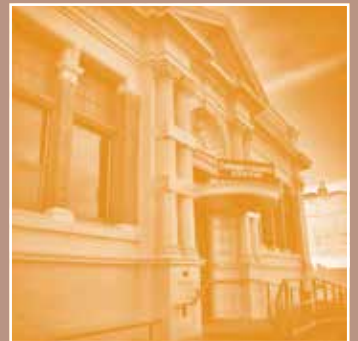


TARARUA DISTRICT COUNCIL
SUMMARY
OF THE ANNUAL REPORT
2013/14



FROM YOUR MAYOR AND CHIEF EXECUTIVE

The 2013/14 Annual Report details Council's progress in delivering on the three key outcomes of improved core infrastructure, prudent financial management, and economic development.

Successes in improving core infrastructure included upgrading of wastewater treatment plants through de-sludging and adding impervious liners in specific oxidation ponds, partly funded by the Government "Fresh Start for Fresh Water" programme.

Council's foresight in purchasing a remote controlled pipe-camera inspection system to identify where stormwater is leaking into the wastewater network, and following up with residents who have incorrect piped networks, has reduced annual volumes needing treatment and discharge. With the 113,000m³ impounded water supply for Dannevirke commissioned, wise water use by residents and industrial consumers meant we were able to operate without imposing water restrictions. This same camera system highlighted that the magnitude 6.2 earthquake near Eketahuna had damaged nearly 95% of the piped network. With a replacement value for this network over \$2.2 million, the evidence provided via this camera and staff meant a successful claim on our insurance.

Part of the economic development work, has been around making it easier to gain the right information from Council, in a timely manner. One key success has involved detailed colour scanning of building packets into usable electronic records, that has been submitted for a national award. The benefit of this project is that we will be able to provide a higher level of service as residents and prospective property owners will be able to access property/building information online in the near future. Another was obtaining renewal of our Building Consent Authority Accreditation, on the first application, with the assessors commending those involved for the proactive culture and cost-effective processes.

"We are saddened by this decision but understand that it was a culmination of factors that had led to this announcement."

On 21 August the Interim Board of Infracon Limited (the Company) announced that they had placed the Company into liquidation. The Interim Board received a letter from the Bank indicating that the bank is withdrawing all credit lines due to the financial performance of the

Company. The Interim Board had several discussions with the Bank but were unable to resolve the situation. The Interim Board tried to negotiate a sale of the Company and/or its assets to secure cash for the operations and restructure, but it became apparent that the Company was insolvent and further trading was not prudent. The Directors at that point had a responsibility under the Companies Act to then put the Company into liquidation.

We are saddened by this decision but understand that it was a culmination of factors that had led to this announcement. As a result of the liquidation, we have written down our investment in the Company and have not prepared consolidated financial statements, this year, as the Company's 2013/14 Annual Report is still in draft and unaudited.

To assist staff of the Company, we set up a hub inviting recruitment and various other agencies to provide help for the staff. This was well received by the Company's staff.

"Recruiting new talent into the management team, and a focus on developing leaders, has resulted in national recognition."

For the year, our building team processed 393 Consents for \$21.5 million of work, taking an average of 11 working days. Similarly, our Planning team processed 48 non-notified consents for the year, averaging 14 working days.

At another level, we changed the structure of how we manage what are called "Council Controlled Companies", to improve their company results with Councils expectations. This resulted in a positive return to Council from liquidating the holding company and taking the assets back in house. Subsequent to that, the new Directors of the in-house Forestry Company, reviewed the contracts for management and harvesting of Councils forest assets, generating a significant cash return. This offset the loss of dividend paid by our two thirds shareholding in Infracon Limited (in Liquidation).

Prudent financial management has included paying off debt used to fund capital projects, such as the Woodville Main-street renewal, faster than predicted. Another has been reviewing how we deliver services, for example roading maintenance, to reflect changes in central government co-investment. An extensive procurement process highlighted less staff would be needed, leaving more money for actual works, under an Alliance contract, where the Engineering and Contractors teams are combined.

Recruiting new talent into the management team, and a focus on developing leaders, has resulted in national recognition. One staff member won the title of the Young Finance Manager of the year, out of a wide range of contenders working for private and public firms. Two senior staff were invited to assist Local Government New Zealand under the Ministry of Foreign Affairs and Trade (MFAT) funded assistance programme to provide technical advice to Vanuatu and other Pacific Island Countries.

The Local Authority Shared Services company (MW LASS) continues to provide lower combined regional cost services, and the assistance of the Horizons Regional Council in administering this company must be acknowledged.

"A larger percentage of residents surveyed are more positive about the district as a better place to live in than three years ago."

It is also timely to thank the volunteers who also underpin the success of our districts amenities. Council purchased the site known as the 'sale yards land' in Pahiatua at the request of Bush Multisport Trust and this was supported by public submissions. This ensures that, as the volunteers who have developed this complex create plans for future amenities, there is a large block of land available next to the well-used sports facilities. The years of service provided by the Volunteer Rural Fire Force members, along with their families were formally recognised with national service honours.

The recently concluded community survey showed support for our current strategic direction with economic development being the single most important issue identified by the residents surveyed. A larger percentage of residents surveyed are more positive about the district as a better place to live in than three years ago. This is very positive feedback.

Prudent financial management and sticking to our plan means we are now well positioned for the future. Looking ahead, our primary focus will continue to be affordability underpinned by identifying further efficiencies and savings, facilitating economic growth and wealth, and continued investment in our core infrastructure to enable commerce and recreation to flourish in the district.

We are progressing well against our strategies in the Long Term Plan, which could not have happened without the efforts from staff, leadership of councillors and support from the community.



Roly Ellis
Mayor



Blair King
Chief Executive

ABOUT THIS ANNUAL REPORT SUMMARY

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 2014.

