



# Our Finances

# Statement of Accounting Policies for the Year Ended 30 June 2006

## Reporting Entity

The Western Bay Of Plenty District Council is a territorial local authority governed by the Local Government Act 2002.

The financial statements of Western Bay Of Plenty District Council are 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.

## Associate Organisations

Council has a 50% interest in Western Bay Moana Rural Fire Authority which is an Incorporated Society established to co-ordinate the delivery of rural fire support within the District.

The interest in this associate has been reflected in the financial statements on an equity accounting basis which shows the share of surpluses in the statement of financial performance and the share of increases/decreases in net assets in the Statement of Financial Position.

## Measurement Base

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

## Subsequent Event

A subsequent event after balance date was the formation of Tourism Bay of Plenty, a Council controlled organisation that will be operating from 1 July 2006.

## Accounting Policies

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

### Cost of Service Statements

These statements record the net cost of service for significant activities. Net cost of service is represented by the costs of providing the service less all revenue relating to that activity.

The net cost of internal services has been allocated to each significant activity on either of the following basis;

- Services which can be quantified in terms of their output, e.g. numbers of staff, numbers of phone calls, numbers of files serviced, are reallocated on that objective basis. These include services such as payroll, help desk and records.

- Other services, which cannot be quantified by any particular output, are allocated on the basis of estimated time spent.

## Revenue Recognition

- Rates and Uniform Annual Charges are recognised when they are levied.
- Government Subsidies are recognised when eligible expenditure is incurred.
- Water billing revenue is recognised on an accrual basis with unread meters at year end accrued on an average usage basis.
- Other revenue is recognised when the service is supplied
- Financial contribution fee income is recognised when Council has met the financial obligation.

In addition Council collects rating revenue on behalf of Environment BOP (Bay Of Plenty Regional Council). This revenue is not included in the Statement of Financial Performance or the Cost of Service Statements. It is however included in the Statement of Cash Flows.

## Budget Information

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. The budget figures have been prepared in accordance with generally accepted accounting practice and are consistent with the accounting policies adopted by Council for the preparation of the financial statements.

## Accounts Receivable

Accounts Receivable is recorded at expected realisable value. Provision is made for doubtful debts.

## Investments

Investments are recorded at the lower of cost and net realisable value.

## Goods and Services Taxation

Goods and Services Taxation is excluded from all financial statements, with the exception of Accounts Receivable and Payable.

## Financial Instruments

Council is party to financial instruments as part of its normal business operations.

These instruments include bank accounts, investments, receivables and payables, and are included in the Statement of Financial Position. Revenue and expenditure relating to financial instruments are included in the Statement of Financial Performance. All financial instruments are recorded at their fair value.

Financial instruments which represent an off balance sheet risk are entered into to manage the exposure to interest rate fluctuations. These include interest rate swaps and option contracts. Over the period of the contract any differential relating to the payment or receipt on a swap contract or premium on an option contract is recognised as a component of interest revenue or expense.

## Fixed Assets

Fixed assets consist of:

(a) **Infrastructural Assets**

Infrastructural assets are the fixed utility systems owned by Council. Each asset type includes all items that are required for the network to function, ie wastewater reticulation includes restriction piping and wastewater pump stations.

(b) **Restricted Assets**

Restricted assets are parks and reserves owned by Council which cannot be disposed of because of legal or other restrictions, and provide a benefit or service to the community.

(c) **Operational Assets**

Other assets include land, buildings, plant, library books, equipment and motor vehicles.

## Valuation

All Council assets are valued at historic cost, except:

- (a) Land and buildings have been valued at fair value by independent registered valuers effective 1 July 2004. The valuers employed were Property Solutions (BOP) Limited.

The policy is to revalue every three years and record additions at cost in the intervening period.

Assets acquired or constructed after the 1 July 2004 revaluation are carried at cost less accumulated depreciation.

- (b) Roading has been revalued at 1 July 2005 based on a depreciated replacement cost basis by independent registered valuers. The valuers employed were Opus Limited.

- (c) Other infrastructural assets were revalued at 1 July 2004 based on a depreciated replacement cost basis by independent registered valuers. The valuers employed were Duffill Watts & Hanna Ltd.

- (d) Land under roads was valued using average land value, within Wards, as at 1 July 2004 by independent registered valuers. The valuers employed were Property Solutions (BOP) Limited.

- (e) The library book stock has been valued effective 1 July 2004 based on a depreciated replacement cost basis by independent registered valuers. The valuers employed for library valuations were Maunsell Limited.

- (f) Council has vested to it certain infrastructural assets and land as part of the subdivisional approval process. The vested reserve land has been valued by Property Solutions (BOP) Limited, independent registered valuers.

Vested infrastructural assets have been valued based on the actual quantities of infrastructural components vested and current in-ground cost of providing identical services.

Assets vested to Council are recognised in the Statement of Financial Performance as revenue and in the Statement of Financial Position as fixed assets.

- (g) Vehicles and office furniture and equipment are valued at the lower of cost less accumulated depreciation and net realisable value.
- (h) Work in progress is valued at the lower of cost and net realisable value.

## Investment Properties and Properties Intended for Sale

Properties which fall within the accounting definition of investment properties are revalued annually at fair value. The last full revaluation was as at 1 July 2005 by an independent registered valuer. That valuer was Property Solutions (BOP) Limited.

Any revaluation gain is taken to the investment property revaluation reserve. There is no depreciation on investment properties or properties intended for sale. Properties intended for sale are valued at the lower of cost and net realisable value.

## Loss of Service Potential

Loss of Service Potential is provided for by depreciation.

Depreciation is provided on a straight-line basis in respect of building, bridges and other structures, and diminishing value for motor vehicles, plant and equipment, office equipment, furnishings and computer systems.

