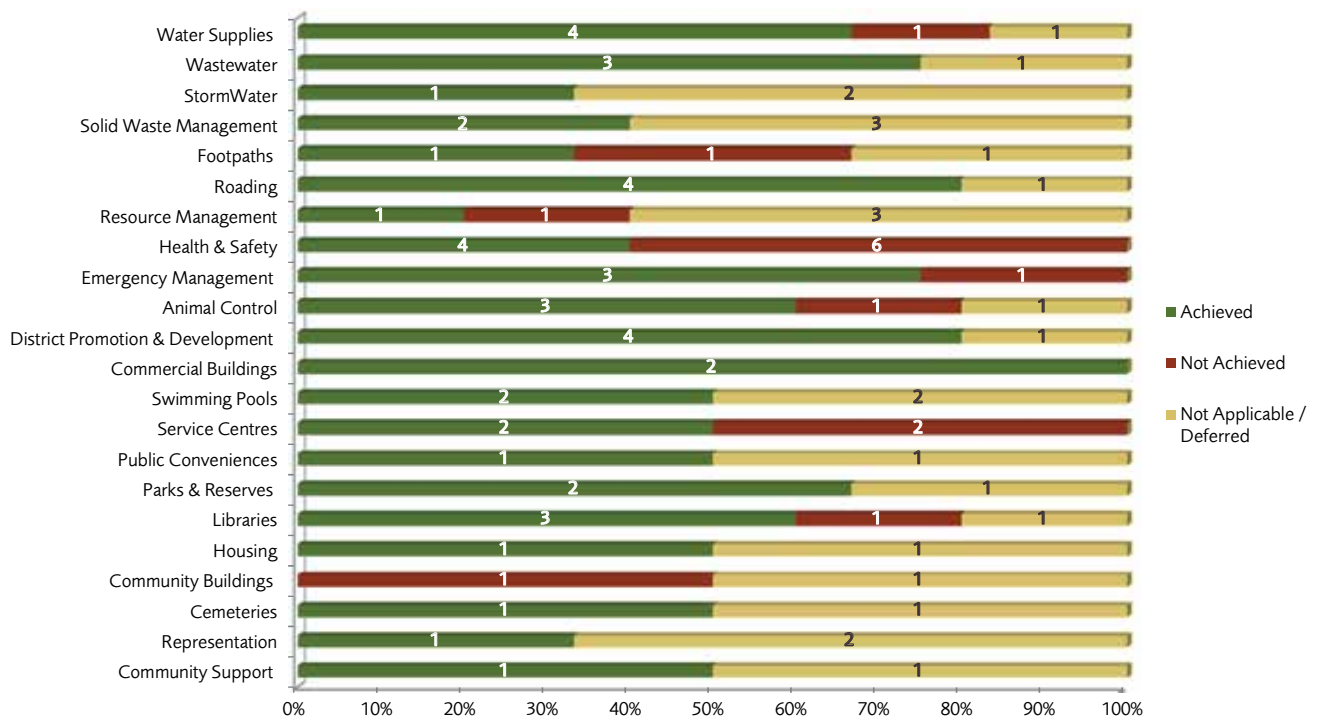


Chart 3 – Summary of Service Performance Results for the Year

# FINANCIAL OVERVIEW

## Comprehensive Income

See 'Table 2 – Summary Statement of Comprehensive Income' (over page).

### Explaining the Significant Variances

Rates revenue is higher than budget by \$49,000. This slight variation is due to property changes during the year and increase in collection of rates penalties as we have stepped up our efforts on rates debtors' management.

Grants and subsidies were higher than budget by \$1.4 million. \$1.2 million is from the NZ Transport Agency for damages to our roads from the severe weather events and from the closure of the Manawatu Gorge. The other subsidies are mainly from Ministry of Environment for the wastewater projects where project were reprioritised and brought forward to be completed this year.

Other revenue was also higher due to revenue received for non-subsidised work mainly from roading and shares services with Central Hawke's Bay District Council. The non-subsidised revenue relates to work that our Engineering services does for which we obtain revenue from customers who receive these services. For the year, we received \$340,000 higher than budgeted.