The information this Summary contains is taken from the Annual Report 2013/14 itself, which was finalised on 29 October 2014. The Annual Report 2013/14 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

This summary has been audited by the Council's independent auditors to ensure consistency with the full Annual Report for 2013/14. The Council received a "modified" 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.

What We Said We Would Do

● Achieved ● Almost achieved ● Not achieved

● Decreasing rates increases

● Continued investment in our core infrastructure

We did not complete our capital programme for the year.

● Continue to address the water supply and quality issues

● Delivery on service level performance targets

We did not achieve 14 out of 87 of our service level measures.

● Reduce environmental impact from our waste management practices

● Increase levels of service for Solid Waste Management in an efficient and cost effective way

● Debt managed within Long Term Plan forecast

● Operating cost does not exceed budget

Even though Roading exceeded budget due to flood and earthquake damage repairs, savings from other activities meant overall operating cost was \$1.99 million under budget.

● Branding of each town and promotion of Tararua

● Promote economic development

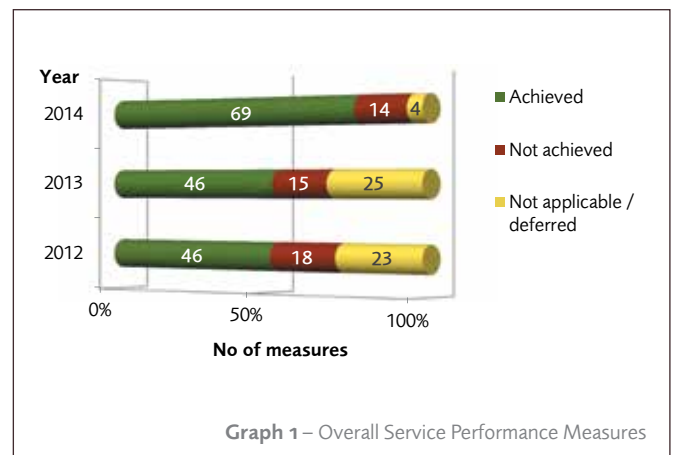
● Improve relationships and collaboration with other organisations

We continue to work closely with NZ Transport Agency and Horizons, and on new projects with MW LASS but have ceased the shared service to Central Hawkes Bay District Council due to staff changes.

Service Performance

We use a range of service performance measures to monitor the service levels we deliver to our customers.

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



Infrastructure Investments

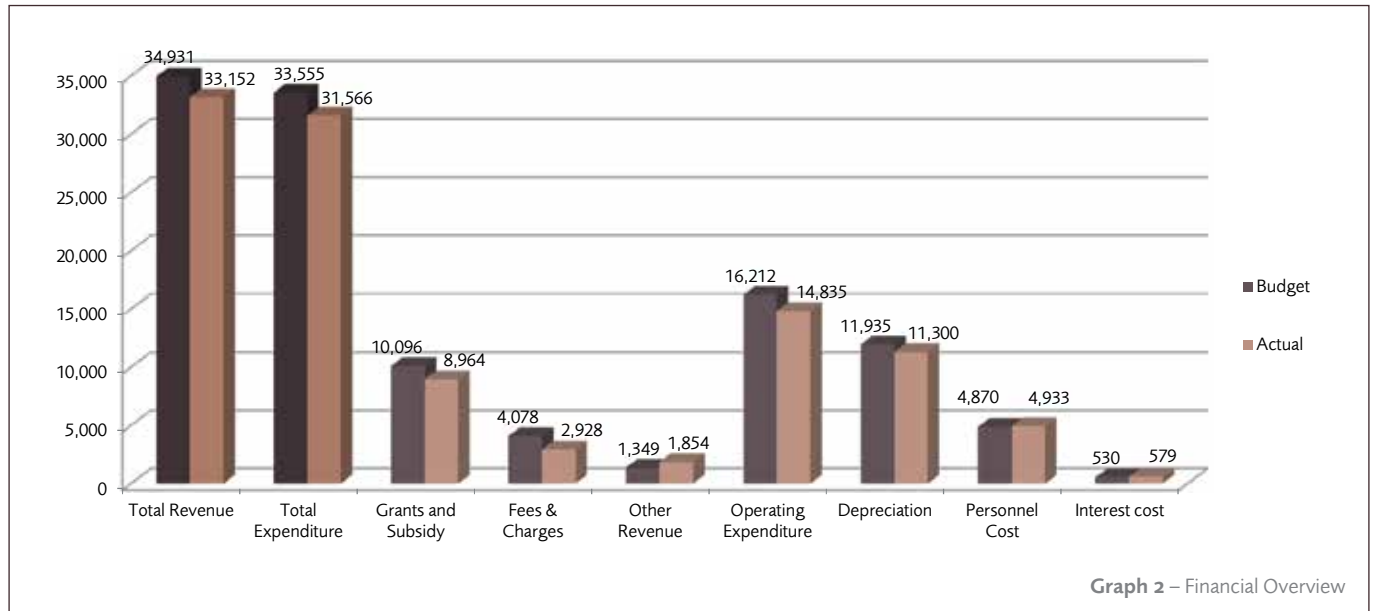
We continued with our capital programme on footpaths and roads, and upgrading our water and wastewater systems. Total capital expenditure for the year was \$11.1 million.