Land and drains are non depreciable.

The depreciation rates used will write off the cost or valuation of the asset to their residual value, over their expected economic lives in accordance with the following table:

Asset Category	Estimated Economic Life (Years)	Method
Land	Nil	
Buildings		
Concrete	100	Straight Line
Wooden	40	Straight Line
Motor Vehicles	5	Diminishing Value
Treatment Plant and Equipment	25-50	Diminishing Value
Other Plant and Equipment	10	Diminishing Value
Office Equipment and Furnishings	10	Diminishing Value
Computer Systems	5	Diminishing Value
Library Books	10-15	Straight Line

Asset Category	Estimated Economic Life (Years)	Method
<b>Other Structures:</b>		
Wooden Reservoirs	80	Straight Line
Concrete Reservoirs	100	Straight Line
Dams	100	Straight Line
Bores	100	Straight Line
<b>Bridges:</b>		
Concrete	100	Straight Line
Steel	50	Straight Line
<b>Roading:</b>		
Base Course	25-75 years <sup>1</sup>	Straight Line
Seal	12 years <sup>1</sup>	Straight Line
Unsealed Roads	3-5 years <sup>1</sup>	Straight Line
Other	5-70 years <sup>1</sup>	Straight Line
<b>Reticulation:</b>		
Sewerage	60 to 100 years <sup>2</sup>	Straight Line
Water	20 to 60 years <sup>2</sup>	Straight Line
Stormwater	80 to 120 years <sup>2</sup>	Straight Line

<sup>1</sup> Life depends on road type and traffic volumes

<sup>2</sup> Life depends on material type of pipe

## Statement of Cash Flows

Cash balances refer to cash on hand, bank account balances, demand deposits and other liquid investments in which Council invests as part of its cash management.

Operating activities include cash received from all income sources and cash paid for the supply of goods and services including employee payments, interest on public debt and Regional Council rates.

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

Financing activities comprise the changes to equity and public debt.

## Public Equity

Public Equity is the community's financial interest in the Council as measured by the value of total assets less total liabilities. Equity is classified into a number of reserves to enable clearer identification of the uses Council makes of its accumulated surpluses. The components of equity are;

- Accumulated funds
- Restricted reserves
- Asset revaluation reserves
- Council Created Reserves
- **Council Created Reserves**

Council created reserves are established by Council decision. Transfer to and from these reserves is at the discretion of Council. The purpose for which these reserves were established may be altered without reference to third parties.

- **Restricted Reserves**

Restricted Reserves are those reserves subject to specific conditions that may not be altered without reference to third parties. Transfers to and from these reserves may be made only for specific purposes or if certain specified conditions are met.

## **Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to ownership of the asset are transferred to Council, are classified as finance leases.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased item, are charged as expenses in the periods in which they are incurred.

## **Employee Entitlements**

Provision is made in respect of Council's liability for annual leave, long service leave and retirement gratuities. These entitlements have been calculated on an actual entitlement basis at current rates of pay. The difference between the actual entitlements and an actuarial basis is immaterial. The value of staff gratuities can be determined with certainty.

## **Changes in Accounting Policies**

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

# Western Bay Of Plenty District Council

## Statement of Financial Performance for the Year Ended 30 June 2006

	Notes	Actual 2006 \$000	Estimate 2006 \$000	Actual 2005 \$000
<b>Revenue</b>				
Revenue from activities	1	23,473	21,865	23,972
Rate Income	2	20,266	20,127	19,143
Vested Assets	3(a)	7,732	2,300	2,735
Financial Contributions	3(b)	9,720	2,572	4,461
Other revenue	3(c)	442	389	7,952
<b>Total Operating Revenue</b>		<b>61,633</b>	<b>47,253</b>	<b>58,263</b>
<b>Expenditure</b>				
Expenditure on activities	1	45,695	40,131	61,637
<b>Total Operating Expenditure</b>		<b>45,695</b>	<b>40,131</b>	<b>61,637</b>
<b>Net Surplus (Deficit) before share of associates retained surplus</b>		<b>15,938</b>	<b>7,122</b>	<b>(3,374)</b>
Share of associates retained surplus		10	-	32
<b>Net Surplus (Deficit)</b>		<b>15,948</b>	<b>7,122</b>	<b>(3,342)</b>

## Explanation of Council Net Surplus

Council recorded a net surplus of \$15.9m compared with a budgeted surplus of \$7.1m, an increase of \$8.8m. The major contributors to this surplus were from additional vested assets of \$5.4m and financial contributions of \$7.1 both of which relate to increased subdivision activity within the District during the year, and an increase of \$1.6m was received from other revenue. The total increase in revenue over budget of \$11.4m was offset by an increase in operating expenditure of \$5.6m.

The increased operating costs were due to work completed in advance of payments by Inroads for the Performance Based Contract within the Roding Activity of \$3.5m. In addition there are increased operating costs from the Water Supply Activity of \$1.6m for additional depreciation. There were savings in interest of \$1.2m because of additional income.

