

ANNUAL REPORT 2005/06



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MISSION AND GOALS

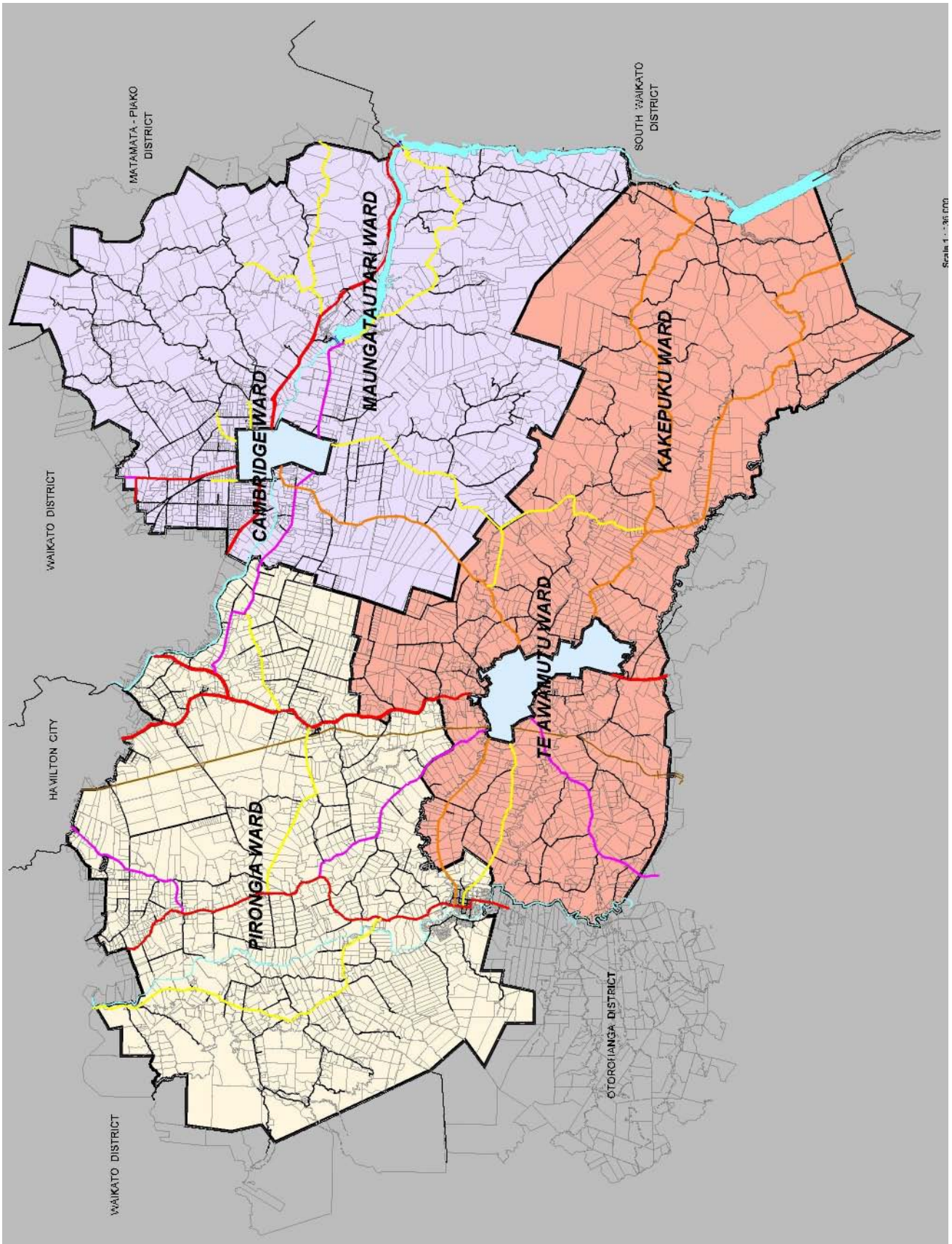
MISSION

To promote the well-being of the people of the Waipa District through timely provision of services and sustainable management of natural resources.

GOALS

1. To implement equitably and effectively the legal obligations of a territorial authority governing the Waipa District.
2. To manage and protect both the natural and physical resources of the District, having regard to individual, ethnic, local, regional and national interests as appropriate.
3. To ensure that economic and efficient physical facilities and services are provided as far as possible according to the values and standards of residents and ratepayers.
4. To manage Council's assets wisely, maximising the contribution those assets can make to assist in stimulating sustainable development of the District.
5. To form strong partnerships with other authorities, community interests and the private sector to provide the District with appropriate development opportunities.
6. To provide services and/or actively support Community Boards, community and welfare organisations in meeting the physical, recreational, employment, cultural and social needs of residents of the District.
7. To provide encouragement and advocacy to influence major private and public organisations to achieve attitudes of the most benefit to residents of the District.

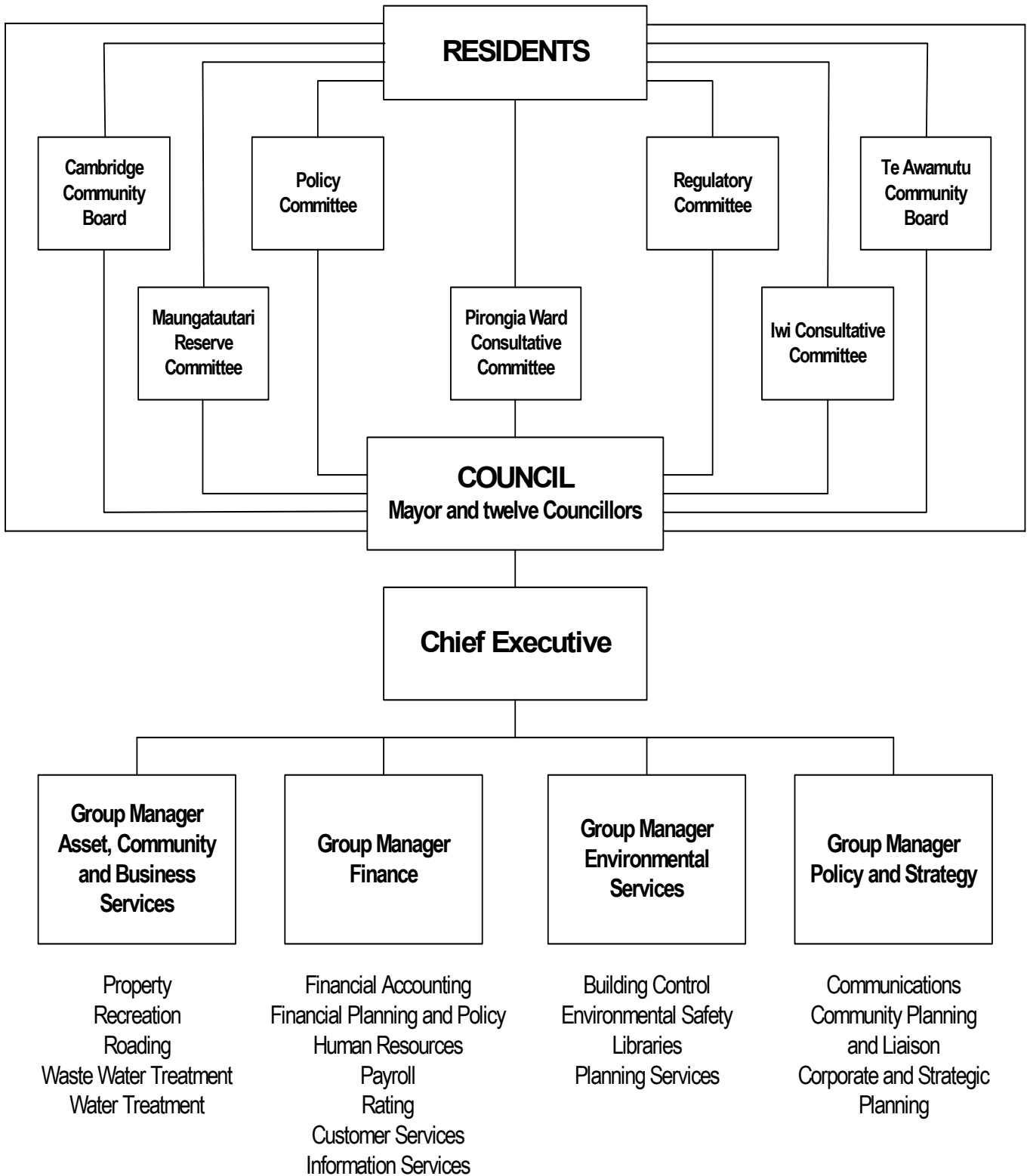
MAP



COUNCIL INFORMATION AND DIRECTORY

MAYOR	Alan Livingston JP		
DEPUTY MAYOR	Peter Lee		
COUNCILLORS	Hazel Barnes JP Ron Cooper JP Alan Empson Gaidyn Flay Graham Jull Errol Newlands		Joe Scaramuzza Diane Sharpe JP Barbara Taranaki JP Bruce Thomas Grahame Webber
EXECUTIVE	Chief Executive Deputy Chief Executive/Group Manager – Environmental Services Group Manager – Finance Group Manager – Assets, Community and Business Services Group Manager – Policy and Strategy		John Inglis Garry Dyet Shelagh Kew John Mills Ross McNeil
BANKERS	ASB 500 Victoria Street HAMILTON		
SOLICITORS	Gallie Miles P O Box 170 TE AWAMUTU	Irving Law P O Box 592 TE AWAMUTU	Swarbrick Dixon P O Box 19010 HAMILTON
	Tompkins Wake P O Box 258 HAMILTON	Phillips Fox P O Box 160 AUCKLAND	Simpson Grierson P O Box 2404 WELLINGTON
AUDITORS	Audit New Zealand on behalf of: Auditor-General Office of the Auditor-General WELLINGTON		
LOCATIONS	Head Office Private Bag 2402 101 Bank Street TE AWAMUTU 3840 Phone (07) 872 0030 Fax (07) 872 0033		Cambridge Service Centre 23 Wilson Street CAMBRIDGE 3434 Phone (07) 823 3800 Fax (07) 823 3820

ORGANISATIONAL STRUCTURE



INTRODUCTION



The Waipa District covers 147,000 hectares and is home to 42,500 people.

Council provides services to the district that include 1050kms of roads, 169kms of footpaths, 800km of water and waste water pipes, 3500 hectares of parks, reserves and playgrounds and 31 district halls.

There are 18,000 rateable properties with an average rate of \$1600 per property. Rates are based on a mix of general and targeted rates that generated \$24.6 million for the year, about 50% of Council's total revenue.

The 2005/06 year has been another good one for the Council. A \$40 million operating programme and a \$28 million capital programme were successfully completed. During the year some small variations from budget were necessary, but over-expenditure was offset and managed by a corresponding increase in revenue.

For the year ended 30 June 2006, Council achieved an operating surplus of \$11.4 million compared to a budgeted surplus of \$2.6 million, and \$1.8 million for the year ended 30 June 2005. Equity increased by \$41 million largely due to asset revaluation, and public debt was reduced by \$7.6 million to \$10m.

New and challenging projects were undertaken. The most significant of these was the Kihikihi sewerage reticulation project, which is made up of 51 km of wastewater pipe, 13 pumping stations and 700 new connections. The total cost of the project was \$14 million, with Council successful in getting a 50% subsidy from central government.

Following extensive consultation, Council completed its first audited Long Term Council Community Plan as required by all local authorities. This plan sets out the Council's and the community's expectations over a 10 year period, with all the associated financial requirements and implications. This community plan reinforces the need for good forward planning and the need to achieve such plans so a suitable level of certainty and confidence is provided, work is completed, and levels of service are achieved.

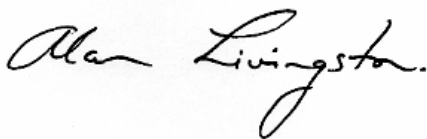
In association with NZ Rowing and Hamilton City, Waipa won the right to host the 2010 World Rowing Championships at Lake Karapiro. Council's support for this is primarily commitment to the \$5 million development programme for Karapiro Domain that has been provided in the 2006 LTCCP.

The district has enjoyed strong growth during the year. A 20% increase in building consents for new buildings is one indication of this. With this growth comes the need to provide supporting infrastructure, such as roads, sewerage, stormwater, water supply and community facilities. Until now, much of the cost for this has been borne by ratepayers. During the year the Council developed a new development contributions policy, which will recover the costs of growth-related infrastructure from developers, and which will be operational from July 2006.

Continuation of the seal extension programme, upgrading of footpaths and walkways and new public toilets in Te Awamutu have been other significant development projects.

Council has been an active participant in the Waipa Peat Lakes Accord, with Environment Waikato, the Waikato Fish and Game Council, Nga Iwi Toopu O Waipa, and the Department of Conservation; and working collaboratively with Environment Waikato, Council has made an investment of \$650,000 over the next six years to implement work programmes which will increase the sustainability of five of Waipa's 16 key peat lakes. These are Lake Ngaroto, Lake Mangakawhare, Lake Serpentine, Lake Rotomauka and Lake Maratoto.