Big-Ticket Items

Roading and Footpath – total was \$6.1 million

- Road reseal – \$2.1 million
- Pavement rehabilitation – \$1.5 million
- Emergency reinstatement – \$1 million
- Unsealed road metaling – \$575,000
- Drainage renewals – \$474,000
- Minor safety improvements – \$340,000
- Manawatu/Hawkes Bay alternative route – \$307,000

Financial Overview



Wastewater – total was \$1.9 million

- Horizons led Ministry for the Environment funded wastewater projects – \$1.4 million
- District wide mains replacements – \$536,000

Water – total was \$194,000

- District wide mains replacements – \$194,000

Parks and Reserves – total was \$305,000

- Purchase of Pahiatua Saleyards – \$187,000
- Improve facilities – \$118,000

Support activities – total was \$390,000

- Information systems renewals – \$192,000
- Vehicles replacements – \$198,000

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

	2012	2013	2014
Number of residents*	17,634	17,634	16,985
Assets	\$50,533	\$50,160	\$52,817
Liabilities	\$902	\$846	\$974
Equity	\$49,631	\$49,314	\$51,844
Debt	\$590	\$580	\$653
Operating Cost	\$1,851	\$1,877	\$1,858
Capital Expenditure	\$697	\$713	\$654
Interest cost†	\$34	\$31	\$34
Cash Investments	\$585	\$461	\$744

* Based on Statistics NZ 2013 census.

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

Table 1 – Summary of Financials Per Resident

PROGRESS TOWARDS OUR STRATEGIES

In the 2012-2022 Long Term Plan, Council developed a vision for the district:

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

Underpinning this vision was a Future State and Strategic Focus for Council.

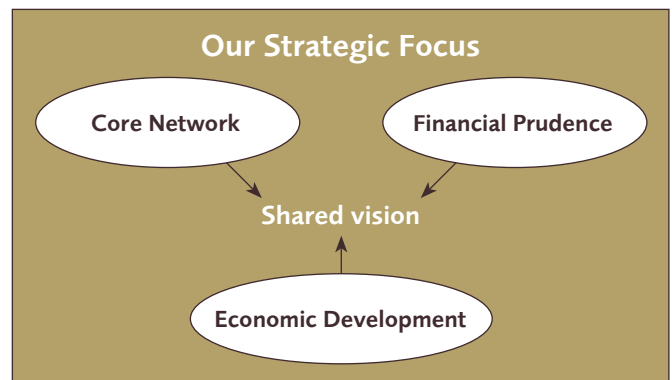
The Future State: Tararua in 10 Years, 2021/22

By 2021/22 the Council wanted to achieve the following key strategic goals and be in a sound financial position:

- **Water and waste water infrastructure upgraded** – to meet legislative requirements, businesses and ratepayers needs.
- **Maintain the district's infrastructure** – to facilitate, encourage and attract businesses to grow and invest in the district.
- **Provide good amenities and recreational assets** – so that people can have a great lifestyle in our rural townships and rural areas, and give residents a sense of pride and belonging.
- **Keep costs affordable** – operating expenditure (and rates) increases will be limited to inflation plus the impacts of growth and enhanced levels of service.
- **Decreasing debt** – by the end of 2022 debt levels are declining and are at a comfortable level.
- **Adequate investments levels** – cash reserves for future asset replacements are adequate through prudent financial management.

Strategic Focus

The strategy we adopted had three limbs – core network infrastructure, financial prudence and economic development.



We proposed to slowly reduce some roading levels of service and concentrate on urban Water supply upgrades and improved Wastewater treatment, with the additional emphasis to provide more focussed efforts on economic development and promotion to attract and retain residents and businesses. These strategic goals were together seen as critical to the future prosperity of the district.

The 2013/14 Annual Report is Year 2 of the Long Term Plan, and an ideal time to review our progress towards our strategies. The following tables summarise our progress. The details of our achievements are explained further in the 'Highlights of the Year' section of the Annual Report.

Progress: ● On Track ● Need to catch up ● Needs more effort

Strategy 1 : Core Infrastructure

Maintain current infrastructure to a good standard



To facilitate, encourage and attract businesses to grow and invest in the district

- Dannevirke impounded supply has provided security of water supply to residents and businesses.
- Roding network is being maintained to the agreed standard to facilitate commerce and travel.
- Upgrades to footpaths and town centre upgrades are progressing as planned.
- Dannevirke camping ground has been upgraded.
- New Zealand Motor Caravan Association (NZMCA) has accredited Dannevirke and Woodville as "Motorhome Friendly" towns.



Water and Wastewater infrastructure upgraded

- Upgrades to urban water treatment in Eketahuna, Woodville, and Dannevirke completed.
- Resilience to supply and storage for Pahiatua, Woodville, and Eketahuna is planned for 2014/15.
- Stormwater projects are progressing well.
- We need to catch up on our wastewater projects. Issues with the oxidation ponds, and bad weather, has hampered progress.



Provide Good Amenities and Recreational Assets

- Upgrades to Community buildings, camping grounds and playgrounds are being completed as planned.
- Promoting the Manawatu Gorge helped grow numbers to the Gorge from 15,000 in 2006 to 44,000 in 2014.

Strategy 1 : Core Infrastructure

Prioritise new infrastructure investment in assets



Major public safety issues

- No fatal accidents on roads due to road factors.
- Playground equipment meet standards and are regularly maintained.
- Trees in parks and reserves that were hazards have been pruned.



Resource consent requirements

- We met all resource consents for water.
- However, of the seven wastewater schemes we currently have, only four schemes that meet all our resource consents conditions.



Other legislation requirements

- Several performance measures relating to legislated requirements were not met. For example, processing of building consents.
- Statutory reporting deadline for consolidated accounts was not met for the 2012/13 year. Council is working closely with Infracon Limited to ensure statutory deadlines are met.
- All other legislative requirements were met, or are expected to be met as the effective dates of the legislations draw closer.



Discretionary upgrades, including building resilience

- The second bore and storage in Pahiatua was pushed out to 2014/15 by agreement with our funding partner, the Ministry of Health.

