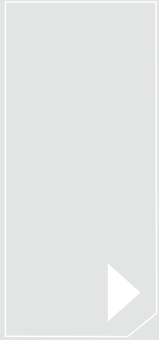


# FINANCES





Taupo District Council

# Annual Plan 2011/12

# FINANCES

## Long-Term Council Community Plan 2009-2019

This Annual Plan has been prepared based on the LTCCP 2009-2019, which provides background and context. The financial tables in this section show comparisons with the Long-Term Council Community Plan.

## PROSPECTIVE SCHEDULE OF RATES

| <b>Total District<br/>For the year ended 30 June</b> | Last Year<br>Annual Plan<br>2010/11<br>(\$,000) | LTCCP<br>Forecast<br>2011/12<br>(\$,000) | Annual Plan<br>2011/12<br>(\$,000) |
|--|---|--|------------------------------------|
| Targeted Rates                                       | 17,805  | 19,515                                   | 19,437                             |
| General Rates  | 28,568  | 29,653                                   | 29,900                             |
| <b>Total Rates</b>                                   | <b>46,373</b>                                   | <b>49,168</b>                            | <b>49,337</b>                      |
| Number of Properties                                 | 21,841  | 21,825                                   | 21,921                             |
| Growth in Property Numbers                           | 60  | 279                                      | 37                                 |
| Number of Properties to Be Rated                     | 21,901  | 22,104                                   | 21,958                             |
| Costs to Be Recovered (GST excl)                     | 46,373  | 49,168                                   | 49,337                             |
| Average Rates per Property (\$) GST excl             | 2,117   | 2,224                                    | 2,247                              |
| <b>Average Property % Increase</b>                   | <b>5.21%</b>                                    | <b>5.05%</b>                             | <b>6.11%*</b>                      |
| Average Property Increase (\$) GST excl              | 105   | 106                                      | 129                                |

\* The introduction of levying a Uniform Annual General Charge on each Separately Useable or Inhabitable part of a rating unit has resulted in a rates increase for the District of 6.11%; however the rates increase for an average residential property is only 3.7%.

## PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

|   | Last Year<br>Annual Plan<br>2010/11<br>(\$,000) | LTCCP<br>Forecast<br>2011/12<br>(\$,000) | Annual Plan<br>2011/12<br>(\$,000) |
|---|---|--|------------------------------------|
| <b>Revenue</b>  |   |  |                                    |
|   | 46,373  | 49,168                                   | 49,337                             |
| *1  | 651   | 2,710                                    | 1,500                              |
|   | 719   | 719                                      | 569                                |
|   | 37,954  | 16,654                                   | 16,654                             |
| *2  | 33,950  | 31,694                                   | 21,757                             |
|   | <b>119,647</b>                                  | <b>100,945</b>                           | <b>89,817</b>                      |
| <b>Expenditure</b>  |   |  |                                    |
| *4  | 20,082  | 20,570                                   | 19,016                             |
| *6  | 14,884  | 14,074                                   | 17,367                             |
| *5  | 8,393   | 13,279                                   | 9,665                              |
| *4  | 28,681  | 30,736                                   | 28,940                             |
|   | <b>72,040</b>                                   | <b>78,659</b>                            | <b>74,988</b>                      |
|   | 47,607  | 22,286                                   | 14,829                             |
|   | -   | -  | -                                  |
|   | <b>47,607</b>                                   | <b>22,286</b>                            | <b>14,829</b>                      |
| <b>Reconciliation of total comprehensive income to cost of service statements</b> |   |  |                                    |
|   | 17,805  | 19,515                                   | 19,437                             |
|   | 28,568  | 29,653                                   | 29,900                             |
|   | 46,373  | 49,168                                   | 49,337                             |
|   | 4,441   | 4,989                                    | 850                                |
|   | 651   | 2,710                                    | 1,500                              |
|   | 4,400   | 4,692                                    | 600                                |
|   | 25,109  | 22,013                                   | 20,307                             |
|   | 80,974  | 83,572                                   | 72,594                             |
|   | 38,673  | 17,373                                   | 17,223                             |
|   | <b>119,647</b>                                  | <b>100,945</b>                           | <b>89,817</b>                      |

\* See Notes to Financial Statements page 98

## PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

|  | Last Year<br>Annual Plan<br>2010/11<br>(\$,000) | LTCCP<br>Forecast<br>2011/12<br>(\$,000) | Annual Plan<br>2011/12<br>(\$,000) |
|--|---|--|------------------------------------|
| <b>Equity at Beginning of Year</b>                     | 1,251,524                                       | 1,259,307                                | 1,289,131                          |
| Net Surplus (Deficits) for the year                    | 47,607  | 22,286                                   | 14,829                             |
| <b>Total Recognised Revenues and Expenses for Year</b> | <b>47,607</b>                                   | <b>22,286</b>                            | <b>14,829</b>                      |
| <b>Total Equity at End of Year</b>                     | <b>1,289,131</b>                                | <b>1,281,593</b>                         | <b>1,303,960</b>                   |
| <b>Components of Equity</b>                            |   |  |                                    |
| <b>Accumulated Funds at beginning of year</b>          | 870,158   | 897,573                                  | 878,143                            |
| Net Surplus (Deficits) for the year                    | 7,985   | 6,118                                    | (7,117)                            |
| <b>Accumulated Funds at end of year</b>                | 878,143   | 903,631                                  | 871,026                            |
| <b>Council Created Reserves at beginning of year</b>   | 102,244   | 100,701                                  | 103,193                            |
| Transfers to/(from) reserves                           | 949   | (1,205)                                  | 4,723                              |
| <b>Council Created Reserves at end of year</b>         | 103,193   | 99,496                                   | 107,916                            |
| <b>Restricted Reserves at beginning of year</b>        | -   | 232                                      | -                                  |
| Movements for year                                     | -   | -  | -                                  |
| <b>Restricted Reserves at end of year</b>              | -   | 232                                      | -                                  |
| <b>Revaluation Reserves at beginning of year</b>       | 269,122   | 260,861                                  | 307,795                            |
| Revaluation surplus/(deficit)                          | 38,673  | 17,373                                   | 17,223                             |
| <b>Revaluations Reserves at end of year</b>            | 307,795   | 278,234                                  | 325,018                            |
| <b>Total Equity at End of Year</b>                     | <b>1,289,131</b>                                | <b>1,281,593</b>                         | <b>1,303,960</b>                   |