*The accompanying accounting policies and notes form part of these financial statements.*

## Statement of Movements in Equity for the Year Ended 30 June 2006

	Notes	Actual 2006 \$000	Estimate 2006 \$000	Actual 2005 \$000
<b>Public equity at the start of the year</b>		<b>675,638</b>	<b>492,084</b>	<b>488,475</b>
Net surplus (deficit) for the year less realised revaluation		15,948	7,122	(3,342)
Increase (decrease) in asset revaluation reserves	5(d)	10,388	-	190,505
<b>Total recognised revenues and expenses for the period</b>		<b>26,336</b>	<b>7,122</b>	<b>187,163</b>
<b>Equity at the end of the year</b>		<b>701,973</b>	<b>499,206</b>	<b>675,638</b>

*The accompanying accounting policies and notes form part of these financial statements.*

## Statement of Financial Position as at 30 June 2006

	Notes	Actual 2006 \$000	Estimate 2006 \$000	Actual 2005 \$000
<b>Public equity</b>				
Accumulated funds	5(a)	325,527	322,828	309,571
Restricted reserves	5(b)	354	321	331
Council-created reserves	5(c)	9,693	6,661	9,725
Asset revaluation reserves	5(d)	366,399	169,396	356,011
<b>Total equity</b>		<b>701,973</b>	<b>499,206</b>	<b>675,638</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash in bank		374	646	574
Current investments	6(a)	-	-	2,700
Prepayments and receivables	8	4,398	2,625	4,607
Property and investments for re-sale		-	-	93
Other current assets		-	597	-
<b>Total Current Assets</b>		<b>4,772</b>	<b>3,868</b>	<b>7,974</b>
<b>Non-Current Assets</b>				
Investments	6(b)	80	316	63
Investment properties	9	854	432	854
Other non-current assets	10	767,905	576,972	726,085
<b>Total Non-Current Assets</b>		<b>768,839</b>	<b>577,720</b>	<b>727,002</b>
<b>Total Assets</b>		<b>773,611</b>	<b>581,588</b>	<b>734,976</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Payables and accruals	11	10,733	4,700	9,685
Employee entitlements	12	1,052	1,100	847
Current portion public debt	13(a)	8,600	7,000	3,000
Current portion financial contributions	22	3,356	2,572	1,476
<b>Total Current Liabilities</b>		<b>23,741</b>	<b>15,372</b>	<b>15,008</b>
<b>Non-Current Liabilities</b>				
Other term creditors	11	5,171	-	-
Employee entitlements	12	52	-	56
Landfill aftercare provision	14	434	500	440
Other Loans		250	-	250
Public debt – term portion	13(b)	41,026	65,332	40,028
Financial contributions	22	964	1,178	3,556
<b>Total Non-Current Liabilities</b>		<b>47,897</b>	<b>67,010</b>	<b>44,330</b>
<b>Total Liabilities</b>		<b>71,638</b>	<b>82,382</b>	<b>59,338</b>
<b>Net Assets</b>		<b>701,973</b>	<b>499,206</b>	<b>675,638</b>

## Explanation of Significant Changes in Council Statement of Financial Position

The value of the Council's non-current assets increased by \$41m over last year to \$768m. This increase was the result of work completed during the year of \$39.7m (including vested assets of \$7.7m), and a Roding Asset Revaluation increase of \$10.3, reduced by depreciation for the year of \$11.8m.

Other changes in the financial position include additional debt of \$6.6m to fund capital expenditure and increased liabilities of \$5.6m which includes an increase in the amount due under the Performance Based Contract of \$3.5m.

Graeme Weld  
Mayor

Glenn Snelgrove  
Chief Executive Officer

*The accompanying accounting policies and notes form part of these financial statements.*

## Statement of Cash Flows for the Year Ended 30 June 2006

	Notes	Actual 2006 \$000	Estimate 2006 \$000	Actual 2005 \$000
<b>Cash Flows from Operating Activities</b>				
Cash was provided from:				
- Rates and service charges		31,530	31,736	29,710
- Other income		22,889	13,016	17,642
- Goods and services tax (net)		-	-	-
- Dividends received		44	-	34
- Regional Council rates		2,937	2,500	2,685
		<b>57,400</b>	<b>47,252</b>	<b>50,071</b>
Cash was applied to:				
- Suppliers and employees		26,692	25,810	25,837
- Goods and services tax (net)		323	-	124
- Interest on public debt		2,895	3,609	2,468
- Regional Council rates		3,061	2,500	2,619
		<b>32,971</b>	<b>31,919</b>	<b>31,048</b>
<b>Net Cash Inflow (Outflow) from operating activities</b>	15	<b>24,429</b>	<b>15,333</b>	<b>19,023</b>
<b>Cash Flows from Investing Activities</b>				
Cash was provided from:				
- Proceeds from sale of fixed assets		1,232	-	737
- Proceeds from sale of investment properties		-	-	-
- Decrease in investments		102	-	131
- Release of sinking funds		-	-	1,176
		<b>1,334</b>	<b>-</b>	<b>2,044</b>
Cash was applied to:				
- Purchase of fixed assets		35,253	36,307	28,021
- Increase in investments		8	9	-
		<b>35,261</b>	<b>36,316</b>	<b>28,021</b>
<b>Net cash inflow (outflow) from investing activities</b>		<b>(33,927)</b>	<b>(36,316)</b>	<b>(25,977)</b>

*The accompanying accounting policies and notes form part of these financial statements.*

## Statement of Cash Flows for the Year Ended 30 June 2006

Notes	Actual 2006 \$000	Estimate 2006 \$000	Actual 2005 \$000
<b>Cash Flows from Financing Activities</b>			
Cash was provided from:			
- Loans raised	13,600	24,500	19,250
	<b>13,600</b>	<b>24,500</b>	<b>19,250</b>
Cash was applied to:			
- Repayment of public debt	7,002	3,000	9,504
	<b>7,002</b>	<b>3,000</b>	<b>9,504</b>
<b>Net cash inflow (outflow) from financing activities</b>	<b>6,598</b>	<b>21,500</b>	<b>9,746</b>
Net increase (decrease) in cash held	(2,900)	517	2,792
Plus opening cash balance	3,274	129	482
<b>Closing cash balance</b>	<b>374</b>	<b>646</b>	<b>3,274</b>
<b>Made up of:</b>			
Cash and bank	374	646	574
Short term deposits	-	-	2,700
<b>Closing cash balance</b>	<b>374</b>	<b>646</b>	<b>3,274</b>

*The accompanying accounting policies and notes form part of these financial statements.*

## Statement of Commitments as at 30 June 2006

	Actual 2006 \$000	Actual 2005 \$000
<b>Capital commitments approved and contracted</b>	<b>16,952</b>	<b>4,098</b>
<b>Non-cancellable operating lease commitments</b>		
<b>Plant and Equipment</b>		
Not later than one year	157	118
Later than one year and not later than two years	81	116
Later than two years and not later than five years	3	42
	<u>241</u>	<u>276</u>

### Other commitments

In addition to the above commitments Council has entered into contracts for the provision of capital and maintenance work to the Districts roading network and provision of professional management services to the utilities network.