Progress Towards Our Strategies

Progress: ● On Track ● Need to catch up ● Needs more effort





Strategy 2 : Financial Prudence

Financial prudence, efficiency and affordability of rates

-  **Maintain a strong balance sheet and low operating costs to allow future financial flexibility and affordability of rates**
 - To improve efficiency Council is currently exploring the alliance approach for the maintenance of our roading corridor network.
 - Rates increases for the last four years have been declining.
 - Under its current Financial Strategy, Council has the ability to double borrowing to \$30 million if required to fund capital development.
-  **Maintain modest debt levels within financial strategy limits allowing capacity for future developments**
 - Debts level has remained well within limits in the Long Term Plan.
 - Council's core debt at year end was \$11.3 million.
-  **Adequate Investments Levels - cash reserves for future asset replacements are adequate through prudent financial management**
 - Council is in a net cash position – i.e. cash investments are higher than core external debt.
 - Depreciation reserves for future asset replacements have increased by \$4 million.
 - Adequate insurance policies are in place to mitigate risk of asset replacements due to natural disasters.
 - Council has established a disaster relief reserve, with a balance of \$116,000, to help fund recovery in the event of a major disaster.
-  **Subsidiary ownership decisions results in maximising value of our investments**
 - Group structure has changed to improve communication and governance.
 - Forestry activity contributed \$150,000 towards reducing Roothing activity rates requirement due to decisions on new harvesting approach.
 - Infracon Limited's financial performance requires further effort from Council.

Strategy 3 : Economic Development

Economic development and promotion

-  **Support and facilitate growth in local business**
 - We offer a service for business support and development for any new or existing business in the community.
 - Looking to set up a business incubation hub to help new businesses to grow and establish themselves.
 - Facilitated five business applications to the Ministry of Science and Innovation Subsidy scheme.
 - The GO! Project – with help from NIWA, HortResearch, and Crop and Food Research – has identified opportunities for landowners to diversify into crops that are best suited for the Tararua district.
-  **Build district identity and promote the district by telling our story**
 - Working with the four major towns on branding and developing an identity. For example, the Woodville "Wood You", and in Dannevirke the "Viking Country".
 - Promoting Tararua Country through videos, website, local newspaper, Facebook, and advertising.
 - Dannevirke and Woodville have obtained accreditation as "Motorhome Friendly" towns.
-  **Develop a clear economic development plan.**
 - Economic Development Plan developed and adopted by Council.
-  **Provide business friendly and welcoming support for new residents**
 - Welcome Wagon – an initiative to help integrate new residents into the community.
 - Welcome packs sent out to 244 new residents – an increase from 162 last year.
 - Working closely with Fonterra in Pahiatua to promote accommodation, housing and recreation in the district to Fonterra's employees working in the Pahiatua plant.

SERVICE PERFORMANCE

Achievements

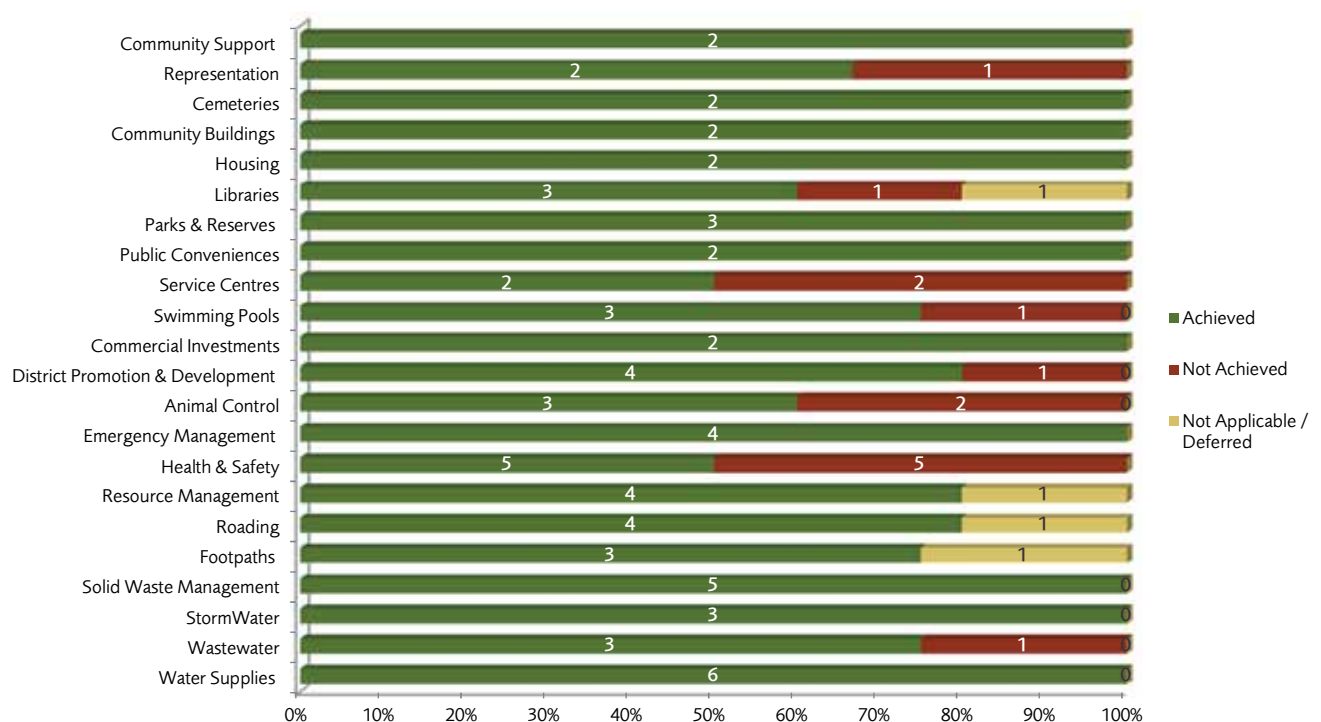
- We performed very well, achieving 83% of our service performance measures.
- Fourteen out of 22 of our activities met all of their service performance measures. Number of measures not achieved was 14 compared to 15 last year.
- Total number of dog attacks declined from 39 attacks to 17 attacks this year due to prompt action, education, and vigilance by our staff.
- Residents' opinion of the performance of the elected members has improved significantly. In 2014, 66% of residents rated their performance as fairly good to very good, up from 55% in 2011.
- We completed 99% of requests to fix road surface faults within the timeframe specified in contracts compared to a target of 85%.
- The number of incidents of unplanned loss and overflows of our wastewater systems continue to be well below our targets. The education programme for the public addressing the infiltration issue, and installing overload switches in the pump station is paying dividends.