Waipa continues to do well and it is pleasing to report another successful year. Council has always enjoyed a high level of input and involvement from many community groups and individuals, and Council extends its thanks and appreciation for the contribution made by so many people.



Alan Livingston (JP)
MAYOR



John Inglis
CHIEF EXECUTIVE

FINANCIAL OVERVIEW FOR THE YEAR ENDED 30 JUNE 2006

OPERATING RESULTS

The Council's financial performance over the last year has been sound resulting in a surplus of \$11.4m. The surplus additional to budget has largely been driven by revenue from vested assets and development contributions from the Saffron subdivision in Cambridge and the government subsidy for the Kihikihi sewerage plant, and this in turn has increased capital expenditure on infrastructural assets. There were some other significant variances to both revenue and expenditure including:

- ❖ Increased investment income relating to the timing of capital projects and high interest rates
- ❖ Recognition of the total subsidy revenue relating to the Kihikihi sewerage project
- ❖ Increased revenue from Significant Activities
- ❖ Operational costs of the Kihikihi sewerage project which had been budgeted as capital
- ❖ Staffing and project management costs relating to the replacement of corporate software
- ❖ Increases in occupancy costs in leasing additional office space, increased depreciation and legal costs

STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position shows Council's equity, assets and liabilities.

- ❖ Equity is \$58m more than budget and this relates to increases in revaluation reserves and the positive operating surplus for the year
- ❖ The value of current assets (investments) is higher than budget due to the timing of payments to suppliers
- ❖ Public debt was less than budgeted due to the earlier repayment of some debenture loans and also the use of separate rate funds. The budget had included an increase in debt of \$5m, but this had not proved necessary. With the introduction of an internal borrowing strategy, debt has been reduced wherever possible to make more efficient use of cash reserves and reduce interest costs.
- ❖ Non current assets are higher than budget and this is largely due to the revaluation of land and buildings and investment properties, and also the recognition of the subsidy for Kihikihi sewerage, expected to be received in 2008.

FINANCIAL MANAGEMENT

Council receives monthly financial information throughout the year to support its governance role and decision-making. At each quarter a full report is presented to Council and this includes financial and non-financial performance information compared with targets set in the Annual Plan, together with financial forecasts to year end.

ADOPTION OF NEW ZEALAND INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In order to comply with IFRS Council established a project to manage the transition. External consultants were engaged to review the impact of required changes and provide quality assurance to the conversion work. The project included identification of changes required and the development of a model set of accounts and accounting policies, and also the restatement of the Balance Sheet to 30 June 2005.

Work is now underway to convert the Financial Statements to 30 June 2006 to comply with IFRS, and this work will be subject to audit in the coming months. The major differences for Council are around the treatment of revaluation reserves for investment properties and forestry which will be transferred back to accumulated funds, and the recognition of a provision for sick leave, with minimal impact on the Statement of Financial Position. Generally the other changes required are around presentation and further disclosures.

COMMUNITY OUTCOMES – MEASURING PROGRESS

Community Outcomes guide Council and other agencies in the delivery of services to the needs of the community. In 2003 Council facilitated a consultation process (Have Your Say) to identify the long-term aspirations and expectations of residents. The feedback received help shape 22 key community outcomes for Waipa District. In preparing the 2004-14 and 2006-16 Long Term Council Community Plans (LTCCPs), Council ensured that its activities and projects were aligned to these Community Outcomes.

According to the Local Government Act 2002, once the community outcomes have been identified, work towards achieving the outcomes needs to be monitored, and the results reported to the public at least every three years. Both locally and nationally there are a number of processes underway to identify indicators that will be most appropriate to measure progress towards the achievement of community outcomes. As well as work at the national level on compiling national indicators, at regional level the local authorities in the Waikato Region have committed to work in partnership to develop joint approaches to identify and then monitor regional community outcomes. A working group, 'Monitoring and Reporting Community Outcomes' (MARCO), has been formed and Waipa District Council is part of this working group.

In fulfilment of the Local Government Act community outcomes monitoring requirements, Council will prepare and publish a comprehensive State of the District report on a six-yearly basis. An interim report focusing on key issues will be published every three years, with information on highest priority areas expected to be updated on an annual basis. The purpose of the State of the District report will be to demonstrate the overall level of well-being in the Waipa District and any changes, both positive and negative, that occur over time. Council's first monitoring report on progress towards achievement of the community outcomes will be published in 2008. This first report will provide a baseline on which future data can be measured and compared, although historical data may be available for some of the indicators. This information will assist in identifying priority areas for consideration in the development of the 10-year Plan 2009-19, as well as supporting the review of the Waipa District Plan.

For a full list of Waipa's Community Outcomes, the Waikato Regional Community Outcomes, Waipa Iwi Community Outcomes and the indicators that Waipa District Council will use to monitor progress towards achieving Community Outcomes, please refer to Waipa District Council's 10-year Plan 2006-16.

IMPROVING COMMUNITY WELL-BEING

All of the activities, services and projects undertaken by Council are intended to support or improve the social, cultural, economic and environmental well-being of the community. However, during the past year a number of initiatives were commenced and/or completed, with each making a significant positive contribution to community well-being. These initiatives are listed below:

- ❖ Kihikihi Wastewater Scheme – This project, which was completed on time and within budget, was undertaken to eliminate the significant public health risk associated with poor septic tank performance in the township. The project involved connecting 690 properties to a new reticulation network, which in turn was connected to the Te Awamutu wastewater system. The project attracted a \$7.1 million subsidy from the Government, although \$4.1 million of this will not be available until 2009.
- ❖ Karapiro Development – Council has acquired a 40 hectare property upstream of the Karapiro Domain, which will be developed as a new reserve area to cater for increased demand, for access to Lake Karapiro. The new reserve will cater for casual recreational users and help minimise potential conflict between active and passive water-based activities. The development of this new reserve and the ongoing development of the Karapiro Domain is set out in a strategic plan adopted by Council in 2005.
- ❖ Selwyn Park – Council responded to community demand for additional public toilets in the vicinity of the Information Centre and a new facility was opened on Selwyn Park in March 2006. The project was completed within budget (\$340,000).
- ❖ Pioneer Walk – The upgrade of this popular walking route has been substantially completed at a cost of \$130,000. The walkway has been finished with cobblestones to provide a high quality surface.
- ❖ Stormwater upgrades – These were required to address chronic drainage problems in particular areas of urban communities. Further work in Cambridge and Te Awamutu is programmed for the next 2-3 years.
- ❖ Lake Te Ko Utu – Following extensive community input, Council confirmed a programme of works to improve the water quality and enhance the environs of Lake Te Ko Utu. New public toilet facilities have been installed near the Albert Street car park. The balance of the work is planned to be completed in 2006/07 at a total cost of \$600,000.
- ❖ Cambridge North Development – The ongoing expansion of infrastructure to support residential development in Cambridge, including the installation of a new playground at MacLean Street. This new facility has an innovative design and should be very popular with younger residents.
- ❖ Cambridge Footpaths – In 2002, following strong support from the Cambridge community, Council embarked on a \$1 million 5-year footpath development programme in Cambridge. The goal of the programme was to ensure that every residential street in Cambridge has a footpath on at least one side of the road. 2005/06 was the fourth year of the programme, and a total of 6.5km of new footpath has been constructed to date.
- ❖ Water Supply and Wastewater System Upgrades – This work is an essential element in the preservation of public health and the development of any community.
- ❖ Seal Extension – 2005/06 was the fourth year of a five-year, \$5 million District-wide programme to seal roads. During the year, a further 3.9km of roads were sealed, including sections of Corcoran, Limeworks Loop, Gray and Tari Roads. Enhancement works are well advanced on Maungakawa Road.
- ❖ Maungatautari Ecological Island – Council support for the Maungatautari Ecological Island project has continued with the completion of a major upgrade of Tari Road, the principal access to the southern enclosure. During the year \$100,000 was invested towards upgrading tracks in the reserve. In addition, an agreement with Environment Waikato for Council to undertake restoration works on local peat lakes has provided additional project funding of \$650,000. At a governance level the project is being overseen by a dedicated committee of Council.

- ❖ Community Facilities – Work has progressed on the design and location of a covered swimming pool facility for Cambridge under the direction of a group of community representatives. Funding for the construction of a pool has been included in the 2006-16 10-year Plan.
- ❖ District Promotion Fund/Community Grants – \$476,250 was allocated to groups and organisations in recognition of important work and activities aimed at improving well-being for residents. This figure is lower than in previous years, primarily because the Te Awamutu Museum, which was previously funded by way of a grant, is now part of Council operations and funded through the Amenity Services significant activity area.
- ❖ Reserve Development – The ongoing implementation of a rolling programme to develop parks and reserves across the District.
- ❖ Bylaws review – The Traffic Bylaw and Wastewater Drainage Bylaw were reviewed during the year. In addition, Council introduced a Trade Waste Bylaw to control discharges to Council's sewerage system from commercial and industrial operations. These bylaws promote enhanced standards for safety, health and well-being, and safeguarding the integrity of Council's infrastructure.

OPPORTUNITIES FOR MĀORI TO CONTRIBUTE TO COUNCIL'S DECISION-MAKING PROCESSES

Council's governance structure includes an Iwi Consultative Committee, one of three primary standing committees. The Committee consists of the Mayor, the Deputy Mayor Chairpersons of the Regulatory and Policy Committees, representatives of hapū within the District, the Chairperson of Ngā Iwi Toopu o Waipa and a Kaumatua representative.

The purpose of the Iwi Consultative Committee is to consider any matter of significance to Māori, including, but not limited to, the development and implementation of policy. The Committee makes appropriate recommendations for Council consideration.

Council has a formal agreement with Ngā Iwi Toopu O Waipa – an independent group mandated by and advocate for Iwi within the District. The agreement makes provision for annual support funding to Ngā Iwi Toopu O Waipa to ensure that Māori have the capacity and capability to participate in Council's decision-making processes. Ngā Iwi Toopu O Waipa is recognised as the primary conduit through which Council consults with Māori, including reviewing all resource consent applications and considering policy matters and other issues of significance.

Council further promotes the decision-making capacity of Māori through the appointment of Iwi representatives to the Policy and Regulatory Committees of Council.

Council has established a special purpose committee to oversee the management of key reserves in Pirongia Village. The reserves, which are subject to the provisions of the Waikato Raupatu Settlement Claims Act, are currently administered by the Department of Conservation. In line with community expectation, Council has sought an appointment (pursuant to the Reserves Act 1997) to control and manage these reserves. Given the significance of these reserves to local Māori, Council has appointed representatives of Purekireki Marae and Te Kauhanganui O Waikato as members of the Committee, as well as local community representatives and Pirongia Ward Councillors.

In light of the scale and significance of the Maungatautari Ecological Island project, Council has established a committee to oversee the management and development of the Maungatautari Scenic Reserve. The Maunga has particular significance to local Iwi, and Council has recognised this in the membership of the Maungatautari Reserve Committee, with 5 of the 12 members being tangata whenua representatives. The remaining members represent the wide range of other stakeholders with an interest in the Ecological Island project.

STATEMENT OF COMPLIANCE AND RESPONSIBILITY

COMPLIANCE

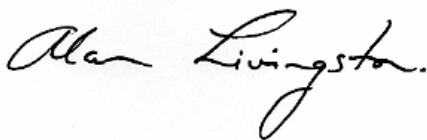
The Council and management of the Waipa District Council confirm that all the statutory requirements of the Local Government Act 2002 have been complied with.

RESPONSIBILITY

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

The Council and management of the Waipa District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management of the Waipa District Council, the annual Financial Statements for the year ended 30 June 2006 fairly reflect the financial position and operations of Waipa District Council.



MAYOR
Alan Livingston



CHIEF EXECUTIVE
John Inglis



GROUP MANAGER - FINANCE
Shelagh Kew

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2006

REPORTING ENTITY

Waipa District Council is a territorial local authority governed by the Local Government Act 2002. These Financial Statements have been prepared in accordance with the requirements of section 98 of the Local Government Act 2002 which includes the requirement to comply with generally accepted accounting practice.

MEASUREMENT BASE

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

ACCOUNTING POLICIES

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

Revenue Recognition

Rates revenue is recognised when levied.

Water billing revenue is recognised on an accrual basis. Unbilled sales, as a result of unread meters at year end, are accrued on an average usage basis.

Transfund roading subsidies are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Other grants and assets vested in the Council, with or without conditions, are recognised as revenue when control over the assets is obtained.

Public Equity

Public equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Public equity is classified into a number of components to enable clearer identification of the specified uses that are made of accumulated surpluses. The components of equity are:

- ❖ accumulated funds
- ❖ reserves and special funds
- ❖ asset revaluation reserves

Reserves and Special Funds

Reserves and special funds are a part of equity representing a particular use to which equity has been assigned. Reserves may be legally restricted or created by Council.