Council, in October 2002, entered into a ten year performance based contract with Opus International Consultants to provide capital and maintenance work to the District roading network. The value of the contract is \$105m and as of June 2006 \$68m remained committed on this contract for the remaining six years. As part of the contract there is ongoing performance and condition monitoring to ensure compliance with the key performance indicators of the contract. Failure by the contractor to meet these key performance indicators can lead to termination of the contract. The contract provides in the first five years for substantial capital works to be undertaken. This reduces the risk to Council.

In 2004 a ten year contract was entered into with Duffill Watts and King for the provision of professional management services to the utilities network. This contract is also performance based and failure by the contractor to meet agreed performance standards can lead to termination of their contract. The total contract value is \$43m and as of June 2006 \$34m remained committed on this contract for the remaining eight years.

## Notes to the Financial Statements for the Year Ended 30 June 2006

### Note 1: Summary of cost of services - Council

Revenue from Activities	Actual 2006 \$000	Estimate 2006 \$000	Actual 2005 \$000
<b>Significant activities</b>			
Representation	24	13	13
Sustainable Development	419	445	481
Roading	10,612	7,309	9,073
Water Supply	7,004	5,758	5,323
Parks & Community Facilities	3,679	981	4,164
Libraries	613	582	460
District Plan Implementation	1,062	642	753
Regulatory Services	1,884	1,860	2,028
Grants, Emergency Management & Customer Care	482	467	443
Wastewater	7,788	5,194	5,203
Stormwater	3,759	1,974	1,591
Solid Waste	729	756	691
Protecting the Environment – Grants and Forestry	40	26	10
Supporting our Economy	294	293	290
Internal Services	2,536	437	645
<b>Total revenue from significant activities</b>	<b>40,925</b>	<b>26,737</b>	<b>31,168</b>
Less Vested Assets	3(a) 7,732	2,300	2,735
Less Financial Contributions	3(b) 9,720	2,572	4,461
	<b>23,473</b>	<b>21,865</b>	<b>23,972</b>

### Expenditure on Activities

<b>Significant activities</b>			
Representation	2,052	2,079	2,077
Sustainable Development	2,539	2,583	2,742
Roading <sup>(1)</sup>	15,246	10,809	31,307
Water Supply	7,868	6,300	8,728
Parks & Community Facilities	2,516	2,913	2,429
Libraries	877	825	737
District Plan Implementation	1,813	1,097	1,233
Regulatory Services	2,349	2,289	2,087
Grants, Emergency Management & Customer Care	1,407	1,298	1,324
Wastewater	5,130	5,471	5,363
Stormwater	1,595	1,567	1,413
Solid Waste	675	676	622
Protecting the Environment – Grants and Forestry	96	82	45
Supporting our Economy	692	714	659
Internal Services	840	1,428	871
<b>Total expenditure on significant activities</b>	<b>45,695</b>	<b>40,131</b>	<b>61,637</b>

<sup>(1)</sup> In 2005, roading expenditure includes a \$19.2m asset write down from the transfer of Pyes Pa Road to Land Transport New Zealand upon designation as a State Highway.

## Note 2: Rates – Council

Rates Consist of:	Actual 2006 \$000	Actual 2005 \$000
<b>General rates</b>	<b>20,266</b>	<b>19,143</b>
<b>Separate rates attributable to activities</b>		
Representation	13	13
Sustainable Development	383	399
Water	3,499	3,225
Roading	86	44
Parks & Community	60	54
Libraries	496	392
Grants, Emergency Management & Customer Care	124	93
Wastewater	4,595	4,176
Stormwater	1,418	1,136
Solid Waste	700	648
Supporting our Economy	294	290
Internal Services	13	12
<b>Total separate rates</b>	<b>11,680</b>	<b>10,482</b>
<b>Total rates</b>	<b>31,946</b>	<b>29,625</b>

Separate rates are included as part of Revenue from activities; refer Note 1.  
Environment Protection Rate is now included as part of Separate Rates.

### Rates Revenue and Rates Remissions

	Actual 2006 \$000	Actual 2005 \$000
Gross Rates Revenue	31,946	29,625
Less Remissions	(32)	(30)
<b>Net Rates Revenue</b>	<b>31,914</b>	<b>29,595</b>

## Note 3(a): Vested Assets

Revenue	Actual 2006 \$000	Actual 2005 \$000
<b>Significant Activities</b>		
Roading	3,564	1,887
Water Supply	373	145
Parks & Community Facilities	100	-
Wastewater	1,526	331
Stormwater	1,959	373
Internal Services	210	-
<b>Total Significant Activities</b>	<b>7,732</b>	<b>2,735</b>

## Note 3(b): Financial Contributions

Revenue	Actual 2006 \$000	Actual 2005 \$000
<b>Significant Activities</b>		
Sustainable Development	9	37
Roading	1,746	1,043
Water Supply	1,485	451
Parks & Community Facilities	2,790	2,550
Libraries	61	11
Wastewater	1,658	276
Stormwater	381	83
Protecting the Environment – Grants and Forestry	40	10
Internal Services	1,550	-
<b>Total Significant Activities</b>	<b>9,720</b>	<b>4,461</b>

## Note 3(c): Other Revenue

	Actual 2006 \$000	Actual 2005 \$000
Dividends	44	34
Petrol Tax	398	401
Interest in Land <sup>(1)</sup>	-	7,517
<b>Total Significant Activities</b>	<b>442</b>	<b>7,952</b>

<sup>(1)</sup> Recognition of Council's share of Tauranga Airport land jointly owned by Western Bay of Plenty District Council, Tauranga City Council, and the Crown.