- Community satisfaction with our Solid Waste Management was above targets. On average, we received 86% satisfaction.
- We have significantly reduced the issues in regards to taste of town water across the district (from 46 last year to nil this year), and continue to further improve this measure through the upgrade of our treatment plants.
- We facilitated another 5 applications from businesses in the district this year, to the Ministry of Science and Innovation Subsidy.

Areas for Improvements

- Only four of our seven wastewater schemes met resource consent conditions. We have a programme in place to remedy this and are working closely with Horizons over the next three years to achieve the compliance progressively.
- Issue of building consents, inspection of licensed premises, processing of liquor licences with 10 working days, and responding to noise complaints within agreed timeframes were the targets not achieved this year.

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



Graph 3 – Summary of Service Performance Results for the Year


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
District Promotion and Economic Development	2%	\$49




Significant projects: District branding and promotion; GO! Project; Events attracting more than 22,000 visitors; Achieved a 72% net return on commercial investments.

Group of Activities	Percentage	Spent
Community and Recreation Facilities	20%	\$428




Significant projects: Upgraded facilities; Purchase of Pahiatua Saleyards; Upgrade of camping facilities and playgrounds.

Group of Activities	Percentage	Spent
Regulatory Services	6%	\$128



Significant projects: Earthquake prone assessments; Building consent accreditation; monitoring and consenting; Building consents; Implementation of the new liquor licensing act.

Group of Activities	Percentage	Spent
Roading and Footpaths	38%	\$826





Significant projects: Saddle Road; Earthquake damage in Eketahuna; 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
Building Communities and Leadership	7%	\$151
		
Significant projects: Community grants; CCTV for main streets; Youth Project.		

Group of Activities	Percentage	Spent
Solid Waste Management	6%	\$134
		
Significant projects: Completion of Pahiatua transfer station and recycling centre.		

Group of Activities	Percentage	Spent
Stormwater Drainage	4%	\$81
		
Significant projects: District wide renewals; Woodville main street stormwater upgrade.		

Group of Activities	Percentage	Spent
Wastewater	11%	\$230
		
Significant projects: Dannevirke, Woodville, and Pahiatua oxidation ponds; District wide renewals; Eketahuna earthquake damage pipe replacements; Infiltration assessments; Condition assessment of pipes using the CCTV camera.		

Group of Activities	Percentage	Spent
Water Supplies	8%	\$169
		
Significant projects: District wide renewals.		

Group of Activities	Percentage	Spent
Treasury	(2%)	(\$47)
		
Significant projects: Achieved higher income; Debt levels and interest cost were well within budget; Information systems and technology replacements.		

FINANCIAL OVERVIEW

Statement of Comprehensive Income – Revenue

Grants and Subsidies

Grants and subsidies were lower than budget by \$1.13 million. We received an overall roading subsidy lower by \$400,000 compared to budget for the following reasons:

- Overall capital subsidies for Roothing were under budget by \$697,000 due to focus on the flood damage and earthquake repairs, and contractors poor performance.
- We did not receive \$1.6 million of subsidy for the Saddle Road due to delays in completing the scheduled work.
- Operating subsidies were lower by \$390,000 due to the earthquake and flood damage repairs, and contractors' poor performances.
- However, we received \$1.37 million of additional subsidies for the flood damage and Eketahuna earthquake repair works. Total cost was \$1.7 million for which we received an overall subsidy of 81%.
- We also received further emergency work subsidies of \$400,000 from NZ Transport Agency for the slip on Route 52 at Wimbledon.

There were delays in the Ministry for the Environment subsidised Wastewater projects. We were not able to claim \$730,000 of subsidy as budgeted.

Fees & Charges

Fees & Charges are lower than budget by \$1.15 million due to adjustment of \$1.27 million of internal charges incorrectly budgeted as external revenue, lower building consent fees (\$45,000), lower infringement fees (\$47,000), and lower transfer station fees (\$73,000) due to increase in volume of recycling.

Other Revenue Sources

Revenue from dividends and subvention payments from subsidiaries, interest from term deposits, forestry and other revenue was higher than budget by \$505,000 due to:

- Though we did not receive dividends from Infracon Limited (in Liquidation) this year, we received subvention payments of \$234,000 from Tararua Forests Limited on liquidation of the company this year.
- Higher revenue from external roading non-subsidised work resulting for the flood and earthquake damage.
- Revenue from the forestry activity was higher than budget by \$268,000 due to higher log prices and better quality of logs harvested.

- Interest income was slightly higher than budget as we had higher cash balances to invest in term deposits due to delay/deferring of capital renewal projects.

Statement of Comprehensive Income – Expenses

Operating Expenses

Our operating expenditure was \$1.99 million under budget mainly due to an adjustment from revenue of \$1.27 million relating to an internal charge. This was incorrectly budgeted as external revenue and external cost. Cost overruns were only in four activities:

- Roothing - incurred significant additional cost of \$610,000 due to flood damage and Eketahuna earthquake, which caused significant damage to our district's local and state highway roads.
- Representation – overall expenditure was \$91,000 higher than budget. \$26,000 relates to the additional expenses for the election, which we have recovered from the other agencies. The remaining cost overrun is due to increases in training and slight increases in Councillors' remuneration.
- Parks and Reserves – over increase of \$40,000 was mainly due to Council taking over the management of the Dannevirke camping ground while changes were made, increases in contract cost for maintaining and removal of hazards.
- Footpaths – an increase of \$33,000 was a result of increased maintenance and repair of the district's footpaths.