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

Council created reserves are reserves established by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Accounts Receivable

Accounts receivable are stated at expected realisable value after providing for doubtful and uncollectable debts. As there are statutory remedies to recover unpaid rates, penalties and water meter charges, no provision has been made for doubtful debts in respect of rates receivables.

Investments

All investments, including those in subsidiaries and associated companies, are stated at the lower of cost and net realisable value. For investments where there is both the positive intent and ability to hold to maturity, any premiums or discounts are amortised from the date of purchase to maturity.

Work In Progress

Work in progress is valued at the lower of cost and net realisable value.

Cost of Service Statements

The Cost of Service Statements, as provided in the Statement of Service Performance, report the net cost of services for significant activities of the Council and are represented by the costs of providing the service less all revenue that is derived from these activities.

Cost Allocation

Waipa District Council has derived the net cost of service for each significant activity of the Council using the cost allocation system outlined below:

❖ Cost Allocation Policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information.

❖ Criteria for Direct and Indirect Costs

“Direct Costs” are those costs directly attributable to a significant activity.

“Indirect Costs” are those costs which cannot be identified in an economically feasible manner with a specific significant activity.

❖ Cost Drivers for Allocation of Indirect Costs

The costs of internal services not directly charged to activities are allocated as overheads using appropriate cost drivers such as actual usage, staff numbers and floor area.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

Budget Figures

The budget figures are those approved by Council at the beginning of the year after a period of consultation with the public as part of the Annual Plan process. They have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by Council.

Goods and Services Taxation (GST)

These Financial Statements have been prepared on a GST exclusive basis, with the exception of receivables and payables which are stated as GST inclusive. Any GST liability or asset at balance date is recognised in the Statement of Financial Position.

Employee Entitlements

Provision is made in respect of Council's liability for annual leave and long service leave. These are calculated at current cost.

Non Current Assets Classification

❖ Forestry

Forestry assets are held by Council primarily to provide a water catchment area for the community of Te Awamutu so as to provide a quality water supply.

Fixed assets are disclosed in the following major categories:

❖ Operational

Which are all tangible assets used as part of the operating strategy, e.g. land, buildings, plant/motor vehicles, furniture, fittings and equipment and library books.

❖ Infrastructural Assets

Infrastructural Assets are the fixed utility systems providing an ongoing service to the community, but are not generally regarded as tradeable, e.g. roads, bridges, water and sewerage reticulation systems and stormwater systems.

Non Current Assets Valuation

Assets have been valued as follows:

❖ Land

As valued by Quotable Value New Zealand (registered valuers) at fair value as at 1 July 2005 or if acquired since, at cost. The valuation was confirmed as appropriate for financial reporting purposes by Quotable Value New Zealand.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

❖ Buildings

As valued by Quotable Value New Zealand (registered valuers) at fair value as at 1 July 2005 or if acquired since, at cost less accumulated depreciation.

❖ Investment Properties

Land and buildings that fall within the accounting definition of investment properties are revalued annually at net current value by an independent registered valuer. As at 30 June 2006 investment properties were valued by Opus International Consultants Limited (registered valuers). The result of the revaluation is credited or debited to the investment property reserve. Where this results in a debit balance in the reserve, this balance is expensed in the statement of financial performance. There is no depreciation on investment properties.

Properties intended for resale are valued at the lower of cost and net realisable value.

❖ Plant/Motor Vehicles, Furniture, Fittings, Equipment and Library Books

At cost less accumulated depreciation.

❖ Forestry

Recorded at valuation arrived at by Mr P L Tempest of PL Tempest & Associates Limited as at 30 June 2006.

Stands under ten years old are valued on a compounded cost basis, using a rate of 9% per annum applied to operational costs. Older stands are valued on a discounted expectation basis, with age 27 years as harvest expectation and using current log prices and harvest costs. Log prices are averaged over the past 12 months. The discount rate used is 9%.

❖ Infrastructural Assets

By Opus International Consultants Limited (registered valuers) as at 1 July 2004, roading, reticulation systems and plant are valued at optimised depreciated replacement cost.

❖ Land under the Roads and Road Reserves

Opus International Consultants Limited (registered valuers) valued the land under roads as at 1 July 2004, using estimates of current market prices (\$/ha) for land use categories through which the roads pass.

Valuations are undertaken or reviewed by independent qualified valuers and are carried out on a three yearly cycle, with the exception of forestry assets and investment properties, which are valued annually.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the Statement of Financial Performance.

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

❖ Additions

Additions between valuations are recorded at cost, except for vested assets. Certain infrastructure assets and land are vested in the Council as part of the subdivisional consent process. The vested reserve land is valued at the most recent appropriately certified government valuation.

Vested infrastructure assets are valued based on the actual quantities of infrastructure components vested and the current "in the ground" cost of providing identical services.

Costs incurred in obtaining any resource consents are capitalised as part of the asset to which they relate. If a resource consent application is declined then all capitalised costs are written off.

Depreciation (Decline in Service Potential)

❖ Land

Land is not depreciated.

❖ Water, Sewerage and Stormwater

Water, sewerage and stormwater reticulation systems are depreciated as per the New Zealand Infrastructure Assets Management Manual. The assets are depreciated (straight line) over a number of years, up to a maximum of 100.

		Years
Water treatment	– structures	50 – 100
	– plant	10 – 25
	– pipes	60
Water reticulation	– pipes	30 – 80
	– fittings	25
Sewage treatment	– structures	50 – 100
	– plant	10 – 25
	– pipes	60
Sewerage reticulation	– pipes	50 – 80
	– manholes	50
Stormwater	– structures	50
	– pipes	50 – 100
	– manholes	50

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

❖ Roothing

Roothing assets, except for formation/carrageway and shoulder, are depreciated (straight line) over periods up to 80 years, as per the New Zealand Infrastructure Assets Management Manual.

	Years
Formation/carrageway and shoulder	infinite
Pavement structure	30 – 50
Pavement surface (seal)	10 – 15
Catchpits and culverts	30 – 70
Bridges	20 – 80
Kerb and channel	50
Lighting	10
Footpaths	20 – 50

❖ Operational

The following depreciation rates are utilised to reflect the diminution in value:

	Years
Buildings – not componentised	40
Building – structure	50 - 80
Building – fitout	25 - 80
Building – services	40 - 80
Plant/motor vehicles	3 - 10
Furniture, fittings and equipment	3 – 10
Computer equipment	3 - 10

❖ Assets Under Construction

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

Financial Instruments

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

Statement of Cash Flows

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

STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

Operating Activities – include cash received from all income sources and record the cash payments made for the supply of goods and services. Agency transactions are recognised as receipts and payments in the Statement of Cash Flows given that they flow through the Council's main bank account.

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

Financing Activities – comprise activities that change the equity and debt capital structure of the Council and group.

Landfill Post-Closure Costs

The Council, as operator of several landfills, has a legal obligation to provide ongoing maintenance and monitoring services at the landfill sites after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

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

The discount rate used reflects current market assessments of the time value of money and the risks specific to the Council.

CHANGES IN ACCOUNTING POLICIES

In previous years library books were valued at depreciated replacement cost based on draft guidelines released by the New Zealand Library Association and the National Library of New Zealand in May 1992. The basis of recognition has now been changed to historical cost less accumulated depreciation. There is no financial implication.

Except as above there have been no changes from the accounting policies adopted in the last Audited Financial Statements. All policies have been applied on a basis consistent with the previous period.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 Actual \$000's	2006 Budget \$000's	2005 Actual \$000's
Operating Revenue				
Rates	2	24,604	24,705	22,872
Income from Significant Activities	1	11,773	10,871	12,014
Investment Income		1,652	670	1,798
Reserve Contributions		625	270	359
Subsidy		7,000	1,875	0
Development Contributions		1,666	285	1,057
Petroleum Tax		319	300	313
Vested Assets		3,595	800	1,924
Discovered Assets		581	0	310
Total Operating Revenue		\$51,815	\$39,776	\$40,647
Operating Expenditure				
Expenditure from Significant Activities	1	40,390	37,106	38,545
Total Operating Expenditure	3	\$40,390	\$37,106	\$38,545
Operating Surplus Before Asset Adjustments		11,425	2,670	2,102
Write-offs re TempleView Assets to Hamilton City		0	0	300
Operating Surplus/(Deficit) after Asset Adjustments		\$11,425	\$2,670	\$1,802

The accompanying accounting policies and notes form part of these Financial Statements

The operating surplus of \$11.4m was achieved as a result of significant additional revenue from vested assets and development contributions, and the government subsidy for Kihikihi sewerage. All of this additional revenue has been used to develop and upgrade Council's infrastructural assets.

STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

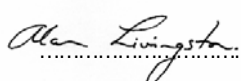
	Note	2006 Actual \$000's	2006 Budget \$000's	2005 Actual \$000's
Public Equity at Beginning of the Year		649,599	629,824	630,890
Net Surplus		11,425	2,670	1,802
Revaluation of Land		22,633	0	47
Revaluation of Buildings		2,540	0	0
Revaluation of Investment Properties		4,332	0	1,873
Revaluation of Forestry		143	0	484
Revaluation of Infrastructural Assets		0	0	14,503
Total Recognised Revenue and Expenses		\$41,073	\$2,670	\$18,709
Public Equity at End of the Year		\$690,672	\$632,494	\$649,599


The accompanying accounting policies and notes form part of these Financial Statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2006

	Note	2006 Actual \$000's	2006 Budget \$000's	2005 Actual \$000's
Public Equity				
Accumulated Funds	4a	279,657	270,153	272,861
Reserves and Special Funds	4b	8,467	8,909	8,179
Forestry Revaluation Reserve	4c	1,105	1,248	969
General Asset Revaluation Reserve	4d	85,715	60,031	55,260
Infrastructural Asset Revaluation Reserve	4e	305,540	292,153	306,041
Investment Property Revaluation Reserve	4f	10,188	0	6,289
Total Public Equity		\$690,672	\$632,494	\$649,599
Represented by:				
Current Assets				
Bank		327	401	186
Investments	5	7,212	3,686	23,424
Debtors	6	3,046	1,504	2,458
Assets Intended for Sale	8	465	1,882	611
Total Current Assets		11,050	7,473	26,679
Current Liabilities				
Deposits		271	245	266
Public Debt - Current Portion	11	4,177	4,177	7,687
Accounts Payable and Income in Advance	7	5,216	2,263	4,356
Provision for Landfills	20	205	87	150
Employee Entitlements		847	645	688
Total Current Liabilities		10,716	7,417	13,147
Non Current Assets				
Investments	5	976	2,082	2,882
Investment Properties	9	15,671	8,844	11,367
Other Non Current Assets	8	680,486	634,597	633,515
Total Non Current Assets		697,133	645,523	647,764
Non Current Liabilities				
Public Debt - Term Portion	11	6,048	11,790	10,225
Provision for Landfills	20	747	735	912
Pensioner Housing		0	560	560
Total Non Current Liabilities		6,795	13,085	11,697
Net Assets		\$690,672	\$632,494	\$649,599

The accompanying accounting policies and notes form part of these Financial Statements

 Mayor

 Chief Executive

Dated 26 September 2006

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2006

	Note	2,006 Actual \$000's	2006 Budget \$000's	2005 Actual \$000's
Cash Flows from Operating Activities				
Provided from:				
Interest Received		1,875	670	1,755
Dividend Received		0	0	8
Rates		24,670	24,704	22,996
Roading - Transfund NZ		4,586	4,579	4,401
Other Receipts		11,310	9,599	8,313
		42,441	39,552	37,473
Disbursed to:				
Supplies, Services and Employees		27,448	25,578	25,955
Interest on Public Debt		991	1,175	1,192
Net GST		399	196	(63)
		28,838	26,949	27,084
Net Cash Flows from Operating Activities	10	13,603	12,603	10,389
Cash Flows from Investing Activities				
Provided from:				
Proceeds from Asset Sales		226	0	555
Sales of Investments		18,118	7,850	(1,602)
		18,344	7,850	(1,047)
Disbursed to:				
Purchase of Investments				
Purchase of Fixed Assets		24,119	18,639	9,688
		24,119	18,639	9,688
Net Cash Flows from Investing Activities		(5,775)	(10,789)	(10,735)

The accompanying accounting policies and notes form part of these Financial Statements

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

	2006 Actual \$000's	2006 Budget \$000's	2005 Actual \$000's
Cash Flows from Financing Activities			
Provided from:			
Public Debt Raised	0	5,530	0
	<u>0</u>	<u>5,530</u>	<u>0</u>
Disbursed to:			
Repayment of Public Debt	7,687	7,687	329
	<u>7,687</u>	<u>7,687</u>	<u>329</u>
Net Cash Flows from Financing Activities	(7,687)	(2,157)	(329)
Net Movement in Cash Held	141	(343)	(675)
Opening Balance	186	744	861
Closing Balance	327	401	186

The accompanying accounting policies and notes form part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