Interest income received was up against budget by \$175,000 for the year resulting from higher cash balances due to delay in and deferring of several key capital projects.

Operating expenditure was higher than budget by \$661,000 mainly due to:

- Increase expenditure in contract cost in roading of \$2 million due to damages to our roads from the severe weather events and from the closure of the Manawatu Gorge.
- Solid Waste activity had increases in collection cost of \$122,000 due to extending refuse collection services to other towns and increases in transportation cost and increases of \$88,000 in the operation cost of the transfer station.
- Cost savings made in other activities across various operations (for example in maintenance and consulting costs) that helped offset the increases in Roading and Solid Waste.

Depreciation and amortisation expenses were over budget by \$1.5 million due to higher than budgeted valuation increases in the 2011/12 financial year.

Finance costs were lower than budget by \$64,000. The finance costs of \$426,000 comprises of unrealised gain from the fair value movement of interest rate swaps of \$165,000, interest cost from term debt of \$545,000 and the unwinding of landfill interest cost of \$46,000. Interest cost on term debt is \$55,000 higher than budget due to higher than budgeted market interest rates.

## Financial Position

See 'Table 3 – Summary Statement of Financial Position'.

Council's major assets include:

- Property Plant and Equipment of \$863 million, including intangible assets
- Cash and Cash Investments of \$8 million
- Investments in Subsidiary of \$5 million
- Other assets of \$8.4 million

Cash and Cash Equivalent, including other financial assets (current), is higher than budget due to delay and/or deferring of capital renewal projects.

Debtors and other receivables are higher than budget by \$2.6 million mainly due to higher NZ Transport Agency subsidies and higher rate debtors at year end.

Property, plant and equipment was \$4.9 million lower than last year and \$16.2 million lower than budget at year end due to:

- Variance in opening balance of property, plant and equipment due to the significant revaluation improvements in 2011/12.
- Increased depreciation expense of \$1.5 million (refer to the note above for variance explanation).
- Asset additions were lower than budget by \$3.5 million due to delay in the completion and capitalisation of capital projects.
- Revaluation of assets this year saw a downward movement in asset value of \$5.4 million compared to a budget of \$30.6 million increase. This is due to not applying industry wide unit cost and instead using Council's current and historic lower contract unit cost.

Current liabilities are \$1 million lower than budget due to lower than expected contract payments at year end. The decrease in payables is due mainly to delay/deferring capital projects resulting in lower contract expenditure in the last two months prior to year end.

Total borrowings are lower than budget by \$4 million due to delay and/or deferring of capital renewal projects. But the classification of current and non-current is different to budget due to maturity of the term debt. Non-current term debt is \$5.5 million lower than budget due to reclassification of debt maturing less than one year to current liabilities.

## Equity

See 'Table 4 – Summary Statement of Changes in Equity'.

Accumulated funds are \$1.9 million higher than budget. This is mainly due to:

- opening accumulated funds being lower than forecast for the budget by \$300,000;
- transfer from accumulated funds to special Reserves higher due to delay/deferring in renewal expenditure;
- transfers from Equity to Special Funds were lower than budgeted by \$700,000.

The asset revaluation reserve is lower than budget by \$5.4 million due to a decrease in revaluation instead of a forecasted increase in asset valuation.

Special Funds are \$3.4 million above budget at year end. This is due to the actual opening balance for special funds being lower than the budget by \$1.8 million. However, transfers to special funds of \$3.9 million were higher than budget by \$1.6 million.

## Cashflows

See 'Table 5 – Summary Statement of Cashflows'.

Significant variances to budget in the Statement of Cash Flows included: \$1.3 million decrease in cash flows from operations. The decrease is a mainly due to additional payments to suppliers as a result of additional roading expenditure and landfill costs, refer to operating expenses variance explanation for further details.

\$3.8 million decrease in cash flows from investing. The decrease is due to: higher investments in property, plant and equipment and intangibles of \$2.6 million than budgeted, refer to property, plant and equipment variance explanation for further details.

Net movements in term deposits of \$1.3 million resulting in a decrease in cash and cash equivalents and increase in other financial assets.