Cost savings made in other activities continue to help offset the cost increases, namely in these groups of activities: Regulatory \$238,000, Solid Waste \$168,000, Wastewater \$160,000, Community and Recreation Facilities \$134,000. Internal charges of \$1.27 million, budgeted incorrectly as external revenue, has offset expenditure. These resulted in the overall operating expenditure being under budget by \$1.38 million.

Depreciation and Amortisation

Depreciation and amortisation was under budget by \$635,000 due to the decrease in valuation in the 2012/13 financial year where asset values decreased \$5.39 million.

Finance Costs

Finance costs were lower than budget by \$32,000. The finance cost of \$498,000 comprises of unrealised gain from the fair value movement of interest rate swaps of \$145,000, interest cost from term debt of \$579,000 and the unwinding of landfill interest expense of \$63,000. Interest cost on term debt is \$47,000 higher than budget due to higher than budgeted market interest rates.

Statement of Financial Position

Transposition Error of Annual Plan Budget

- **Other Financial Assets (Non-Current)** – \$1,846 should have read \$219.
- **Investment In Subsidiaries** – \$0 should have read \$4,974
- **Investment Property** – \$826 should have read \$1,846
- **Forestry Assets** – \$5,193 should have read \$826

These transposition errors add to the same total as what should have been reported.

Cash and Cash Equivalent and Other Financial Assets

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

Investment in Subsidiaries

Investment in subsidiaries are lower than budget due to the liquidation of Infracon Limited. Council's investment of \$3.609 million is written down to nil due to the company's ability to pay all its liabilities arising from the liquidation.

Debtors and Other Receivables

Debtors and other receivables are higher than budget by \$1 million mainly due to higher NZ Transport Agency subsidies accruals and higher rate debtors at year end.

Creditors and Other Payables

Creditors and other payables are \$934,000 higher than budget due to higher than expected contract payments at year end. The increase in payables is mainly due to delay in completing both capital and operational projects in the last two months prior to year end arising from the focus on significant repair work due to flood and earthquake damages.

Property, Plant and Equipment

Property, plant & equipment was \$13 million higher than last year and \$57 million lower than budget at year end. An analysis of the variances between the budget value and the actual year end value of property, plant and equipment is outlined below:

- Variance in opening balance of property, plant and equipment due to the significant revaluation changes in 2012/13.
- Asset additions were lower than budget by \$9.2 million due to delay in the completion and capitalisation of capital projects.
- Revaluation of assets this year saw an increase in asset value of \$13 million compared to a budget of \$28 million increase. This is due to not completing the capital programme for the year, and lower than expected inflation adjustments for unit cost.

Borrowings (Current and Non-Current)

Total borrowings were lower than budget by \$127,000 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 \$4 million higher than budget due to reclassification of debt maturing less than one year to current liabilities.

Accumulated Funds

Accumulated funds are \$9.3 million lower than budget. This is mainly due to:

- Write down of investment in Infracon Limited due to the liquidation of the company.
- Opening accumulated funds being lower than forecast for the budget by \$3.3 million.
- Transfer from accumulated funds to special Reserves higher due to delay/deferring in renewal expenditure.

Asset Revaluation Reserves

The asset revaluation reserve is lower than budget due to an increase in revaluation of \$13 million instead of a forecasted increase in asset valuation of \$28 million, and 36.5 million variance in opening balance.

Special Funded Reserves

Special Funds are \$4.5 million above budget at year end. This is due to the actual opening balance for special funds being higher than the budget by \$1.5 million, and transfers to special funds of \$5.5 million was higher than budget by \$3 million due to delays in completing the capital renewal programme.

Statement of Cash Flows

Overall net increase in cash balances held were higher than budget by \$5.4 million.

Significant variances are:

Operating Activities

- Overall cash flow was \$1.4 million higher than budget due to higher than budgeted revenue from forestry activity and unsubsidised roading work.

Investing Activities

- Overall cash flow is \$4.2 million under budget.
- This was mainly due to the delay/deferring of capital expenditure and the age of cash investment for internal borrowing.

Financing Activity

- Overall cash flow was under budget by \$358,000.
- This was mainly due to lower net borrowing, as capital expenditures were delayed or deferred to next year.

Financial Overview

	2012/13 Council Actual \$000's	2013/14 Council Actual \$000's	2013/14 Council Plan \$000's	2012/13 Consolidated Actual \$000's	2013/14 Consolidated Actual \$000's
Operating Revenue					
Rates	18,774	19,406	19,408	18,758	
Grants and subsidies	9,396	8,964	10,096	9,396	
Interest and dividends	521	606	662	319	
Other Income	4,429	4,176	4,765	28,918	
Total operating revenue	33,120	33,151	34,931	57,391	
Expenditure					
Other operating expenses	16,200	14,835	16,216	27,275	
Depreciation and amortisation	11,828	11,300	11,935	14,088	
Employee benefit costs	4,651	4,933	4,870	18,015	
Interest	426	498	530	503	
Total operating expenditure	33,105	31,566	33,553	59,882	
Other asset gains/(losses)	(211)	(3,663)	-	(718)	
Surplus/(deficit) before tax	(196)	(2,078)	1,378	(3,209)	
Taxation expense	-	-	-	(771)	
Net surplus/(deficit)	(196)	(2,078)	1,378	(2,438)	
Parent interest	(196)	(2,078)	1,378	(1,620)	
Surplus/(deficit) attributable to minority interests	-	-	-	(818)	
Other Comprehensive Income					
Gains on Infrastructure assets revaluation	(5,388)	13,046	28,177	(5,131)	
Fair value through equity	(9)	-	-	(9)	
Tax on Equity Items	-	-	-	(75)	
Total Comprehensive Income	(5,593)	10,968	29,555	(7,653)	
Attributable to Tararua District Council	(5,593)	10,968	29,555	(6,983)	
Non-controlling interests	-	-	-	(670)	