	2006 Actual \$000's	2006 Budget \$000's	2005 Actual \$000's
1 SUMMARY OF COST OF SERVICES			
SIGNIFICANT ACTIVITIES			
Revenue			
Governance	2	0	42
Environmental Services	2,101	1788	1,760
Amenity - Facilities	767	685	696
Amenity - Recreation	1,006	624	740
Amenity - Welfare	622	525	616
Roading & Network Management	4,538	4658	4,617
Stormwater	1	0	11
Water Treatment & Supply	2,465	2219	2,073
Sewerage	118	75	113
Forestry	62	250	1,291
Support Services	8,602	8191	8,223
Gross Revenue	20,284	19,015	20,182
Less Internal Charges	(8,511)	(8,144)	(8,168)
	\$11,773	\$10,871	\$12,014
Expenditure			
Governance	4,124	3,627	3,539
Environmental Services	3,871	3,501	3,077
Amenity - Facilities	4,677	4,562	4,742
Amenity - Recreation	3,214	2,842	2,685
Amenity - Welfare	1,570	1,573	1,685
Roading & Network Management	10,104	10,553	10,683
Stormwater	1,053	1,181	949
Water Treatment & Supply	5,781	5,221	4,832
Sewerage	5,754	4,010	4,267
Forestry	146	252	1,968
Support Services	9,224	8,460	8,780
Gross Expenditure	49,518	45,782	47,207
Less Internal Charges	(8,511)	(8,144)	(8,168)
Less Rates Charged to Council Properties	(617)	(532)	(494)
	\$40,390	\$37,106	\$38,545

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2006 Actual \$000's	2005 Actual \$000's
2 RATES REVENUE		
Rates consist of:		
General Rates	12,201	11,266
Targeted Ward Rates	5,415	5,089
Separate Rates:		
Water	2,542	2,375
Sewerage	3,591	3,303
Stormwater	1,120	1,088
Other	380	295
Add Penalties	89	86
Less Remissions	(117)	(136)
	25,221	23,366
Less Rates Charged to Council Properties	(617)	(494)
Total Rates Revenue	24,604	22,872
3 OPERATING SURPLUS		
After Charging:		
Audit Fees:		
Fees paid to Principal Auditor	77	66
Other services provided by the Principal Auditor - LTCCP audit	42	0
Total Audit Fees	119	66
Depreciation:		
Sewerage system	1,428	1,392
Water system	2,074	2,015
Stormwater	448	443
Roading network	4,325	4,259
Buildings	1,692	959
Furniture, plant and equipment	470	808
Total Depreciation for the Year	10,437	9,876
Interest expense	904	1,185
Loss on asset disposal	1,224	1,761
Bad debts written off	0	2
After Crediting:		
Interest income	1,652	1,790
Gain on asset disposal	18	128

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2006 Actual \$000's	2005 Actual \$000's
4 PUBLIC EQUITY		
a) Accumulated Funds		
Opening Balance	272,861	269,955
Net Surplus/(Deficit)	11,425	1,802
Asset Revaluation Realisation	(4,340)	2,079
Movement in Reserves & Special Funds	(289)	(975)
Closing Balance	<u>279,657</u>	<u>272,861</u>
b) Reserves and Special Funds		
Opening Balance	8,179	7,204
Transfers to Accumulated Funds	(2,731)	(464)
Transfers from Accumulated Funds	3,019	1,439
Closing Balance	<u>8,467</u>	<u>8,179</u>

	2006				2005			
	Opening Balance \$000	Change in Asset Value \$000	Sales/ Adjustment \$000	Closing Balance \$000	Opening Balance \$000	Change in Asset Value \$000	Assets Sold \$000	Closing Balance \$000
c) Forestry Revaluation Reserve								
Forestry	969	143	(7)	1,105	1,248	484	(763)	969
d) General Asset Revaluation Reserve								
Land *	49,598	22,633	4,832	77,063	49,999	47	(448)	49,598
Buildings	5,662	2,540	450	8,652	5,662	0	0	5,662
	<u>55,260</u>	<u>25,173</u>	<u>5,282</u>	<u>85,715</u>	<u>55,661</u>	<u>47</u>	<u>(448)</u>	<u>55,260</u>
e) Infrastructural Asset Revaluation Reserve								
Sewerage	9,078	0	(31)	9,047	7,607	1,510	(39)	9,078
Stormwater	18,386	0	(89)	18,297	15,304	3,084	(2)	18,386
Water Supply	24,132	0	(95)	24,037	19,140	5,018	(26)	24,132
Roading	254,445	0	(286)	254,159	250,102	4,891	(548)	254,445
	<u>306,041</u>	<u>0</u>	<u>(501)</u>	<u>305,540</u>	<u>292,153</u>	<u>14,503</u>	<u>(615)</u>	<u>306,041</u>
f) Investment Property Revaluation Reserve								
Investment Properties	6,289	4,332	(433)	10,188	4,669	1,873	(253)	6,289

* Includes adjustments to prior years' reserve

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

				2006 Actual \$000's	2005 Actual \$000's
5 INVESTMENTS					
A Current					
Bank Deposits				5,700	22,900
Local authority stock				1,500	500
Other Investments				12	24
				<u>7,212</u>	<u>23,424</u>
B Non-current					
Bank Deposits				0	400
Local Authority Stock				250	1,750
Shares in Other Organisations (see C below)				677	676
Other Investments				49	56
				<u>976</u>	<u>2,882</u>
C Shares in Other Organisations					
Shares in other organisations are as follows:	Number of Shares	% Holding	Balance Date	2006 Actual \$000's	2005 Actual \$000's
Waikato Regional Airport Limited	777,125	15.63	30 Jun	529	529
NZ Local Government Insurance Company Limited	68,541	1.1	31 Dec	68	68
Waikato SVDS Limited	78,748	4.9	30 Jun	79	79
Local Authority Shared Services Limited	1	7.69	30 Jun	1	0
Total Shares and Investments in Other Organisations				<u>677</u>	<u>676</u>
D Weighted Average Effective Interest Rates					
Short Term Bank Deposits				7.00%	6.79%
Local Authority Stock				7.88%	7.60%

E Repricing Maturities 2006

	Less than 6 mths	6-12 mths	1-2 yrs	2-5 yrs	>6 yrs	TOTAL
Bank Deposits	5,700					5,700
Local Authority Stock	1,500			250		1,750
TOTAL	<u>7,200</u>	<u>0</u>	<u>0</u>	<u>250</u>	<u>0</u>	<u>7,450</u>

Repricing Maturities 2005

	Less than 6 mths	6-12 mths	1-2 yrs	2-5 yrs	>6 yrs	TOTAL
Bank Deposits	22,900	0	400	0	0	23,300
Local Authority Stock	500	0	1,500	250	0	2,250
TOTAL	<u>23,400</u>	<u>0</u>	<u>1,900</u>	<u>250</u>	<u>0</u>	<u>25,550</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2006 Actual \$000's	2005 Actual \$000's
6 DEBTORS		
Water Debtors	349	288
General Debtors	902	328
Rates Debtors	157	185
Other Debtors	1,671	1,730
	<u>\$3,079</u>	<u>\$2,531</u>
Less Provision for Doubtful Debts	(33)	(73)
	<u>\$3,046</u>	<u>\$2,458</u>
7 ACCOUNTS PAYABLE AND INCOME IN ADVANCE		
General Creditors	4,575	3,650
Accruals	119	221
Income In advance	522	485
	<u>\$5,216</u>	<u>\$4,356</u>
8 PROPERTY PLANT AND EQUIPMENT		
A Current		
Assets Intended for Sale		
Land	366	512
Buildings	99	99
	<u>\$465</u>	<u>\$611</u>
B Non-current		
Operational and Restricted Assets	125,321	100,354
Infrastructural Assets	533,428	528,629
Work in Progress	15,961	2,903
Forestry	1,776	1,629
Subsidy for Kihikihi due 2008	4,000	0
	<u>\$680,486</u>	<u>\$633,515</u>

i) Operational and Restricted

	2006				2005			
	Cost \$000	Valuation \$000	Accum Depn \$000	Net Book Value \$000	Cost \$000	Valuation \$000	Accum Depn \$000	Net Book Value \$000
Land	149	92,361	0	92,510	828	69,162	0	69,990
Buildings	1,056	28,684	1,692	28,048	1,905	26,855	2,836	25,924
Plant	3,530	0	1,842	1,688	3,251	0	1,645	1,606
Furniture & Equipment	5,628	0	3,540	2,088	6,260	0	4,350	1,910
Library	1,714	0	728	987	0	924	0	924
	<u>\$12,077</u>	<u>\$121,045</u>	<u>\$7,802</u>	<u>\$125,321</u>	<u>\$12,244</u>	<u>\$96,941</u>	<u>\$8,831</u>	<u>\$100,354</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

ii) Infrastructural Assets

	2006				2005			
	Cost \$000	Valuation \$000	Accum Depn \$000	Net Book Value \$000	Cost \$000	Valuation \$000	Accum Depn \$000	Net Book Value \$000
Roads	14,751	297,020	6,436	305,335	7,196	297,274	3,286	301,184
Land Under Roads	1,167	103,561	0	104,728	521	103,561	0	104,082
Bridges	102	14,126	846	13,382	0	14,126	422	13,704
Lights	356	1,684	275	1,765	164	1,693	134	1,723
Footpaths	1,306	8,130	845	8,591	771	8,153	417	8,507
Water	4,921	42,831	4,078	43,674	2,898	42,930	2,015	43,813
Sewerage	2,890	29,186	2,815	29,261	1,457	29,218	1,392	29,283
Stormwater	1,155	26,425	888	26,692	266	26,510	443	26,333
	<u>\$26,648</u>	<u>\$522,963</u>	<u>\$16,183</u>	<u>\$533,428</u>	<u>\$13,273</u>	<u>\$523,465</u>	<u>\$8,109</u>	<u>\$528,629</u>

2006 Council Actual \$000's	2005 Council Actual \$000's
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9 INVESTMENT PROPERTIES

Land	7,058	4,199
Buildings	8,613	7,168
	<u>\$15,671</u>	<u>\$11,367</u>

10 RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES

Net Surplus/(Deficit) After Tax	11,425	1,802
Add/(Deduct) Non-cash items:		
Depreciation	10,437	9,876
Loss on Disposal of Assets	1,242	2,303
Asset Write-downs	31	176
Vested/Discovered/DIF Assets	(5,225)	(2,841)
Add/(Deduct) Movements in Other Working Capital Items:		
Debtors (Increase)/Decrease	(4,590)	(293)
Deposits Increase/(Decrease)	3	21
Accounts Payable Increase/(Decrease)	138	(592)
Employee Entitlements Increase/(Decrease)	159	65
Items Included in Investing Activities:		
Profit on Disposal of Assets	(18)	(128)
Net Cash Flows from Operating Activities:	<u>\$13,603</u>	<u>\$10,389</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2006 Actual \$000's	2005 Actual \$000's
11 PUBLIC DEBT		
a) Movements - Public Debt		
Opening Balance	17,912	18,241
Loans Raised	0	0
Loans Repaid	(7,687)	(329)
Closing Balance	<u>10,225</u>	<u>17,912</u>
Less Public Debt - Current Portion	<u>(4,177)</u>	<u>(7,687)</u>
	\$6,048	\$10,225
b) Maturity Profile		
Payable no later than one year	4,177	7,687
Later than one, not later than two years	4,438	4,177
Later than two, not later than five years	1,610	6,048
Later than five years	0	0
	<u>\$10,225</u>	<u>\$17,912</u>

c) Interest Rates

The weighted average effective interest rate on borrowings is 6.69% (2005 6.53%)

d) Overdraft Facility

Council has an overdraft facility with its Bankers to a maximum limit of \$3.5m for disaster recovery purposes. There has been no drawdown against this facility.

e) Security

Council loans are secured over either separate or general rates of the district or area of benefit as set out in Council's Funding Policy.

f) Variations from/changes to the Borrowing Management Policy

Compliance with the Borrowing Management policy has been achieved throughout the year.

12 FINANCIAL INSTRUMENTS

Fair Value

The estimated fair value of Council's financial instruments at 30 June 2006, are as follows:

	Note	2006 \$000	2005 \$000
Bank		327	186
Investments - Current Portion	5	7,212	23,424
Investments - Term Portion	5	976	2,882
Public Debt - Current Portion	11	4,177	7,687
Public Debt - Term Portion	11	6,048	10,225

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate that value.

- ❖ **Bank and Short Term Investments**
The carrying amount of this is equivalent to the fair value.
The definition of "Bank" is cash on hand and bank account balances.
The definition of "Investments – Current Portion" is call and term deposits, maturing within one year.
- ❖ **Investments – Term Portion**
The carrying amount of these items is equivalent to the fair value, except for the Waikato Regional Airport shares. The fair value of Council's 15.6% share in the Waikato Regional Airport Limited is \$3,204,493 being \$2,675,495 above the carrying value of \$528,998. This fair value is based on the asset backing of the shares held.
- ❖ **Public Debt**
The carrying amount of these items is equivalent to the fair value.

Credit Risk

Council places its cash and term deposits with authorised banks and limits the amount of credit exposure to any one institution, as set forth by Council policy.