	2011/12 Council Actual \$000's	2012/13 Council Actual \$000's	2012/13 Council Plan \$000's	2011/12 Consolidated Actual \$000's	2012/13 Consolidated Actual \$000's
<b>Operating Revenue</b>					
Rates	18,045	18,774	18,725	18,030	18,758
Grants and subsidies	9,772	9,396	7,987	9,771	9,396
Interest and dividends	479	521	390	490	319
Other Income	3,107	4,429	4,114	31,506	28,918
<b>Total operating revenue</b>	<b>31,403</b>	<b>33,120</b>	<b>31,216</b>	<b>59,797</b>	<b>57,391</b>
<b>Expenditure</b>					
Other operating expenses	15,614	16,200	15,539	28,218	27,275
Depreciation and amortisation	11,882	11,828	10,296	14,407	14,088
Employee benefit costs	4,248	4,651	4,657	19,250	18,015
Interest	891	426	490	948	503
<b>Total operating expenditure</b>	<b>32,635</b>	<b>33,105</b>	<b>30,802</b>	<b>62,823</b>	<b>59,882</b>
Other asset gains/(losses)	(229)	(211)	-	(627)	(718)
<b>Surplus/(deficit) before tax</b>	<b>(1,461)</b>	<b>(196)</b>	<b>414</b>	<b>(3,654)</b>	<b>(3,209)</b>
Taxation expense	-	-	-	(671)	(771)
<b>Net surplus/(deficit)</b>	<b>(1,461)</b>	<b>(196)</b>	<b>414</b>	<b>(2,983)</b>	<b>(2,438)</b>
Parent interest	(1,461)	(196)	414	(2,549)	(1,620)
Surplus/(deficit) attributable to minority interests	-	-	-	(434)	(818)
<b>Other Comprehensive Income</b>					
Gains on Infrastructure assets revaluation	31,860	(5,388)	30,644	32,339	(5,131)
Fair value through equity	(55)	(9)	-	(55)	(9)
Tax on Equity Items	-	-	-	-	(75)
<b>Total Comprehensive Income</b>	<b>30,344</b>	<b>(5,593)</b>	<b>31,058</b>	<b>29,302</b>	<b>(7,653)</b>
Attributable to Tararua District Council	30,344	(5,593)	31,058	29,736	(6,983)
Non-controlling interests	-	-	-	(434)	(670)

Table 2 – Summary Statement of Comprehensive Income

	2011/12 Council Actual \$000's	2012/13 Council Actual \$000's	2012/13 Council Plan \$000's	2011/12 Consolidated Actual \$000's	2012/13 Consolidated Actual \$000's
Current assets	15,187	13,502	7,079	21,160	19,596
Non-current assets	875,917	871,019	885,909	890,713	883,254
<b>Total assets</b>	<b>891,104</b>	<b>884,521</b>	<b>892,988</b>	<b>911,873</b>	<b>902,850</b>
Current liabilities	9,071	13,292	8,065	12,345	16,311
Non-current liabilities	6,841	1,632	11,454	9,276	4,048
<b>Total liabilities</b>	<b>15,912</b>	<b>14,924</b>	<b>19,519</b>	<b>21,621</b>	<b>20,359</b>
Equity	875,192	869,597	873,469	884,890	877,426
Equity attributable to minority interest	-	-	-	5,362	5,066
<b>Total equity</b>	<b>875,192</b>	<b>869,597</b>	<b>873,469</b>	<b>890,252</b>	<b>882,492</b>
<b>Total liabilities and equity</b>	<b>891,104</b>	<b>884,521</b>	<b>892,988</b>	<b>911,873</b>	<b>902,850</b>