Table 2 – Summary Statement of Comprehensive Income

	2012/13 Council Actual \$000's	2013/14 Council Actual \$000's	2013/14 Council Plan \$000's	2012/13 Consolidated Actual \$000's	2013/14 Consolidated Actual \$000's
Current assets	13,502	16,941	11,042	19,596	
Non-current assets	871,019	880,161	941,612	883,254	
Total assets	884,521	897,104	952,654	902,850	
Current liabilities	13,292	10,015	5,071	16,311	
Non-current liabilities	1,632	6,521	10,599	4,048	
Total liabilities	14,924	16,567	15,670	20,359	
Equity	869,597	880,567	936,984	877,426	
Equity attributable to minority interest	-	-	-	5,066	
Total equity	869,597	880,567	936,984	882,492	
Total liabilities and equity	884,521	897,104	952,654	902,850	

Table 3 – Summary Statement of Financial Position

	2012/13 Council Actual \$000's	2013/14 Council Actual \$000's	2013/14 Council Plan \$000's	2012/13 Consolidated Actual \$000's	2013/14 Consolidated Actual \$000's
Balance at 1 July	875,192	869,599	907,428	890,252	
Total comprehensive income previously reported	(5,593)	10,968	29,555	(7,653)	
Dividends to non-controlling interest	-	-	-	(107)	
Total Balance at 30 June	869,599	880,567	936,984	882,492	
Comprising of:					
Accumulated Funds	357,885	350,362	359,619	363,660	
Asset Revaluation Reserves	491,874	504,895	556,554	493,928	
Special Funded Reserves	19,790	25,260	20,759	19,790	
Trust Funds	48	50	52	48	
Minority Interest	-	-	-	5,066	
Total Equity	869,597	880,567	936,984	882,492	
Total comprehensive income attributable to:					
Tararua District Council	(5,593)	10,968	29,555	(6,983)	
Non-controlling interests	-	-	-	(670)	
Total comprehensive income	(5,593)	10,968	29,555	(7,653)	

Table 4 – Summary Statement of Changes in Equity

	2012/13 Council Actual \$000's	2013/14 Council Actual \$000's	2013/14 Council Plan \$000's	2012/13 Consolidated Actual \$000's	2013/14 Consolidated Actual \$000's
Net cash flow from operating activities	10,719	14,653	13,236	11,602	
Net cash flow from investing activities	(10,983)	(10,233)	(14,450)	(11,282)	
Net cash flow from financing activities	(38)	856	1,214	222	
Net increase/(decrease) in cash held	(302)	5,276	-	541	
Opening balance	4,544	4,242	946	4,757	
Total cash resources at 30 June 2010	4,242	9,518	946	5,298	

Table 5 – Summary Statement of Cash Flows

ACCOUNTING DISCLOSURES

These summary financial statements are a summary of the 2013/14 Annual Report and cover the period from 1 July 2013 to 30 June 2014. The Summary Financial Reports were authorised for issue on 29 October 2014 by Council. These summary financial statements do not provide as complete an understanding as provided by the full 2013/14 Annual Report. A full copy is available on the Council website at 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 and is domiciled in New Zealand.

The primary objective of Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Council has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

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

Their ownership and objective are:

- Infracon Limited (in Liquidation), a 66% owned subsidiary – profit orientated entity.
- Manawatu-Wanganui LASS Limited, a 14% owned associate – public benefit entity.
- Tararua Aquatic Community Trust, a Council organisation established in New Zealand by Council as settlor – public benefit entity.

The financial statements of Council are for the year ended 30 June 2014. The financial statements were authorised for issue by Council on 29 October 2014.

Basis of Preparation

Statement of Compliance

Infracon Limited (the Company) was placed into liquidation effective Monday 25 August 2014 by the Company's Shareholders, Tararua District Council and Central Hawkes Bay District Council. The

Shareholders also resolved to appoint PricewaterhouseCoopers as liquidators of the Company.

At the time of the Company going into liquidation, the audit for the 2013/14 financial year was not complete.

Council has resolved not to consolidate the financial statements of the Company as they are unaudited. As a result of this, the Council's consolidated financial statements are not compliant with the requirements of the Local Government Act 2002: Part 6, Section 98 and part 3 of Schedule 10, and New Zealand Generally Accepted Accounting Practice (NZ GAAP).

However, Council's financial statements (the parents) have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Measurement Base

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

Functional and Presentation Currency

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

Basis of Consolidation of Subsidiaries

The consolidated financial statements are prepared adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

For the year ended 30 June 2014, Council has not consolidated the financial statements of Infracon Limited (in Liquidation), as the company had not prepared audited financial statements.

Council's investment in its subsidiaries are carried at cost, less any impairment, in the Council's own "parent entity" financial statements.

For the year ended 30 June 2014, Council has fully impaired its investment in Infracon Limited (in Liquidation).

Commitments

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

	2013 Council	2013 Group	2014 Council	2014 Group
	\$000's	\$000's	\$000's	\$000's
Operational Commitments	11,489	6,931	5,165	
Capital Commitments	7,200	4,846	4,566	
Operating Leases	101	-	63	

Contingent Liabilities

Council had \$100,000 contingent liabilities for June 2014 (2013: \$130,000).

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 2013/14 (nil 2012/13).
- On liquidation of Tararua Forests Limited (TFL), all assets were transferred to Council. Council now owns approximately 320ha of forest on its property that is pre-1990 forest land under the emissions trading scheme. Should this land be deforested, a deforestation penalty would be incurred. As it is intended to replant this land in forest, with no current intention of deforesting, no liability is provided.