Interest Rate Risk

Note 11 provides information on public debt interest rates and maturity profile.

Investments

Note 5 provides information on investment, interest rates and maturities.

13 CONTINGENT LIABILITIES

- a) Loans guaranteed by Council \$113,542 (2005 \$120,000).
- b) There are currently three professional indemnity claims lodged against Council via Weathertight Homes Resolution Services (2005 3 claims). The total of these claims is \$195,347. Council also has one public liability claim in progress. These are all covered by Council's insurance policy and therefore the maximum liability to Council is for the excess of \$10,000 per claim.
- c) During May 2004, the shareholders of Waikato Regional Airport (WRAL) of which Waipa District Council has a 15.625% shareholding, authorised the company to issue further shares totalling \$21.6m to shareholders. This capital restructure is part of the WRAL Airport Development and allows WRAL to borrow commercially at favourable interest rates. While there are no plans to call up the capital, Council has a contingent liability for \$3.375m for uncalled capital. During March 2005, Council gave a commitment to WRAL to provide if necessary a further \$.3m by way of loan or called up capital for the purchase of land. This liability is contingent upon WRAL not securing \$2m funding by 30 June 2007.
- d) Council owns one pensioner housing unit where there is a Site Licence Agreement with a provision that if the owner is unable to sell the property within one year of termination of the Site Licence, Council will lend the owner the value of the property, which would then be reimbursed on the future sale. Council has a contingent liability for \$.1m.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14 STATEMENT OF COMMITMENTS

Council's commitment on projects where contracts have been entered into but goods or services have not been received is \$9,872,445 (2005 \$5,521,969) as follows:

	2006	2005
Capital	7,879,850	3,155,337
Not later than 1 year	7,879,850	3,155,337
Later than 1 year, not later than 2 years	0	0
Non-cancellable operating contracts:		
Not later than 1 year	1,992,595	2,366,632

Council does not enter into operating leases.

15 REMUNERATION

During the year to 30 June 2006, the total remuneration and value of other non-financial benefits received by, or payable to the Mayor, other Councillors, and Chief Executive of the Council were as follows:

Councillors	2006	2005
Alan Livingston, Mayor	73,033	71,916
Peter Lee, Deputy Mayor	23,270	24,520
Pat Allan	-	5,538
Hazel Barnes	22,087	19,570
Ron Cooper	22,119	21,700
Alan Empson	23,597	24,431
Gaidyn Flay	23,034	22,944
Graham Jull	19,283	17,373
Errol Newlands	24,154	21,432
James Parlane	-	5,181
Joe Scaramuzza	20,623	14,302
Diane Sharpe	29,067	29,570
George Simmons	-	5,140
Barbara Taranaki	26,869	26,149
Bruce Thomas	20,718	19,566
Grahame Webber	29,091	25,657

The total remuneration figures include mileage expenses and attendance at Regulatory Committee meetings.

Chief Executive

The Chief Executive of the Waipa District Council, appointed under S.42(1) of the Local Government Act 2002 received a salary package of \$212,378 (2005 \$215,876) made up of salary \$198,240 (2005 \$199,734), vehicle allowance of \$8,501 (2005 \$8,508) and Fringe Benefit Tax of \$5,637 (2005 \$7,634).

16 SEVERANCE PAYMENTS

There were two severance payments made to Council employees, one of \$3,026 and one of \$3,230.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17 RELATED PARTY TRANSACTIONS

Senior Management and Members of Council

During the year, Councillors and senior management, as part of a normal customer relationship, were involved in minor transactions with the Council (such as payment of rates). In addition, during the year, Council purchased electrical goods at a cost of \$1,051 (2005 \$1,928) from Selectrix Appliances, a company of which Councillor Scaramuzza is a director; and Council paid lease costs of \$44,762 (2005 \$35,306) to the Scaramuzza Trust. At balance date there was an amount outstanding of \$720 in relation to these contracts (2005 \$0). Mayor Livingston purchased land (unformed road) from Council at a cost of \$12,691. Except for these transactions and items of a trivial nature, no Councillors or senior management have entered into related party transactions with Council.

18 MAJOR BUDGET VARIANCES

Statement of Financial Performance

Significant activities
income:

Investment income Increased investments relating to the completion of capital projects in the second half of the year and rising interest rates (\$1m).

Subsidy Recognition of the subsidy for the Kihikihi sewerage project, part received in 2006, part to be received in 2008 (\$5.1m).

Vested assets and
Development Includes the Saffron subdivision at Cambridge North and other smaller subdivisions (\$4.2m).

Contributions

Significant activities
expenditure Kihikihi sewerage project operational costs for connections on private land (\$1.4m), staff and project management costs for the replacement of corporate software (\$0.4m), lease costs for additional office space (\$0.2m), increased depreciation (\$0.6m), Te Awamutu Museum brought in after Council adopted its budget (\$0.2m)

Statement of Financial Position

Equity Increase in asset revaluation reserves as a result of revaluation (\$49m), increase in accumulated funds from vested assets (\$5m).

Investments Higher than budget (\$3.5m) due to the timing of payments to contractors.

Non current assets Increases to land and buildings from revaluation (\$36m)

Public debt Lower than budget due to the use of cash reserves to fund capital expenditure.

19 CONTINGENT ASSET

Council is a 2% capital beneficiary of the WEL Energy Trust. The life of the Trust ends in 2073 unless terminated earlier if its purpose is completed. Given the uncertainties surrounding the life of the Trust, Council is unable to accurately establish the appropriate value of the 2% shareholding.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20 LANDFILL AFTERCARE LIABILITY

Council gained resource consents to operate its Cambridge, Te Awamutu, Kihikihi and Pirongia landfills. The Council has responsibility under the resource consents to provide ongoing maintenance and monitoring of the landfill after the site is closed.

All landfills are closed or are in the process of being closed. There are closure and post-closure responsibilities such as the following:

Closure responsibilities:

- ❖ final cover application and vegetation
- ❖ incremental drainage control features
- ❖ completing facilities for leachate collection and monitoring
- ❖ completing facilities for water quality monitoring
- ❖ completing facilities for monitoring and recovery of gas.

Post-closure responsibilities:

- ❖ treatment and monitoring of leachate
- ❖ ground water and surface monitoring
- ❖ gas monitoring and recovery
- ❖ implementation of remedial measures such as needed for cover, and control systems
- ❖ ongoing site maintenance for drainage systems, final cover and vegetation.

Capacity of the site

The Cambridge and Te Awamutu landfills have been capped. Final capping of Kihikihi landfill is expected by 2008, and the Pirongia Landfill is programmed to be capped by 2007. The cash outflows for landfill post-closure are expected to occur between 2006 and 2039.

The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 6.69%.

	2006	2005
	Actual	Actual
	\$000's	\$000's
Opening Balance	1,062	962
Amounts Used	(99)	(83)
Additional Provision	256	176
Discounting Changes	(77)	7
Impairment of Land Value	(190)	0
Closing Balance	952	1,062
<i>Represented by:</i>		
Current Portion	205	150
Term Portion	747	912
	952	1,062

GOVERNANCE

WHY COUNCIL IS INVOLVED IN THIS ACTIVITY

Governance is a statutory responsibility vested in Council through the Local Government Act 2002. At its heart is a mandate from the residents and ratepayers of Waipa to provide leadership and effective advocacy. Council is also required to provide accountable stewardship of assets and resources.

This activity encompasses Council's democratic and decision-making processes, including meetings, consultation, communication and civic affairs. Council's Governance responsibilities include conducting local government elections.

The rationale for Council's involvement goes beyond statutory requirements. In the outcomes phase of the LTCCP, community involvement in decision-making was signalled as an important component of a vibrant and strong community. The Governance component of council's activities provides a means of achieving that outcome.

SIGNIFICANT EFFECTS

Good governance is a prerequisite to promoting sustainability and community well-being. Council is required to monitor progress towards the achievement of Community Outcomes and improving the well-being of residents. Council has developed a monitoring programme that focuses on priority areas and the first Community Outcomes (State of the District) report will be published in 2008.

Performance Measure	Community Outcome	Achievement
Percentage of electors voting in triennial local government elections	Empowered people through the democratic process	In the 2004 elections 41.64% (11,778) of electors voted.
District representation arrangements are confirmed by 31 August in the year preceding each election	Empowered people through the democratic process	Council considered a number of representation options and identified its preferred option, which was formally consulted on during April/May 2006. One submission was received. Having considered the submission, Council confirmed its final proposal on 27 June 2006. The final proposal was publicly notified in accordance with the requirements of the Local Electoral Act 2001.
Publication of "Word on Waipa" to inform the community of Council's plans, achievements and issues	Communication and consultation on significant issues	Council published the Word on Waipa on 11 occasions during 2005/06. There was no publication in January 2006.
Number of consultation days available under the special consultative procedure compared to the minimum number required by statute	Communication and consultation on significant issues	Council used the special consultative procedure on six occasions during 2005/06. In total, Council made these proposals available for 38 days more than the minimum statutory requirement.

GOVERNANCE CONTINUED

	2005/06 Actual	2005/06 Target	2004/05 Actual
QUANTITY			
Rateable properties	18,148	17,695	17,527
Population	42,500	43,837	40,293

AVERAGE OPERATING COSTS

Per resident:			
• Council	41	35	36
• Community Boards	14	13	14
Per rateable property:			
• Public information	99	86	81

RESOURCES:

Permanent staff at 28 February	159	167	150
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STATEMENT OF COST OF SERVICES

OPERATING STATEMENT	2005/06 Actual \$000	2005/06 Budget \$000	2004/05 Actual \$000	Key Variances
OPERATING EXPENDITURE				
Council & Committees	1,735	1,528	1,456	
Cambridge Community Board	324	308	303	
Te Awamutu Community Board	265	257	244	
Elections	3	15	117	
Information	1,797	1,519	1,419	
	<u>4,124</u>	<u>3,627</u>	<u>3,539</u>	Increased overheads
REVENUE				
Activity Revenue Camb Comm Brd	2	0	42	
	<u>2</u>	<u>0</u>	<u>42</u>	
OPERATING SURPLUS/(DEFICIT)	<u>(\$4,122)</u>	<u>(\$3,627)</u>	<u>(\$3,497)</u>	
Funded by:				
Rates and General Funding	3,627	3,627	3,088	
Accumulated Funds Transfers	495	0	409	
	<u>\$4,122</u>	<u>\$3,627</u>	<u>\$3,497</u>	
Capital Expenditure	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	

ENVIRONMENTAL SERVICES

WHY COUNCIL IS INVOLVED IN THIS ACTIVITY

Council has a legal obligation to promote, protect and manage natural and physical resources, public health and public safety. Activities associated with this activity area are Planning (Resource Management), Building control, Environmental Health, Navigation Safety and Animal Control.

The rationale for this group of activities stems from the statutory requirements of the Resource Management Act 1991, the Health Act 1956, the Building Act 1991, the Dog Control Act 1996 and the Bylaws Act 1910.

SIGNIFICANT EFFECTS

Council is committed to the protection and enhancement of the environment, and the promotion, protection and enhancement of public health and safety. During the year, Council completed reviews of its Wastewater Drainage and Traffic Bylaws. In addition, Council introduced a Tradewaste Bylaw to manage the discharge of effluent from commercial and industrial operations. These bylaws promote enhanced standards for safety, health and well-being.

Performance Measure	Community Outcome	Achievement
Applications for all consents, permits, licences and plan changes are processed within statutory timeframes	Clean air, water and land	Of the 4,654 planning and building related applications received, 97.6% (93% in 2005) were processed within statutory timeframes. Additional resourcing has been provided to deal with continuing high levels of applications.
	Minimal and effective waste management	
	A well-managed environment	
Breaches of environmental standards are investigated and enforced within required timeframes	Feel safe and enjoy the lifestyle of the District	Complaints relating to nuisance, excessive and unreasonable noise totalled 1,244. Investigation within the required time frames was 100%.
	Clean air, water and land	
Customer satisfaction levels as measured by the NRB Survey	A District in which people can take a pride	The 2006 survey reported the following: Dog Control – 81% satisfaction (79% 2005) Noise Control – 68% satisfaction (67% 2005) Building Control – 49% satisfaction; 43% unable to comment Planning – 49% satisfaction; 36% unable to comment

ENVIRONMENTAL SERVICES CONTINUED

COST OF SERVICE

	2005/06 Actual \$000	2005/06 Budget \$000	2004/05 Actual \$000
AVERAGE OPERATING COSTS			
Per resident			
▪ Resource Management	45	38	35
▪ Building Control	23	21	20
▪ Environmental Health	13	10	12
▪ Animal Control	10	10	9
TOTAL	91	79	76
Per rateable property			
▪ Resource Management	106	95	81
▪ Building Control	54	53	46
▪ Environmental Health	30	26	28
▪ Animal Control	23	25	21
TOTAL	213	199	176

STATEMENT OF COST OF SERVICES

OPERATING STATEMENT	2005/06 Actual \$000	2005/06 Budget \$000	2004/05 Actual \$000	Key Variances
OPERATING EXPENDITURE				
Resource Management	1,925	1,683	1,423	Staff costs and consultancy
Building Control	980	930	800	Additional Building Control Officer
Environmental Health	544	451	489	Additional staff and legal fees
Animal Control	422	437	365	
	<u>3,871</u>	<u>3,501</u>	<u>3,077</u>	
REVENUE				
Resource Management	821	637	552	Additional consent processing
Building Control	876	778	827	Additional consent processing
Environmental Health	213	175	187	
Animal Control	191	200	194	
	<u>2,101</u>	<u>1,790</u>	<u>1,760</u>	
OPERATING SURPLUS/(DEFICIT)	<u>(\$1,770)</u>	<u>(\$1,711)</u>	<u>(\$1,317)</u>	
Funded by:				
Rates and General Funding	1,455	1,455	1,240	
Accumulated Funds Transfers	315	256	77	
	<u>\$1,770</u>	<u>\$1,711</u>	<u>\$1,317</u>	
Capital Expenditure	0	0	0	
Debt Repayment	12	12	0	
	<u>\$12</u>	<u>\$12</u>	<u>\$0</u>	
Funded by:				
Rates and General Funding	\$12	\$12	\$0	

AMENITY SERVICES

WHY COUNCIL IS INVOLVED IN THIS ACTIVITY

Amenity Services comprise a range of activities that can be broadly categorised into one of three areas – Facilities, Recreation and Community Welfare.