## Note 4: Net surplus

	Actual 2006 \$000	Actual 2005 \$000
Net surplus (deficit)	15,948	(3,342)
<b>After charging</b>		
Audit fees		
Fees paid to principal auditor	75	87
Fees paid to other auditors	55	-
Other services provided by the principal auditor	44	1
Councillors' fees	409	324
Interest expense	2,432	2,552
Bad debts written off	512	568
Change in the provision for doubtful debts	242	79
Donations	1	152
Loss on sale of assets	86	57
Depreciation expense	11,884	11,486

	<b>Actual 2006 \$000</b>	<b>Actual 2005 \$000</b>
Depreciation expense comprised of:		
- Buildings	711	638
- Water supply	3,443	4,615
- Rooding	5,459	4,126
- Wastewater	966	916
- Stormwater	423	390
- Coastal marine structures	48	47
- Mobile plant and vehicles	197	180
- Other plant	29	21
- Library books	162	140
- Office furniture and equipment	447	413
- Electronic equipment	-	-

## Note 5: Public equity

	<b>Actual 2006 \$000</b>	<b>Actual 2005 \$000</b>
<b>(a) Accumulated Funds</b>		
<b>Opening balance</b>	309,571	308,073
Surplus (deficit)	15,948	(3,342)
	<u>325,518</u>	<u>304,731</u>
<b>Transfer to:</b>		
Restricted reserves	27	16
Council created reserves	3,175	1,716
	<u>3,202</u>	<u>1,732</u>
<b>Transfer from:</b>		
Restricted reserves	4	6
Council created reserves	3,207	2,676
Asset revaluation reserve	-	3,890
	<u>3,211</u>	<u>6,572</u>
<b>Closing balance</b>	<b><u>325,527</u></b>	<b><u>309,571</u></b>

## (b) Restricted Reserves

<b>Opening balance</b>	331	321
<b>Transfers to:</b>		
Council created reserves	-	-
Accumulated funds	4	6
	<u>4</u>	<u>6</u>
<b>Transfers from:</b>		
Accumulated funds	27	16
	<u>27</u>	<u>16</u>
<b>Closing balance</b>	<b><u>354</u></b>	<b><u>331</u></b>

**(c) Council Created Reserves**

Opening balance	9,725	10,685
Less adjustment for reclassification of reserves as liabilities		
Transfers to:		
Accumulated funds	3,207	2,676
	<u>3,207</u>	<u>2,676</u>
Transfers from:		
Restricted funds	-	-
Accumulated funds	3,175	1,716
	<u>3,175</u>	<u>1,716</u>
<b>Closing balance</b>	<b><u>9,693</u></b>	<b><u>9,725</u></b>

**(d) Asset Revaluation Reserves**

Consist of -		
General asset revaluation reserve	365,977	355,589
Investment property revaluation reserve	422	422
<b>Closing balance</b>	<b><u>366,399</u></b>	<b><u>356,011</u></b>

**General Asset Revaluation Reserve**

This covers all re-valued assets except for investment properties

<b>Opening balance</b>	355,589	169,284
Change in asset value	10,388	190,195
Less revaluation adjustment	-	-
Less revaluation attributed to asset disposal	-	(3,890)
<b>Closing balance</b>	<b><u>365,977</u></b>	<b><u>355,589</u></b>

**Comprising:**

Land	88,549	88,549
Buildings	7,953	7,953
Water supply	15,014	15,013
Roading	236,623	226,236
Wastewater	5,677	5,677
Stormwater	11,574	11,574
Coastal marine structures	79	79
Library books	426	426
Other plant	82	82
<b>Total asset revaluation reserve</b>	<b><u>365,977</u></b>	<b><u>355,589</u></b>

**Investment Property Asset Revaluation Reserve**

<b>Opening balance</b>	422	112
Change in asset value	-	310
Less revaluation attributed to assets sold	-	-
<b>Closing balance</b>	<b><u>422</u></b>	<b><u>422</u></b>

**Note 6: Investments**

	<b>Actual 2006 \$'000</b>	<b>Actual 2005 \$'000</b>
<b>(a) Current</b>		
Short-term deposits	-	2,700
	-	2,700
<b>(b) Non-Current</b>		
Shares in companies (see note 7)	38	31
Share in associates retained surplus <sup>(1)</sup>	42	32
*This comprises local authority stock	80	63

**(c) Interest Rates**

The weighted average effective interest rates on investments (current and non-current) and associated re-pricing maturities were:

<b>Weighted average effective interest rate</b>	<b>2006</b>	<b>2005</b>
Short-term deposits	7.2%	6.6%

**Repricing maturities**

The following schedule gives maturities for all investments

	2006 \$'000					
	Less than 6 months	6-12 mths	1-2 yrs	2-5 yrs	>5 yrs	<b>Total</b>
Short-term deposits	-	-	-	-	-	-
Share investments	-				38	<b>38</b>
		-	-	-	38	<b>38</b>