Table 3 – Summary Statement of Financial Position

	2011/12 Council Actual \$000's	2012/13 Council Actual \$000's	2012/13 Council Plan \$000's	2011/12 Consolidated Actual \$000's	2012/13 Consolidated Actual \$000's
<b>Balance at 1 July</b>	<b>844,848</b>	<b>875,192</b>	<b>842,411</b>	<b>860,950</b>	<b>890,252</b>
Total comprehensive income previously reported	30,344	(5,593)	31,058	29,302	(7,653)
Dividends to non-controlling interest	-	-	-	-	(107)
<b>Total Balance at 30 June</b>	<b>875,192</b>	<b>869,599</b>	<b>873,469</b>	<b>890,252</b>	<b>882,492</b>
<b>Comprising of:</b>					
Accumulated Funds	361,994	357,885	359,810	369,476	363,660
Asset Revaluation Reserves	497,255	491,874	497,292	499,472	493,928
Special Funded Reserves	15,891	19,790	16,337	15,890	19,790
Trust Funds	52	48	30	52	48
Minority Interest	-	-	-	5,362	5,066
<b>Total Equity</b>	<b>875,192</b>	<b>869,597</b>	<b>873,469</b>	<b>890,252</b>	<b>882,492</b>
<b>Total comprehensive income attributable to:</b>					
Tararua District Council	30,344	(5,593)	31,058	29,736	(6,983)
Non-controlling interests	-	-	-	(434)	(670)
<b>Total comprehensive income</b>	<b>30,344</b>	<b>(5,593)</b>	<b>31,058</b>	<b>29,302</b>	<b>(7,653)</b>

Table 4 – Summary Statement of Changes in Equity

	2011/12 Council Actual \$000's	2012/13 Council Actual \$000's	2012/13 Council Plan \$000's	2011/12 Consolidated Actual \$000's	2012/13 Consolidated Actual \$000's
Net cash flow from operating activities	9,886	10,719	10,712	11,578	11,602
Net cash flow from investing activities	(13,698)	(10,983)	(14,721)	(15,063)	(11,282)
Net cash flow from financing activities	120	(38)	4,009	(259)	222
<b>Net increase/(decrease) in cash held</b>	<b>(3,693)</b>	<b>(302)</b>	<b>-</b>	<b>(3,744)</b>	<b>541</b>
Opening balance	8,236	4,544	319	8,501	4,757
<b>Total cash resources at 30 June 2010</b>	<b>4,544</b>	<b>4,242</b>	<b>319</b>	<b>4,757</b>	<b>5,298</b>

Table 5 – Summary Statement of Cashflows

# ACCOUNTING DISCLOSURES

These summary financial statements are a summary of the 2012/13 Annual Report and cover the period from 1 July 2012 to 30 June 2013. The Summary Financial Reports were authorised for issue on 30 October 2013 by Council. These summary financial statements do not provide as complete an understanding as provided by the full 2012/13 Annual Report. A full copy is available on the Council website at [www.tararua.govt.nz](http://www.tararua.govt.nz). The information included in this report has been prepared in accordance with FRS43; Summary Financial Statements.

## Reporting Entity

Tararua District Council is a New Zealand territorial local authority governed by the Local Government Act 2002.

The Tararua District Council and group consists of Tararua District Council and its subsidiaries. They are domiciled and incorporated in New Zealand.

The subsidiaries are:

- Tararua Forests Limited (100% owned subsidiary) – Profit Orientated Entity.
- Infracon Limited (66% owned subsidiary) – Profit Orientated Entity.
- Tararua Aquatic Community Trust (Council organisation established in New Zealand by Council as settlor) – public benefit entity.

The financial statements of Tararua District Council are for the year ended 30 June 2013. The financial statements received an unmodified audit opinion and were authorised for issue by Council on 30 October 2013.

## Basis of Preparation

The financial statements of Tararua District Council have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The primary objective of Tararua District Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Tararua District Council has designated itself and the group as public benefit entities. The accounting policies set out in the 2012/13 Annual Report have been applied consistently to all periods presented in these financial statements.

Tararua Forests Limited (the Company) was placed in voluntary liquidation as at 1 July 2013 by way of a special resolution by Council

(the ultimate shareholder). Accordingly it is not appropriate for the financial statements of the Company to be measured on a going concern basis. Instead the financial statements have been prepared on a disestablishment basis. The measurement basis for assets and liabilities is net realisable value.

All functions and operations of the Company will transfer to and be carried out by Council. The assets and liabilities of the Company will transfer to Council as at 1 July 2013 at their carrying book value upon conclusion of the liquidation. The assets and liabilities of the Company are expected to be relevant for Council. For that reason, while the financial statements have been prepared on a disestablishment basis, no adjustments have been made to the valuation or classification of assets and liabilities recognised in the financial statements because of disestablishment.