The Facilities group of activities includes parks, reserves, cemeteries, public toilets, community halls and other property. The Recreation group of activities includes Libraries, the Te Awamutu Events Centre, Cambridge Swimming Pool and the Karapiro Domain. Community Welfare encompasses community grants, Rural Fire Civil Defence and pensioner housing. Both individually and collectively, these activities are intended to help improve the quality of life in Waipa District.

These activities are predominantly discretionary services that Council is able to provide under the empowering provisions of legislation. The Local Government Act 2002, the Reserves Act 1977 and the Local Government (Rating) Act 2001 all affect (or empower) Council's involvement in this activity area. Other legislation such as the Civil Defence Act 1983 and the Forest and Rural Fires Act 1977 oblige Council to provide health, safety and well-being related services.

SIGNIFICANT EFFECTS

The quality of life experienced in any area is a function of the community facilities and services provided by Council. Supporting the work and activities of community groups and organizations through funding assistance is seen by Council as one important method of improving well-being for residents. Based on the organisations that receive funding support, it is estimated that more than 16000 residents directly benefit from this assistance. Council has assessed the District's long-term needs in relation to community facilities, and is progressing those initiatives considered by the community to be of highest priority. The highest priority project is a covered heated swimming pool for Cambridge, and Council is currently working towards finalising the design and location of this facility.

Performance Measure	Community Outcome	Achievement
Level of use of Council leisure, recreation and community facilities	Fit and active community	<p>The Waipa Events Calendar indicates the comprehensive range of sporting, civic and community activities occurring in the District. 78,500 people attended Council supported events at Council's leisure, recreation and community facilities.</p> <p>The Libraries have recorded a similar number of issues to the previous year, but a lower number of visitors 3.5% (2005 3%).</p> <p>Use of Cambridge and Te Awamutu swimming pools increased to 16,239 (2005 7,300) and 78,232 (2005 71,477) respectively for the year.</p>
	Access to high quality facilities	
	Place, space and occasion to express cultures and interests	

AMENITY SERVICES CONTINUED

Performance Measure	Community Outcome	Achievement
Customer satisfaction levels as measure by the NRB survey	A District in which people can take a pride	The level of satisfaction in the 2006 survey for parks and reserves was 88% (88% 2005).
Number of residents directly benefiting from discretionary grants	Fit and active community	90 discretionary grants approved and distributed by 31 August 2005. Recipients of grants advise that approximately 12,000 residents of the District directly benefit from the grants approved. (16,000 in 2005).
	Place, space and occasion to express cultures and interests	
	Social and cultural well-being	
Number of clubs and community groups receiving rate relief as a percentage of all clubs and community groups	Place, space and occasion to express cultures and interests	Our current database records 618 groups, as follows: <ul style="list-style-type: none"> ❖ 192 sports clubs ❖ 49 arts and cultural clubs ❖ 170 leisure activity groups ❖ 207 service/support groups Of these, 81 groups receive rate relief (approximately 13.1%).
	Fit and active community	

COST OF SERVICE

	2005/06 Actual \$000	2005/06 Budget \$000	2004/05 Actual \$000
AVERAGE OPERATING COSTS			
<u>FACILITIES</u>			
Parks & Reserves, Cemeteries			
\$ per resident	57	52	68
<u>RECREATION</u>			
Library Services			
\$ per resident	24	25	26
\$ per book issued	2.20	2.26	2.24
Swimming Pools			
\$ per resident	28	27	23
Pensioner housing			
\$ invested	9.3m	4.9m	4.9m
Return on investment	0.91%	0.35%	1.43%
<u>WELFARE</u>			
\$ per resident			
Grants	19	19	24
Public Safety (Rural Fire/Civil Defence)	4	6	6

AMENITY SERVICES CONTINUED

STATEMENT OF COST OF SERVICES - FACILITIES

	2005/06 Actual \$000	2005/06 Budget \$000	2004/05 Actual \$000	Key Variances
EXPENDITURE				
Parks and Reserves	2,229	1,948	2,582	
Carparks	96	122	73	
Cemeteries	211	205	178	
Public Conveniences	328	309	252	
Litter Bins	183	166	148	
Halls	119	117	119	
Community Properties	608	460	525	
Waste Management	70	396	273	
Commercial Properties (inc Development Properties)	833	839	592	
	<u>4,677</u>	<u>4,562</u>	<u>4,742</u>	No significant variances
REVENUE				
User Charges	158	131	107	
Other Revenue	275	191	301	
Rent	333	363	288	
	<u>766</u>	<u>685</u>	<u>696</u>	
OPERATING SURPLUS/(DEFICIT)	<u>(\$3,911)</u>	<u>(\$3,877)</u>	<u>(\$4,046)</u>	
Funded by:				
Rates and General Funding	3,067	3,067	3,130	
Accumulated Funds Transfers	386	680	171	
Transfer to/from Reserves	328	0	527	
Non Funded	130	130	218	
	<u>\$3,911</u>	<u>\$3,877</u>	<u>\$4,046</u>	
Capital Expenditure	\$641	1,200	204	
Debt Repayment	95	95	0	
	<u>\$736</u>	<u>\$1,295</u>	<u>\$204</u>	
Funded by:				
Rates and General Funding	88	88	64	
Loan Funding	0	130	0	
Accumulated Funds Transfers	648	1,077	140	
	<u>\$736</u>	<u>\$1,295</u>	<u>\$204</u>	
Significant Capital Projects				
Rukuhia Hall	0	16	40	Construction deferred awaiting external funding
Selwyn Park	331	0	0	Project c/f from 04/05
Parks and Reserves General Projects	98	100	104	
McLean Street Playground	60	40	0	
Public Toilets	114	170	0	0 Includes toilets at Pirongia, Karapiro & Cambridge

AMENITY SERVICES CONTINUED

STATEMENT OF COST OF SERVICES – RECREATION

	2005/06 Actual \$000	2005/06 Budget \$000	2004/05 Actual \$000	Key Variances
EXPENDITURE				
Libraries	1,041	1,110	1,061	
Swimming Pools	192	187	178	
Trust Waikato Te Awamutu Events Centre	1,012	984	928	
Karapiro Domain	708	561	518	Higher usage
Te Awamutu Museum	261	0	0	Activity brought in after adoption of budget
	<u>3,214</u>	<u>2,842</u>	<u>2,685</u>	
REVENUE				
Libraries	158	157	161	
Te Awamutu Events Centre User Charges	312	275	287	
Karapiro Domain User Charges	339	192	292	
Te Awamutu Museum	197	0	0	Activity brought in after adoption of budget
	<u>1,006</u>	<u>624</u>	<u>740</u>	
OPERATING SURPLUS/(DEFICIT)	<u>(\$2,208)</u>	<u>(\$2,218)</u>	<u>(\$1,945)</u>	
Funded by:				
Rates and General Funding	1,876	1,876	1,768	
Accumulated Funds Transfers	(10)	0	13	
Other - Non Funded	342	342	164	
	<u>\$2,208</u>	<u>\$2,218</u>	<u>\$1,945</u>	
Capital Expenditure	\$610	\$200	\$246	
Debt Repayment	95	109		
	<u>\$705</u>	<u>\$309</u>	<u>\$246</u>	
Funded by:				
Rates and General Funding	705	309	246	
	<u>\$705</u>	<u>\$309</u>	<u>\$246</u>	
Significant Capital Projects				
Karapiro Domain Development	416	0	56	Development of the domain c/f from prior year
Library Books	170	181	179	

AMENITY SERVICES CONTINUED

STATEMENT OF COST OF SERVICES – WELFARE

	2005/06 Actual \$000	2005/06 Budget \$000	2004/05 Actual \$000	Key Variances
EXPENDITURE				
Housing	489	472	478	
Community Services Support	819	839	963	
Rural Fire Management	74	67	75	
Civil Defence	188	195	169	
	<u>1,570</u>	<u>1,573</u>	<u>1,685</u>	No significant variance
REVENUE				
Housing	574	489	549	
Community Services Support	30	29	30	
Rural Fire Management	11	0	29	
Civil Defence	7	7	8	
	<u>622</u>	<u>525</u>	<u>616</u>	
OPERATING SURPLUS/(DEFICIT)	<u>(\$948)</u>	<u>(\$1,048)</u>	<u>(\$1,069)</u>	
Funded by:				
Rates and General Funding	1048	1048	1057	
Accumulated Funds Transfers	(100)	0	12	
	<u>\$948</u>	<u>\$1,048</u>	<u>\$1,069</u>	
Capital Expenditure	\$0	14	0	
Debt Repayment	67	67		
	<u>\$67</u>	<u>\$81</u>	<u>\$0</u>	
Funded by:				
Rates and General Funding	\$67	81	0	
	<u>\$67</u>	<u>\$81</u>	<u>\$0</u>	

ROAD NETWORK MANAGEMENT

WHY COUNCIL IS INVOLVED IN THIS ACTIVITY

The road network forms the backbone of Waipa's infrastructure and impacts on the potential for development in the District. The purpose of this activity is to provide for the safe and efficient passage of traffic throughout the District. It is also necessary in order to secure common law rights of public access, and to maximise District development opportunities.

The rationale for Council's involvement stems in part, from statutory requirements. The Local Government Acts 1974 and 2002 empower Council to construct, upgrade and repair all roads. This is done with the help of Government funding, and Council may maintain the District's road network as it sees fit, subject to Government requirements.

Involvement in this activity is consistent with the community's desire for quality services and infrastructure.

SIGNIFICANT EFFECTS

Heavy traffic in the main street of Te Awamutu has been identified as a significant community issue and Council is working towards eliminating or mitigating the adverse effects of this long-standing practice. In reaching a solution, Council is aware of the need to avoid simply redirecting heavy vehicles along new routes and creating problems in those areas. Council has commenced a traffic study in Cambridge to identify methods of reducing congestion. Council continued its seal extension programme, providing a higher level of service and improved safety to rural communities. The cost of capital works increased substantially during the year, resulting in delays or deferment of some projects.

Performance Measure	Community Outcome	Achievement
Injury crash trends and other road safety trend data, relative to control group as established by the Land Transport Safety Authority	High standards of infrastructure	The latest Land Transport New Zealand statistics identify poor observation as the main issue within the Waipa district with 38% of all recorded crashes resulting from poor observation. The rate for the control group is 31%. All other crash factors are below those of the control group.
	Feel safe and enjoy the lifestyle of the District	
Compliance with performance measures within Transfund's National Roding Programme agreement	High standards of infrastructure	The agreed performance measures were achieved with the exception of capital expenditure, which was 26% under budget. Also slow progress on one project for pavement smoothing has resulted in a request for carryover to the next year.
	Access to high quality facilities	
Capital works programmes are completed on time, within budget and to contract specifications	Affordable services	86% of the works programme has been completed on time, within budget and to specification. Some projects were delayed, due to contractor and Council staff resource issues.
Customer satisfaction levels as measured by the NRB survey	High standards of infrastructure	The 2006 survey indicates 78% satisfaction with road maintenance (80% 2005), 75% with footpaths (68% 2005), and 78% with road safety (79% 2005).
	A District in which people can take a pride	

ROAD NETWORK MANAGEMENT CONTINUED

COST OF SERVICE

	2005/06 Budget \$000	2005/06 Actual \$000	2004/05 Actual \$000
Expenditure			
• Per lane kilometre on structural maintenance ¹	2,675	2,702	2,979
• Per lane kilometre on corridor maintenance ²	1,076	1,311	1,251
Total length of road reconstructed	12 km	7.49 km	11.7 km
Total length of road resurfaced ³	85 km	82.10 km	88.6 km

¹ LTNZ work category. Includes pavement maintenance, area wide treatment, drainage, sealing and bridge maintenance.