<sup>(1)</sup> Western Bay Moana Rural Fire Authority

**Note 7: Other shareholdings**

	<b>2006 Book Value \$'000</b>	<b>2006 Fair Value \$'000</b>	<b>2005 Fair Value \$'000</b>
<b>NZ Local Government Insurance Company Limited</b>			
-16,142 shares (no change from 2005) of \$1 each	16	16	16
<b>Zespri Group Limited</b>			
-3,532 shares (no change from 2005) with a market value as at 30 June 2005 of 6.25 per share	22	22	15
	<u>38</u>	<u>38</u>	<u>31</u>

**Note 8: Prepayments and Receivables**

	<b>Actual 2006 \$'000</b>	<b>Actual 2005 \$'000</b>
Rates debtors	4,585	3,893
Metered water debtors	983	1,067
Other trade debtors	787	886
Prepayments	81	185
Sundry debtors	677	1,049
	<u>7,113</u>	<u>7,080</u>
Less provision for doubtful debts	2,715	2,473
	<u>4,398</u>	<u>4,607</u>

**Note 9: Investment Properties**

	<b>Actual 2006 \$'000</b>	<b>Actual 2005 \$'000</b>
At cost	432	432
Revaluations brought forward	422	112
Current year revaluations	-	310
At net current value	<u>854</u>	<u>854</u>

## Note 10: Other Non-current Assets

	2006			2005		
	Cost/Val \$'000	Acc Depn \$'000	NBV \$'000	Cost/Val \$'000	Acc Depn \$'000	NBV \$'000
<b>(a) Council</b>						
<b>Infrastructure assets</b>						
<i>At valuation</i>						
Land	10,696	-	10,696	10,696	-	10,696
Buildings	490	34	456	490	17	473
Water	43,977	7,763	36,214	43,977	4,528	39,449
Stormwater	21,524	745	20,779	21,524	374	21,150
Wastewater	38,931	1,782	37,149	38,931	911	38,020
Land under Roads	125,724	-	125,724	126,001	-	126,001
Road Surface	309,418	4,067	305,351	295,347	3,059	292,288
Road – Other	29,307	1,127	28,180	25,301	996	24,305
<i>At cost</i>						
Land	2,810	-	2,810	204	-	204
Buildings	429	3	426	99	1	98
Water	13,272	296	12,976	5,144	87	5,057
Stormwater	4,146	67	4,079	1,258	16	1,242
Wastewater	3,851	100	3,751	395	5	390
Land under Roads	4,984	-	4,984	867	-	867
Road Surface	9,024	233	8,791	10,010	40	9,970
Road – Other	1,976	32	1,944	1,805	32	1,773
Assets under construction	16,598	-	16,598	12,220	-	12,220
<b>Total Infrastructure assets</b>	<b>637,157</b>	<b>16,249</b>	<b>620,908</b>	<b>594,269</b>	<b>10,066</b>	<b>584,203</b>
<b>Restricted assets</b>						
<i>At valuation</i>						
Land	79,639	-	79,639	79,640	-	79,640
Buildings	9,985	767	9,218	9,988	390	9,598
<i>At cost</i>						
Land	7,815	-	7,815	3,544	-	3,544
Buildings	1,689	87	1,602	994	22	972
Assets under construction	1,470	-	1,470	1,590	-	1,590
<b>Total Restricted assets</b>	<b>100,598</b>	<b>854</b>	<b>99,744</b>	<b>95,756</b>	<b>412</b>	<b>95,344</b>

	2006			2005		
	Cost/Val \$'000	Acc Depn \$'000	NBV \$'000	Cost/Val \$'000	Acc Depn \$'000	NBV \$'000
<b>Operational assets</b>						
<b><i>At valuation</i></b>						
Land	29,594	-	29,594	29,594	-	29,594
Buildings	10,802	378	10,424	10,802	190	10,612
Coastal Marine	1,288	93	1,194	1,288	47	1,241
Other plant	184	149	34	184	130	54
Library books	715	257	458	715	132	583
<b><i>At cost</i></b>						
Land	210	-	210			
Buildings	2,099	71	2,028	1,464	14	1,450
Coastal Marine	47	1	46	3	-	3
Vehicles	1,372	379	993	1,272	374	898
Other Plant	115	10	105	20	-	20
Library books	217	11	206	91	9	82
Office furniture & equipment	4,878	2,945	1,933	4,427	2,498	1,929
Assets under Construction	30	-	30	72	-	72
<b>Total Operational assets</b>	<b>51,549</b>	<b>4,294</b>	<b>47,254</b>	<b>49,932</b>	<b>3,394</b>	<b>46,538</b>
<b>Total other non-current assets</b>	<b>789,303</b>	<b>21,398</b>	<b>767,905</b>	<b>739,957</b>	<b>13,872</b>	<b>726,085</b>

In respect of the roading component of Infrastructure Assets

1. The Council has formally recorded a decision to maintain the network in a defined and appropriate operating capacity by a programme of restoration to ensure that its life will be indefinitely prolonged.
2. An appropriate Asset Management Plan has been adopted by the Council.

This plan provides:

- The level of service required
- The current physical extent, condition and capacity of the network
- The timing, extent and cost of work required to maintain and restore the network's defined operating capacity in future years.