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.

	2013 Council	2014 Council
	\$000's	\$000's
Services received by Council from Infracon Limited during the period (GST excluded)	10,664	9,690

	2013 Council	2014 Council
	\$000's	\$000's
Amounts payable to Infracon Limited by Council at year end as contract retentions (GST included)	286	176
Amounts payable to Infracon Limited by Council at year end (GST included)	1,006	1,171
Related party transactions involving directors and trustees		
Contracting services provided by Infracon Limited:		
P Burne (Morris & Bailey Limited)	45	
A T & P J Brownell Contractors Limited	-	
A Brownell	2	
D Gough	1	
H Snijders	1	
S Hardgrave	-	
B Davey	5	
H Street	-	
D Hewitt	3	
Contracting services provided to Infracon Limited:		
P Burne (Morris & Bailey Limited)	168	
A T & P J Brownell Contractors Limited	-	

The related party transactions shown above are eliminated on consolidation.

Events After Balance Date

PricewaterhouseCoopers appointed as liquidators of Infracon Limited.

Council has not been able to prepare consolidated financial statements as at 30 June 2014 since the Company is unable to produce audited financial statements. Details of the unaudited results of the Company can be found on pages 279 to 281 of the full Annual Report.

As a result of the Company's liquidation, Council has written down its investment of \$3.609 million in the company to nil.

INFRACON LIQUIDATION AND ITS IMPACT ON COUNCIL'S CONSOLIDATED ANNUAL REPORT

Infracon Limited (the Company) was, by resolution of its shareholders Tararua District Council and Central Hawkes Bay District Council, placed into liquidation on Monday, 25 August 2014, with PricewaterhouseCoopers appointed as liquidators of the Company.

At the time of the liquidation, the audit of the Company, for the year ended 30 June 2014, had not been completed.

Council relies on the Company's audited Annual Report to prepare its consolidated statements. This ensures that the Council's consolidated Annual Report is compliant with the New Zealand Generally Accepted Accounting Practice (NZ GAAP).

Council considered the options available to it for preparing consolidated accounts, which included:

1. preparing the consolidated accounts on the basis that the Company was a discontinued operation; or
2. consolidating the audited draft accounts; or
3. not preparing a consolidated Annual Report.

Regardless of the option taken, Council would receive a modified audit opinion. Having considered the various options, Council resolved not to prepare consolidated financial statements this year. As a result, Council has received an adverse audit opinion for its group accounts, as it has not complied with NZ GAAP and the Local Government Act 2002.

As a result of the liquidation, Council has also resolved to write down its investment in the Company to zero. At the time of adopting the

Annual Report, it was not possible to estimate any payout from the liquidators and, therefore, Council has considered it prudent to write down its investment in full.

Council has kept its auditors, and the Office of the Auditor General (OAG), informed of events before and after liquidation.

It is noted that the liquidator will provide a final (public) report as required under Section 253 of the Companies Act 1993.

Liquidator Role

The Liquidator, PricewaterhouseCoopers, has the principal duty to:

- take possession of, protect, realise, and distribute the assets, or the proceeds of the realisation of the assets, of the Company to its creditors in accordance with this Act; and
- if there are surplus assets remaining, to distribute them, or the proceeds of the realisation of the surplus assets in a reasonable and efficient manner, in accordance with section 313(4) of the Companies Act 1993.

In order to meet its accountability requirements, Council has included details relating to the Company's unaudited trading results for the year ended 30 June 2014 and the financial position at that date on pages 279 to 281 of the full Annual Report.

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 (the District Council) and group for the year ended 30 June 2014. 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 9 and 14 to 18:

- the summary statement of financial position as at 30 June 2014;
- the summaries of the statement of comprehensive Income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014;
- 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 a modified opinion on the group's full audited statements and an unmodified opinion with an explanatory paragraph on the District Council's (the parent's) full audited statements in our report dated 29 October 2014. More explanation about the nature of this opinion is explained below.

Denial of opinion on the summary group financial statements

In our audit report dated 29 October 2014, we expressed an adverse opinion on the group financial statements in the full annual report for the year ended 30 June 2014 for the reasons discussed below.

On 25 August 2014 Infracon Limited (the Company), a council controlled trading organisation which is 66% owned by the District Council was placed into liquidation. At the time of the Company being placed into liquidation it had not issued audited financial statements for the year ended 30 June 2014.

Because the Company was a subsidiary of the District Council as at 30 June 2014, the District Council should have prepared consolidated financial statements in keeping with the requirements of NZ International Accounting Standard 27 (PBE) Consolidated and Separate Financial Statements, and the District Council's accounting policies.

Because the District Council did not consolidate the Company, we formed an opinion that the full group financial statements do not comply with generally accepted accounting practice in New Zealand and that they do not fairly reflect the group's financial position as at 30 June 2014 and the results of its operations and cash flows for the year ended on that date.

Because of the significance of the matters discussed above, it is inappropriate to express an opinion on the summary financial statements of the group for the year ended 30 June 2014.

Opinion on the summary District Council (parent) information

In our opinion:

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

Uncertainty over the valuation of the District Council's investment in the Company

Without further modifying our opinion and consistent with the audit report we issued on the District Council's audited financial statements, we draw your attention to the disclosures made on page 17 of the Summary Annual Report about the District Council's decision to write-down the value of its investment in the Company to nil. This decision was made in response to the resolution to place the Company into liquidation on 25 August 2014. The outcome of the liquidation process is uncertain and the value of the District Council's investment could be different than the nil value that has been recognised in the 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.

Independent Auditor's Report

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 29 October 2014 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

OUR DISTRICT

Resident population (2011)	16,854
Number of rateable properties	10,703
Area (ha)	427,000
Net capital value (\$m)	\$4,527
Total roading network (km).....	1,956
Elected representatives (Council and Community Boards)	17



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