² LTNZ work category. Includes safety maintenance, street cleaning, signs, road marking and lighting.

³ The kilometres of resurfacing required each year varies depending on the condition and age of existing surfacings.

ROAD NETWORK MANAGEMENT CONTINUED

STATEMENT OF COST OF SERVICES

OPERATING STATEMENT	2005/06 Actual \$000	2005/06 Budget \$000	2004/05 Actual \$000	Key Variances
OPERATING EXPENDITURE				
Subsidised Rooding	8,462	8,993	8,975	
Unsubsidised Rooding	1,642	1,560	1,708	
	<u>10,104</u>	<u>10,553</u>	<u>10,683</u>	No significant variances
REVENUE				
Transfund Subsidies	4,485	4,604	4,584	
Activity Revenue Unsubsidised	53	54	33	
	<u>4,538</u>	<u>4,658</u>	<u>4,617</u>	
OPERATING SURPLUS/(DEFICIT)	<u>(\$5,566)</u>	<u>(\$5,895)</u>	<u>(\$6,066)</u>	
Funded by:				
Rates and General Funding	5,095	5,095	4,430	
Accumulated Funds Transfers	0	0	(108)	
Transfer to/from Reserves	(329)	0	683	
Non Funded	800	800	1,061	
	<u>\$5,566</u>	<u>\$5,895</u>	<u>\$6,066</u>	
Capital Expenditure	\$9,356	7,840	8,403	Additional vested assets
Debt Repayment	410	410	0	
	<u>\$9,766</u>	<u>\$8,250</u>	<u>\$8,403</u>	
Funded by:				
Rates and General Funding	1,625	1,625	2,261	
Loan Funding	1,089	1,440	2,546	
Transfer to/from Reserves	4,465	4,630	2,466	
Development Contributions	692	0	319	
Accumulated Funds	0	106	0	
Vested	1,895	449	811	
	<u>\$9,766</u>	<u>\$8,250</u>	<u>\$8,403</u>	
Significant Capital Projects				
Seal Extension	900	1,000	863	
Reseals	1,542	1,615	1,603	
Rehab sealed/Area Wide Pavement	2,422	2,526	2,511	
Minor Safety Improvements	253	295	404	
Footpaths and Kerb and Channel	342	382	383	
Vested and DIF Assets	2,587	332	1,130	
Preventative Maintenance	698	353	381	

STORMWATER

WHY COUNCIL IS INVOLVED IN THIS ACTIVITY

Council's stormwater activities comprise systems maintenance, renewal and extension. The management of stormwater, including its collection and diversion, is necessary for community safety and for the protection of property and the environment. The rationale for this service delivery also stems, in part, from statutory obligation.

The Local Government Acts 1974 and 2002 empower Council to provide, repair and maintain all drainage works necessary for the efficient drainage of the District.

The outcomes phase of the LTCCP identified community health and environmental issues as important aspects of Waipa's future. Stormwater services contribute towards these outcomes, hence Council's involvement in this area.

SIGNIFICANT EFFECTS

The management of stormwater is essential for community health and safety, and for the protection of property and the environment. Council's current programme of upgrading stormwater systems directly addresses chronic flooding problems in particular areas of urban communities.

Performance Measure	Community Outcome	Achievement
Network reliability capacity and continuity of service	Sustainable, safe and healthy infrastructure	A capital works programme has been implemented to increase capacity in urban areas where periodic flooding has been an ongoing problem. Capital works were completed in Douglas Avenue, Te Awamutu and commenced in Pakura Street, Te Awamutu to resolve two issues during the 2005/06 year. Further investigation and design work will continue to ensure further improvements are made over time.
	High standards of infrastructure	
Recreational water quality in the District's lakes and rivers	High standards of public and environmental health	Routine monitoring revealed a number of occasions where the water quality of Lake Ngaroto did not meet health standards and appropriate warning signs were erected until ongoing monitoring indicated that water quality had improved.
	Protection of natural features	
Compliance with stormwater discharge consent conditions	Clean air, water and land	The annual stormwater report was provided in June 2006 to Environment Waikato with confirmation of a high level of compliance.

STORMWATER CONTINUED

Performance Measure	Community Outcome	Achievement
Infrastructure compliance with Waipa District Council Development Standards	Efficient and effective utilities	New infrastructure vested in Council complies with standards.
Customer satisfaction with Council stormwater services as measured by the NRB survey	A District in which people can take a pride	The 2006 NRB survey shows 60% satisfaction (60% 2005).
	High standards of infrastructure	

COST OF SERVICE

	2005/06 Actual	2005/06 Budget	2004/05 Actual
QUANTITY			
Open drains managed	231 km	230 km	230 km
Piped reticulation maintained	117 km	119.9 km	123.7 km
AVERAGE OPERATING COSTS			
			\$
Rural land drainage (per km of drain)	803	309	556
Urban stormwater (per km of drain)	7,283	9,254	6,638

STORMWATER CONTINUED

STATEMENT OF COST OF SERVICES

OPERATING STATEMENT	2005/06 Actual \$000	2005/06 Budget \$000	2004/05 Actual \$000	Variance from Budget
OPERATING EXPENDITURE				
Stormwater	1,053	1,181	949	No significant variance
	<u>1,053</u>	<u>1,181</u>	<u>949</u>	
REVENUE				
Activity Revenue	1	0	11	
	<u>1</u>	<u>0</u>	<u>11</u>	
OPERATING SURPLUS/(DEFICIT)	<u>(\$1,052)</u>	<u>(\$1,181)</u>	<u>(\$938)</u>	
Funded by:				
Rates and General Funding	1,131	1,131	1,083	
Transfer to/from Reserves	(129)	0	(147)	
Non Funded	50	50	2	
	<u>\$1,052</u>	<u>\$1,181</u>	<u>\$938</u>	
Capital Expenditure	775	1,040	291	
Debt Repayment	0	31	0	
	<u>\$775</u>	<u>\$1,071</u>	<u>\$291</u>	
Funded by:				
Loan Funding	0	498	0	
Transfer to/from Reserves	372	473	182	
Development Contributions	263	0	0	
Vested	140	100	109	
	<u>\$775</u>	<u>\$1,071</u>	<u>\$291</u>	
Significant Capital Projects				
Pakura Street project	34	0	21	Project c/f from 04/05
Vested assets	140	100	109	
Fairview Road Stage 2	251	0	7	Project c/f from 04/05
Kihikihi Domain renewals	47	50	0	
Cambridge North	263	0	0	Saffron Development

WATER TREATMENT AND SUPPLY

WHY COUNCIL IS INVOLVED IN THIS ACTIVITY

Council's water supplies comprise the taking, treatment, storage and reticulation of water.

Council has a statutory obligation for the delivery of this service. The Health Act 1956 places an obligation on Council to improve, promote and protect public health within the District. Council is required to provide sanitary works, and by implication, is obliged to protect water supplies from pollution.

The Local Government Acts 1974 and 2002 enable Council to control the source of water, and the Local Government (Rating) Act 2002 empowers Council to levy a charge for that service.

The rationale for water provision goes beyond legal obligation. The outcome phase of the LTCCP identified community health as an important issue for the future of Waipa District. Clean water is fundamental to that outcome. Community water supplies also contribute to community safety (eg fire-fighting capability) and to industrial and residential development.

SIGNIFICANT EFFECTS

The provision of a safe secure water supply is fundamental to community well-being. While Council provides water to a majority of properties in the District, it is committed to ensuring that all residents have access to a safe and secure supply of drinking water irrespective of the supply source.

Performance Measure	Community Outcome	Achievement
Compliance with New Zealand Drinking Water Standards 2002	High standards of public and environmental health	Water quality results to June 2006 show compliance with the required standards. The improvements commenced in 2005 in the area of record keeping and sampling frequency have continued. The telemetry upgrade will be completed in 2006, and this will facilitate electronic transfer of data for compliance reporting. Provisional grading carried out by the Public Health Unit in 2003 resulted in a drop in water grades throughout the system. This is expected to improve in all areas when official gradings next take place. Further upgrading to both the Parallel Road Treatment Plant (Pukerimu) and Hicks Road (Cambridge) in 2006/07 will also contributed to these improved gradings.
	Feel safe and enjoy the lifestyle of the District	

WATER TREATMENT AND SUPPLY CONTINUED

Performance Measure	Community Outcome	Achievement
Compliance with resource consent conditions	Sustainable, safe and healthy infrastructure	Resource consent conditions within the water supply are predominantly related to the water take from source. For the 2006 year, all supplies are within their consent conditions for water abstraction.
Continuity of water supply	Efficient and effective utilities	In October 2005, the Pukerimu Supply scheme suffered a break in supply which saw supplies reduced for many consumers for a period of three days. During this period, water was tankered to the community of Ohaupo and bottled water provided to both the Ohaupo and Kaipaki Schools for one day. With this exception, there were no unplanned disruptions to supply during the year.
Customer satisfaction levels as measured by the NRB Survey	A District in which people can take a pride	The NRB survey reported 86% satisfaction for residents that receive full Council water supply and 78% satisfaction for residents that received restricted supply (85% and 70% 2005).

COST OF SERVICE

	2005/06 Actual	2005/06 Budget	2004/05 Actual
QUANTITY			
Water processed in millions	9.5 m ³	9.8 m ³	9.6 m ³
Reticulation system	520 km	492 km	509.6 km
Separately rateable property	12,417	10,499	12,653
AVERAGE OPERATING COSTS			
	\$	\$	\$
Per separately rateable property	466	322	382
Production (per cubic metre)	0.61	0.53	0.50

Consent	Granted	Next Review
Hicks Road	2001	2021
Karapiro	2001	2021
Alpha Street	2004	2024
Pukerimu	2004	2024
Te Tahi	1991	2011
Kihikihi		
▪ Church Street	2004	2016
▪ Hall Street	2001	2016

WATER TREATMENT AND SUPPLY CONTINUED

STATEMENT OF COST OF SERVICES

OPERATING STATEMENT	2005/06 Actual \$000	2005/06 Budget \$000	2004/05 Actual \$000	Variance from Budget
OPERATING EXPENDITURE				
Water Treatment and Supply	5,781	5,221	4,832	Increased overheads, depreciation
	<u>5,781</u>	<u>5,221</u>	<u>4,832</u>	and capital expenditure tsferred to operating
OPERATING REVENUE				
Activity Revenue	2,465	2,219	2,073	
	<u>2,465</u>	<u>2,219</u>	<u>2,073</u>	
OPERATING SURPLUS/(DEFICIT)				
	<u>(\$3,316)</u>	<u>(\$3,002)</u>	<u>(\$2,759)</u>	
Funded by:				
Rates and General Funding	2,742	2,742	2,478	
Transfer to/from Reserves	314	0	40	
Non Funded	260	260	241	
	<u>\$3,316</u>	<u>\$3,002</u>	<u>\$2,759</u>	
Capital Expenditure	\$2,516	2,054	3,245	
Debt Repayment	0	95	0	
	<u>\$2,516</u>	<u>\$2,149</u>	<u>\$3,245</u>	
Funded by:				
Loan Funding	0	191	0	
Transfer to/from Reserves	1,940	1,824	2,792	
Development Contributions	0	0	105	
Vested	576	134	348	
	<u>\$2,516</u>	<u>\$2,149</u>	<u>\$3,245</u>	
Significant Capital Projects				
Pukerimu Plant/Parallel Road	432	313	24	Project c/f from 04/05
Cambridge North East Reservoir	121	0	634	
Kihikihi Reservoir	390	345	0	
Vested Assets	576	134	453	
Airport/Tarr Road - reticulation upgrade	490	0	17	Project c/f from 04/05

SEWAGE DISPOSAL

WHY COUNCIL IS INVOLVED IN THIS ACTIVITY

Council's wastewater activities comprise asset management, sewage treatment and disposal.

The rationale for this service stems from statutory obligation. The Health Act 1956 places an obligation on Council to improve, promote and protect public health within the District. The provision of sewerage systems helps to protect and promote public health. The provision of a sewerage system for Kihikihi is consistent with this obligation.

The Local Government Acts 1974 and 2002 empower Council to provide, repair and maintain all drainage works necessary for the efficient drainage of the District and to treat and deal with sewage by physical, chemical or biological means.

Involvement with this activity is consistent with high-level community expectations. The outcomes phase of the LTCCP identified community health as an important issue for Waipa District. Efficient and effective sewerage reticulation is fundamental to that outcome. The service contributes towards social, cultural, economic and environmental well-being.

SIGNIFICANT EFFECTS

Council has completed the construction of the Kihikihi Wastewater Scheme. This project was required to eliminate the significant public health risk associated with poor performing septic tanks in the town. The cost of completing the project was higher than originally budgeted, but has been substantially offset by additional Government subsidies. The provision of an affordable wastewater service for Kihikihi is possible because of Council's approach to a standard wastewater charge across the District.