**Note 11: Payables and accruals**

	<b>Actual 2006 \$'000</b>	<b>Actual 2005 \$'000</b>
Trade creditors	7,826	7,283
Goods and Services Tax (refund)	(293)	30
Deposits and agency	1,860	912
Income in advance	1,088	1,107
Environment Bay of Plenty rates	165	288
Performance based contract liability	5,171	-
Sundry payables	87	65
	<b>15,904</b>	<b>9,685</b>
Made up of:		
Current	10,733	9,685
Non-current	5,171	-
	<b>15,904</b>	<b>9,685</b>

**Note 12: Employee Entitlements**

	<b>Actual 2006 \$'000</b>	<b>Actual 2005 \$'000</b>
Accrued pay	229	238
Annual leave and accrued entitlements	823	609
Retirement gratuities	52	56
	<b>1,104</b>	<b>903</b>
Made up of:		
Current	1,052	847
Non-current	52	56
	<b>1,104</b>	<b>903</b>

## Note 13: Public Debt

	Actual 2006 \$'000	Actual 2005 \$'000
<b>(a) Current</b>		
Secured loans and debentures	8,600	3,000
Loan premium	-	-
	<u>8,600</u>	<u>3,000</u>
<b>(b) Non-Current</b>		
Secured loans and debentures	41,026	40,028
<b>Total public debt</b>	<b><u>49,626</u></b>	<b><u>43,028</u></b>

### (c) Security

Council loans are secured over either separate or general rates of the district or Council assets

### (d) Repayment Terms

The following is a maturity analysis of total public debt

	Actual 2006 \$'000	Actual 2005 \$'000
Payable no later than one year	11,600	3,000
Later than one, not later than two years	9,001	7,000
Later than two, not later than five years	8,000	9,001
Later than five years	21,025	24,027
	<u>49,626</u>	<u>43,028</u>

### (e) Interest Rates

The weighted average effective interest rates on borrowings (current and non-current) were:

	Actual 2006 %	Actual 2005 %
Secured loans and debentures	6.69%	6.66%

### (f) Variations from/changes to the Borrowing Management Policy

No changes or variations have been made to Council's borrowing management policy.

## Note 14: Landfill Aftercare Provision

Council has responsibility for the management of two Landfill sites.

The Te Puke Landfill was closed in 1999 and Athenree was closed in February 2003.

Council has responsibility under resource consent to provide ongoing maintenance and monitoring of the Landfills after closure. These include:

Closure costs:

- Final cover application and investigation
- Incremental drainage control features
- Facilities for leachate collection and monitoring
- Facilities for water quality monitoring

Post closure costs:

- Treatment and monitoring of leachate
- Groundwater surface monitoring
- Implementation of remedial measures as needed for cover and control systems
- Ongoing life maintenance of drainage systems, final cover and vegetation.

The estimated remaining liability for closure and post closure of Athenree is \$0.6m and for post-closure at Te Puke of \$0.5m over the remaining life (Athenree 29 years, Te Puke 26 years) of the resource consents. This liability has been discounted back to a current value of \$0.43m using a discount rate of 7%.

	<b>Actual 2006 \$000</b>	<b>Actual 2005 \$000</b>
<b>Movements in Provision</b>		
Opening balance	440	455
Provision increase for future expenditure	3	-
Provision released for expenditure incurred	(3)	(3)
Provision reduced for future expenditure	(6)	(12)
	<b>434</b>	<b>440</b>

## Note 15: Reconciliation of Net Surplus to Net Cash Inflow from Operating Activities

	Actual 2006	Actual 2005
<b>Net surplus</b>	<b>15,948</b>	<b>(3,342)</b>
Associated Entity Surpluses	(10)	(32)
<b>Add (less) non-cash items:</b>		
Depreciation	11,884	11,486
Vested assets	(7,732)	(2,735)
Share of Tauranga Airport Land	-	(7,517)
<b>Add (less) movements in working capital items:</b>		
Accounts receivable	209	(805)
Accounts payable	6,215	3,249
Provisions and other liabilities	(518)	(332)
<b>Add (less) items classified as investing activities:</b>		
Capital creditors included in accounts payable	(1,652)	(435)
Loss (gain) on sale of fixed assets <sup>(1)</sup>	85	19,486
<b>Net cash inflow (outflow) from operating activities</b>	<b>24,429</b>	<b>19,023</b>

2005:

<sup>(1)</sup> Transfer of Pyes Pa Road to Land Transport New Zealand on designation as State Highway in 2005.

## Note 16: Related Party Transactions

Financial transactions have taken place during the financial year with the following related parties:

During the year, Councillors and Senior Management were involved in minor transactions with Council as part of a normal customer relationship (such as payment of rates and other charges for Council services).

Apart from these transactions, no other Councillors or Senior Management have entered into related party transactions with Council.

The Council has a 57.5% interest in the Western Bay Moana Rural Fire Authority which is an Incorporated Society established to co-ordinate the delivery of rural fire support within the District. In the year ending 2006, the Council's significant policies and objectives in regard to ownership and control of the organisation as set out in the Constitution have been attained. This is in respect of the resources, activities and entities under its control that it has: operated effectively and efficiently; it has complied with laws, regulations, and contractual requirements; and its business has been conducted with regard to probity.

The Mayoral Relief Fund, a Council controlled organisation formed for the purpose of providing financial assistance for flood and landslip victims during the financial period ending in 2005, has largely been distributed.

## Note 17: Financial Instruments

### Credit Risk

In the normal course of business, Council incurs credit risk from trade receivables and financial institutions. Council has placed its cash, interest bearing deposits and funds to be managed with financial institutions of high credit worthiness and limits its amount of credit exposure to any one institution.

The financial guarantees are in respect of community organisations.

Council recognises any surpluses or losses on financial instruments in the operating statements of the significant activity, which the instrument refers to.

Council reduces investment risk by establishing a policy spreading its cash investments over registered banks with credit ratings of at least A or financial organisations that have a credit rating of not less than A1+.

The maximum credit risk for each financial instrument is stated in the financial position statement.

### Interest Rate Risk

In the normal course of business, all long-term debt is at fixed interest rates. Short-term borrowing and investments are subject to normal market fluctuations. Long-term debt is detailed in Note 13.