Apart from the above, the financial statements have been prepared on an historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property, and financial instruments (including derivative instruments).

The financial statements are presented in the functional currency of Tararua District Council, which is New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000's).

## Commitments

Council's commitments on projects where contracts have been entered into but goods or services have not been received are:

	2012 Council	2012 Group	2013 Council	2013 Group
	\$000's	\$000's	\$000's	\$000's
Operational Commitments	8,919	8,884	11,489	6,931
Capital Commitments	3,606	2,583	7,200	4,846
Operating Leases	110	55	101	-

## Contingent Liabilities

Council had \$130,000 contingent liabilities for June 2013 (2012: \$41,000), however, the group totalled \$2.69 million (2012: \$2.39 million).

Council has the following significant contingent liabilities:

- Council has a contingent liability for potential claims relating to Weathertightness. Council is not able to reliably quantify and measure the amount of these claims and any potential liability. There have been no claims submitted for 2012/13 (nil 2011/12).



## Emissions Trading Scheme

Tararua Forests Limited (TFL) owns approximately 320ha of forest on its property that are pre-1990 forest land under the emissions trading scheme. Should this land be deforested, a deforestation penalty would be incurred. At the balance sheet date, this liability is nil as the credits have not yet been received.

## Related Party Disclosure

Council has entered into related party transactions during the year. The most significant of these are shown below but full details can be found in Note 29 of the full Annual Report.

Council engaged its 66% owned subsidiary, Infracon Limited, to maintain roading and other facilities and services.

	2012 Council	2013 Council
	\$000's	\$000's
Services received by Council from Infracon Limited during the period (GST exc)	10,006	10,664
Amounts payable to Infracon Limited by Council at year end as contract retentions (GST inc)	195	286
Amounts payable to Infracon Limited by Council at year end (GST inc)	1,114	1,006

### Related party transactions involving directors and trustees

Contracting services provided by Infracon Limited:

P Burne (Morris & Bailey Limited)	35	45
A T & P J Brownell Contractors Limited	3	-
A Brownell	-	2
D Gough	1	1
H Snijders	-	1
S Hardgrave	18	-
B Davey	-	5
H Street	1	-
D Hewitt	1	3

Contracting services provided to Infracon Limited:

P Burne (Morris & Bailey Limited)	27	168
A T & P J Brownell Contractors Limited	27	-

The related party transactions shown above are eliminated on consolidation.

## Breach of Law

Section 67 of the Local Government Act 2002 requires that within three months after the end of the financial year, the Directors of a Council Controlled Trading Organisation must deliver to the shareholders and make available to the public, a report on the Company's operations during that year. This requirement was not achieved by Infracon Limited due to delays in finalising the audit.

## Events After Balance Date

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

Tararua Forests Limited (the Company) was placed on voluntary liquidation as at 1 July 2013 by way of a special resolution by Council (the ultimate shareholder).

All functions and operations of the Company will transfer to and be carried out by Council.

## OUR DISTRICT

Resident population (2006) .....	17,634
Number of rateable properties .....	11,258
Area (ha) .....	427,000
Net capital value (\$m) .....	\$5,351
Total roading network (km).....	1,956
Elected representatives (Council and Community Boards) .....	17



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## To the readers of Tararua District Council and group's summary annual report for the year ended 30 June 2013

The summary annual report was derived from the annual report of the Tararua District Council and group for the year ended 30 June 2013. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 10 to 15:

- the summary statement of financial position as at 30 June 2013;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2013;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision referred to as service performance of the District Council and group.

We expressed an unmodified audit opinion on the District Council and group's full audited statements in our report dated 30 October 2013.

### Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with FRS 43 (PBE): Summary Financial Statements.

### Basis of Opinion

Our audit was carried out in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report

on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 30 October 2013 on the full audited statements.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council and group.

### Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS 43 (PBE): Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with FRS 43 (PBE): Summary Financial Statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the District Council or any of its subsidiaries.



Clint Ramoo, Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand  
29 November 2012