Performance Measure	Community Outcome	Achievement
Incidence of adverse health effects from wastewater contamination in serviced areas	High standards of public and environmental health	There have been no reported incidents of adverse health effects due to wastewater contamination.
	Sustainable, safe and healthy infrastructure	
Compliance with wastewater discharge consent conditions	Clean air, land and water	<p>Te Awamutu Wastewater Treatment Plant achieved a high level of compliance status during 2005/06.</p> <p>The Cambridge Wastewater Treatment Plan failed to achieve compliance due to exceeding the discharge limits for suspended solids (11 occasions), faecal coliforms (two occasions) dissolved reactive phosphorus (for the first six months only) and dissolved inorganic nitrogen (all year).</p> <p>Council has commissioned an independent report on options to resolve this non-compliance which, while significantly reduced from previous periods, remains a concern.</p>

SEWAGE DISPOSAL CONTINUED

Performance Measure	Community Outcome	Achievement
Compliance with wastewater discharge consent conditions (continued)	Clean air, land and water (continued)	Environment Waikato has been fully briefed and Council is working to resolve these issues at the earliest opportunity.
Level of stormwater infiltration	Efficient and effective utility services	The three-year programme has commenced aimed at the reduction of stormwater infiltration into the wastewater reticulation system.
Customer satisfaction with wastewater services as measured by the NRB Survey	High standards of infrastructure	The 2006 NRB survey reported a 63% satisfaction level (68% 2005).
	A District in which people can take a pride	
Continuity of wastewater services	Efficient and effective utility services	No significant unplanned disruption to the service occurred during the year.

COST OF SERVICE

	2005/06 Actual	2005/06 Budget	2004/05 Actual
QUANTITY			
Reticulation maintained	187.9 km	180.4 km	180.9 km
Sewerage volume treated in millions	3.0 m ³	3.2 m ³	2.9 m ³
Separately rateable property	9,259	11,508	9,516
AVERAGE OPERATING COSTS			
	\$	\$	\$
Per separately rateable property	621	348	448
Processing (per m ³ treated)	1.79	1.63	1.47

SEWAGE DISPOSAL CONTINUED

STATEMENT OF COST OF SERVICES

OPERATING STATEMENT	2005/06 Actual \$000	2005/06 Budget \$000	2004/05 Actual \$000	Key Variances
OPERATING EXPENDITURE				
Sewerage	5,754	4,010	4,267	Operating costs of Kihikihi wastewater plant
	<u>5,754</u>	<u>4,010</u>	<u>4,267</u>	Increased depreciation
REVENUE				
Activity Revenue	118	75	113	
	<u>118</u>	<u>75</u>	<u>113</u>	
OPERATING SURPLUS/(DEFICIT)	<u>(\$5,636)</u>	<u>(\$3,935)</u>	<u>(\$4,154)</u>	
Funded by:				
Rates and General Funding	3,819	3,819	3,672	
Loan Funding	1,355	0	0	
Transfer to/from Reserves	402	56	404	
Non Funded	60	60	78	
	<u>\$5,636</u>	<u>\$3,935</u>	<u>\$4,154</u>	
Capital Expenditure	12,528	5,891	1,573	
Debt Repayment	605	605	0	
	<u>\$13,133</u>	<u>\$6,496</u>	<u>\$1,573</u>	
Funded by:				
Loan Funding	7,910	3,393	68	
Transfer to/from Reserves	933	2,970	609	
Development Contributions	281	0	270	
Department of Health Subsidy	3,000	1,875	0	
Vested	1,009	133	626	
	<u>\$13,133</u>	<u>\$8,371</u>	<u>\$1,573</u>	
Significant Capital Projects				
Kihikihi Sewerage Project	9,553	3,833	242	Contract over budget. Project c/f from 04/05
Vested Assets	1,290	133	896	
Te Awamutu Sewerage Upgrade	1,404	1,095	0	

SUPPORT SERVICES

WHY COUNCIL IS INVOLVED IN THIS ACTIVITY

Support Services are those activities that are needed to support the significant activities. Support Services is not a significant activity in its own right, but it reflects a significant part of Council's operating budget. Unlike the significant activities, which are focused on public service delivery, Support Services are internally focused.

The Local Government Act 2002 enables Council to choose between staff directly employed in a support service capacity, or a contract arrangement. In doing so, Council is required to give due consideration to the advantages and disadvantages of each option. The legislation is permissive, except in some areas of regulatory enforcement.

Council's Support Services can be broadly categorised into general management or business units. The former comprises policy advice and monitoring, financial management, information and general administrative services. Business units are applicable to a range of service areas, most notably roading and recreation. Business units typically exist in competition with alternative market providers because Council is able to provide that service more efficiently, or effectively than an external service provider.

Expenditure in this area relates to internal charges recovered as overheads or internal contracts from other activities. The costs of Support Services are shown as indirect costs (overheads) or direct costs (internal contracts) in each of Council's significant activities.

STATEMENT OF COST OF SERVICES

OPERATING STATEMENT	2005/06 Actual \$000	2005/06 Budget \$000	2004/05 Actual \$000	Variance from Budget
OPERATING EXPENDITURE	9,224	8,460	8,780	Increased occupancy costs, staffing, legal fees and depreciation
REVENUE				
Activity Revenue	91	0	22	
Internal Recoveries	8,511	8,191	8,201	
	<u>8,602</u>	<u>8,191</u>	<u>8,223</u>	
OPERATING SURPLUS/(DEFICIT)	<u>(\$622)</u>	<u>(\$269)</u>	<u>(\$557)</u>	
Funded by:				
Accumulated Funds Transfers	536	183	480	
Non Funded	86	86	77	
	<u>\$622</u>	<u>\$269</u>	<u>\$557</u>	
Capital Expenditure	<u>\$1,916</u>	<u>\$1,202</u>	<u>\$1,073</u>	
Funded by:				
Accumulated Funds Transfers	1,132	1,202	1,061	
Loan Funding	784	0	12	
	<u>\$1,916</u>	<u>\$1,202</u>	<u>\$1,073</u>	
Significant Capital Projects				
Plant Replacement	456	443	552	
Information Technology	546	516	382	
Aerial Photography	84	88	0	
Corporate Software Replacement	784	0	0	

FORESTRY

NATURE AND SCOPE OF ACTIVITIES

Council was previously involved in a joint venture in forestry on Pirongia Mountain with ownership shared between Waipa District, Hamilton City, Otorohanga District and Waikato District Councils. The joint venture entity was disestablished in December 2003 when Council purchased the other ownership interests. The assets acquired from this purchase are now included in Council's other forestry interests on Pirongia Mountain and are reported together.

The business component of the activity is the marketing of forest products. No significant clear felling is planned for the next ten years. However annual production thinning should result in cash surpluses being available for distribution.

OBJECTIVE

To manage the forest reserve to maximise long term benefits to Council and preserve the integrity of the area as a quality water catchment.

STRATEGIES TO ACHIEVE

- ❖ To employ sound silviculture principles and techniques
- ❖ To ensure all reasonable precautions are taken against fire damage
- ❖ To operate as a successful business subject to constraints of water catchment and scenic reserve requirements

STATEMENT OF COST OF SERVICES

	2005/06 Actual	2005/06 Budget	2004/05 Actual	Key Variances
EXPENDITURE				
Forestry	146	252	1,968	Minimal harvesting, essential maintenance
	<u>146</u>	<u>252</u>	<u>1,968</u>	
REVENUE				
Activity Revenue	62	250	1,291	Minimal harvesting
	<u>62</u>	<u>250</u>	<u>1,291</u>	
OPERATING SURPLUS/(DEFICIT)	<u>(\$84)</u>	<u>(\$2)</u>	<u>(\$677)</u>	
Funded by:				
Accumulated Funds Transfers	84	0	677	
	<u>\$84</u>	<u>\$0</u>	<u>\$677</u>	
Debt Repayment	<u>\$93</u>	<u>\$93</u>	<u>\$0</u>	
Funded by:				
Rates	89	89	0	
Transfer to/from Reserves	4	4	0	
	<u>\$93</u>	<u>\$93</u>	<u>\$0</u>	

FORESTRY CONTINUED

PERFORMANCE MEASURES

Area pruned/thinned within silviculture maintenance programme set by Waipa District Council.

TARGET

Fire damage precautions observed as in current Management Plan.

ACHIEVEMENTS

All contractors who worked in the Waipa forestry were required to have working knowledge of the requirement of the forests Management Plan with regard to fire safety.

TARGET

The commercial performance ratios appropriate to this size woodlot are influenced by the following:

- ❖ The scale of the forestry operation
- ❖ Lack of historical management of the tree crop
- ❖ Constraint due to the presence of a water catchment
- ❖ Inadequate development access

The appropriate ratios are:

- ❖ Gross log prices \$50-\$100/tonne
- ❖ Yield per hectare 60-100t/hectare
- ❖ Net stumpage \$15-\$70/tonne

ACHIEVEMENT

The ratios for production thinning carried out during 2005/6 were:

- ❖ Gross log prices \$60.92/tonne
- ❖ Net stumpage \$12.59/tonne

This work related to the completion of the 2004/5 programme.

INVOLVEMENT IN COUNCIL-CONTROLLED ORGANISATIONS AND COUNCIL ORGANISATIONS

WAIKATO REGIONAL AIRPORT LIMITED (WRAL)

This Company established in 1989, operates the Airport situated at Rukuhia within Waipa District. The local authority part owners negotiated the purchase of the Crown's former shareholding to secure the retention of the airport as a major infrastructural facility important to the economy of the Waikato.

The objective of the airport company is to operate a successful commercial business, providing safe, appropriate and efficient services for the transportation of people and freight in and out of the port of Hamilton.

Council holds 15.625% of the airport company's shares. The remaining shares are owned by Hamilton City Council, Matamata-Piako, Otorohanga and Waikato District Councils.

Waikato Regional Airport Ltd reported a net loss of (\$1.7m) for the year ended 30 June 2006 (2005 \$238,377).

No dividend was paid in 2006 (2005 nil).

A comparison of the company's financial and performance measures for the year ended 30 June 2006 is shown below.

	Actual	Statement of Corporate Intent Target
Operating surplus after taxation to shareholders' funds	1.92%	1.37%
Operating surplus before taxation and interest to total assets	2.59%	3.55%
Operating surplus after taxation to total assets	1.01%	0.69%
Operating surplus before taxation and interest to shareholders' funds	4.93%	6.98%
Percentage of non-landing charges revenue to total revenue	76.95%	81.38%
Net asset backing per share	\$12.66	\$7.37
Interest rate cover	3.7	2.2
Total liabilities to shareholders' funds	33:67	49:51

LOCAL AUTHORITY SHARED SERVICES LIMITED (LASS)

Council is a shareholder in the Local Authority Shared Services Limited which was established to provide shared services to local authorities within the Waikato region. The primary activity of this company will be the establishment and operation of a Shared Valuation Database Service (SVDS).

Council holds 7.69% of the shares in LASS. The remaining shares are owned by Environment Waikato, Hamilton City Council, Franklin, Waikato, Thames-Coromandel, Hauraki, Matamata-Piako, Otorohanga, Waitomo, South Waikato, Taupo and Rotorua District Councils.

Council has contributed \$78,748 as a contribution to the capital cost of development of the SVDS, and this represents 4.9% of the service shares in the SVDS.

OTHER COMPANIES AND ORGANISATIONS

New Zealand Local Government Insurance Corporation

The company's prime objective is to ensure the long term provision of stable and cost effective risk financing products for local government in New Zealand.

Council holds 1.1% of the shares in the Company with the remaining shares being held by other Councils in New Zealand. Council did not receive a dividend in the year to 2006 (2005 \$8,225).

AUDIT REPORT
TO THE READERS OF
WAIPA DISTRICT COUNCIL'S
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2006

The Auditor-General is the auditor of Waipa District Council (the District Council). The Auditor-General has appointed me, B H Halford, using the staff and resources of Audit New Zealand, to carry out an audit on his behalf. The audit covers the District Council's compliance with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report of the Council for the year ended 30 June 2006, including the financial statements.

Unqualified opinion

In our opinion:

- The financial statements of the District Council on pages 13 to 61:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect :
 - the District Council's financial position as at 30 June 2006; and
 - the results of its operations and cash flows for the year ended on that date.
- The service provision information of the District on pages 36 to 59 fairly reflects the levels of service provision as measured against the intended levels of service provision adopted, as well as the reasons for any significant variances, for the year ended on that date; and
- The Council has complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report (the "other requirements").

The audit was completed on 26 September 2006, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and the other requirements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and the other requirements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and the other requirements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Council;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the other requirements.

We evaluated the overall adequacy of the presentation of information in the financial statements and the other requirements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the District Council as at 30 June 2006. They must also fairly reflect the results of its operations and cash flows and the levels of service provision for the year ended on that date. The Council is also responsible for preparing the information in the other requirements. The Council's responsibilities arise from Section 98 and Schedule 10 of the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements and the other requirements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit and in conducting the audit of Long Term Council Community Plan, we have no relationship with or interests in the District Council.

A handwritten signature in black ink, appearing to read 'B Halford', with a stylized flourish at the end.

B H Halford
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