### Synthetic Contracts Held

Instrument	Maturity Date	Interest Rate %	Amount \$'000
Interest Rate Swaps	13 December 2006	5.56	2,000
	17 September 2007	6.68	3,000
	15 January 2008	6.42	3,000
	15 January 2010	6.68	4,000

## Synthetic Contracts Held (cont)

<b>Instrument</b>	<b>Maturity Date</b>	<b>Interest Rate %</b>	<b>Amount \$'000</b>
	15 December 2010	6.79	2,500
	13 March 2013	6.34	4,000
	15 April 2013	6.06	1,000
	5 January 2015	6.58	4,000
	9 February 2015	6.69	3,000
	16 February 2015	6.78	3,000
	27 February 2015	6.45	2,000
	6 April 2015	6.59	4,000
	25 August 2015	6.31	5,000
	31 August 2015	6.49	5,000
	30 May 2016	6.53	5,000
	15 February 2018	6.61	6,000

**Fair Value**

The fair value of financial instruments is shown as follows:

**Term Debt**

	<b>2006 \$'000</b>	<b>2005 \$'000</b>
<b>Carrying amount</b>	49,626	43,028
<b>Fair value</b>	50,005	43,439

Investments including sinking funds and shares in other organisations are carried at values as stated in note 7. It is not practical to estimate fair values and the fair values are not likely to be materially different from the carrying value.

The revaluations of interest rate swaps held by Council shows an unrealised gain of \$465,088 (2005 loss of \$462,781) as at 30 June 2006. This has not been recognised in the statement of financial performance.

**Note 18: Chief Executive's remuneration**

The Chief Executive of Western Bay Of Plenty District Council appointed under section 42 of the Local Government Act 2002 received a salary of \$118,317 (2005 \$112,831).

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

<b>Additional benefit</b>	<b>Cost during the financial year</b>	
	<b>Actual 2006 \$</b>	<b>Actual 2005 \$</b>
Employer contributions to superannuation fund	100,000	100,000
Vehicle (Market value plus FBT)	18,288	17,814
Other benefits	2,360	740

For the year ended 30 June 2006, the total annual cost including fringe benefit tax to the Western Bay of Plenty District Council of the remuneration package being received by the Chief Executive is calculated at \$238,965 (2005 \$231,384).

## Note 19: Contingencies

	Actual 2006 \$'000	Actual 2005 \$'000
<b>Public Liability Claims</b> – Council has received a number of claims, which are currently being assessed by Council's Insurers. It is anticipated that, should these be successful, Council's liability will be substantially covered by insurance. The sum shown represents the net liability to Council.	20	30
Claims have been lodged with the Weathertight Homes Resolution Service (WHRS) for buildings located within Western Bay of Plenty District. A total of four were registered with the WHRS website for Western Bay of Plenty District Council as at 30 June 2006. In the majority of cases, the primary responsibility rests with the building certifiers. Council's maximum exposure is the insurers excess which is estimated at \$10,000.	10	20

## Note 20: Employee Severance Payments

Severance payments totalling \$119,411 were made to three (seven 2005) employees during the year. These payments were:

1.	36,582
2.	50,000
3.	32,829
	\$119,411

## Note 21: Councillor and Community Board Remuneration

The following monetary and non-monetary remuneration was made to Councillors and Community Board representatives during the year. Monetary remuneration excludes payment of non-taxable allowances which are considered reimbursement of actual expenses incurred.

Councillors	Total	Community Board Members	Total
Bruning, Norman Francis	23,602	Bacon, Lex Noel	2,339
Dunlop, Francis Miles (Sam)	22,550	Coates, Patricia Margaret	5,346
Goudie, Ross	19,912	Craig, Murray Alexander	1,782
Gravit, Josephine Helen	23,152	Doggett, John Douglas	1,337
Jones, Michael Charles	25,113	Duske, Bruce	1,782
Marsh, Kevin Alexander	18,127	Gifford, Janice Doris	1,782
Mayo, Norman Frederick	18,982	Gunn, Karyl	1,782
Murray-Benge Margaret Elizabeth	18,128	Hughes, Trevor Richard	2,130
North, Brian John	18,128	Johnston, Max Robert	1,420
Paterson, Ross James	29,525	May, David Nelson	5,347
Thomas, Paul Geoffrey	20,892	Mowat, Lorraine Patricia	1,782

<b>Councillors (cont)</b>	<b>Total</b>	<b>Community Board Members (cont)</b>	<b>Total</b>
Treloar, Lorna	18,128	Pittar, Russell	1,782
Weld, Graeme Lineham	68,949	Poihipi, Carol	1,337
<b>Total Councillors</b>	<b>325,188</b>	Rae, Peter Ernest	2,339
		Slater, Shirley	1,782
		Sole, Neil William	5,347
		Stringfield, Antonia Margaret	1,782
		Taylor, Gordon William John	2,339
<b>Non-Monetary Remuneration</b>		Tipene, Hawea	1,782
Weld, Graeme Lineham	17,607	Whittaker, Glenn	6,850
		Williams, Kate Alexandra Helen	1,782
		<b>Total Community Board Members</b>	<b>53,951</b>

## Note 22: Financial Contributions

Financial contributions received and applied:

	<b>Opening Balance</b>	<b>Received in 2005/2006</b>	<b>Applied in 2005/2006</b>	<b>Closing Balance</b>
Ecological	419	211	(30)	600
Reserves	3,614	3,774	(4,413)	2,975
Roading – Rural	986	731	(986)	731
Roading – Urban	-	761	(761)	-
Stormwater	-	381	(381)	-
Wastewater	-	1,659	(1,659)	-
Water	-	1,485	(1,485)	-
Other	13	-	1	14
	<b>5,032</b>	<b>9,002</b>	<b>(9,714)</b>	<b>4,320</b>

Consisting of:

Current financial contribution	3,356
Non-current financial contributions	964
	<b>4,320</b>