## PROSPECTIVE STATEMENT OF FINANCIAL POSITION

|                                      | Last Year<br>Annual Plan<br>2010/11<br>(\$,000) | LTCCP<br>Forecast<br>2011/12<br>(\$,000) | Annual Plan<br>2011/12<br>(\$,000) |
|--------------------------------------|---|--|------------------------------------|
| <b>Equity</b>                        |   |  |                                    |
| Accumulated Funds                    | 878,143   | 903,631                                  | 871,026                            |
| Council Created Reserves             | 103,193   | 99,496                                   | 107,916                            |
| Restricted Reserves                  | -   | 232                                      | -                                  |
| Revaluation Reserves                 | 307,795   | 278,234                                  | 325,018                            |
| <b>Total Equity</b>                  | <b>1,289,131</b>                                | <b>1,281,593</b>                         | <b>1,303,960</b>                   |
| <b>Current Assets</b>                |   |  |                                    |
| Cash and cash equivalents            | 7,930   | 16,891                                   | 7,930                              |
| Other Financial Assets               | 25,712  | 18,422                                   | 25,712                             |
| Derivative Financial Instruments     | -   | -  | -                                  |
| Trade and Other receivables          | 8,324   | 6,811                                    | 8,593                              |
| Inventories                          | 568   | 511                                      | 586                                |
| Non current assets held for sale     | 1,074   | 9,984                                    | 966                                |
| <b>Total Current Assets</b>          | <b>43,608</b>                                   | <b>52,619</b>                            | <b>43,787</b>                      |
| <b>Non-Current Assets</b>            |   |  |                                    |
| Other Financial Assets               | 59,033  | 40,875                                   | 62,522                             |
| Derivative Financial Instruments     | -   | -  | -                                  |
| Intangible Assets                    | 938   | 984                                      | 967                                |
| Investment Properties                | 2,883   | -  | 2,883                              |
| Investments in Associates            | 3,379   | -  | 3,379                              |
| Biological Assets                    | 5,568   | 7,033                                    | 6,137                              |
| Property Plant and Equipment         | 1,350,576                                       | 1,375,846                                | 1,382,166                          |
| <b>Total Non-Current Assets</b>      | <b>1,422,377</b>                                | <b>1,424,738</b>                         | <b>1,458,054</b>                   |
| <b>Total Assets</b>                  | <b>1,465,985</b>                                | <b>1,477,357</b>                         | <b>1,501,841</b>                   |
| <b>Current Liabilities</b>           |   |  |                                    |
| Trade and other payables             | 14,817  | 10,530                                   | 15,281                             |
| Employee Benefit liabilities         | 3,108   | 2,430                                    | 3,206                              |
| Derivative Financial Instruments     | 470   | --                                       | 470                                |
| Borrowings                           | 12,593  | 13,766                                   | 13,766                             |
| <b>Total Current Liabilities</b>     | <b>30,988</b>                                   | <b>26,726</b>                            | <b>32,723</b>                      |
| <b>Non-Current Liabilities</b>       |   |  |                                    |
| Provisions                           | 38  | 35                                       | 38                                 |
| Derivative Financial Instruments     | 1,223   | -  | 1,223                              |
| Borrowings                           | 144,224   | 168,566                                  | 163,504                            |
| Deferred Tax Liabilities             | -   | -  | -                                  |
| Employee Benefit liabilities         | 381   | 437                                      | 393                                |
| <b>Total Non-Current liabilities</b> | <b>145,866</b>                                  | <b>169,038</b>                           | <b>165,158</b>                     |
| <b>Total Liabilities</b>             | <b>176,854</b>                                  | <b>195,764</b>                           | <b>197,881</b>                     |
| <b>Total Net Assets</b>              | <b>1,289,131</b>                                | <b>1,281,593</b>                         | <b>1,303,960</b>                   |

## PROSPECTIVE STATEMENT OF CASHFLOWS

|  | Last Year<br>Annual Plan<br>2010/11<br>(\$,000) | LTCCP<br>Forecast<br>2011/12<br>(\$,000) | Annual Plan<br>2011/12<br>(\$,000) |
|--|---|--|------------------------------------|
| <b>Cash Flows from Operating Activities</b>                              |   |  |                                    |
| <b>Cash was provided from</b>  |   |  |                                    |
| Rates  | 46,373  | 49,168                                   | 49,337                             |
| Subsidies  | 1,703   | 1,635                                    | 1,575                              |
| *2 Interest Income   | 6,234   | 6,631                                    | 5,634                              |
| *2 Fees, Charges & Other Income  | 11,916  | 12,595                                   | 10,884                             |
|  | 66,226  | 70,029                                   | 67,430                             |
| <b>Cash was applied to</b>   |   |  |                                    |
| *4 Payments to Suppliers & Employees                                     | 48,184  | 50,899                                   | 47,382                             |
| Taxes Paid   | -   | -  | -                                  |
| *5 Interest on Public Debt   | 8,393   | 13,279                                   | 9,665                              |
|  | 56,577  | 64,178                                   | 57,047                             |
| <b>Net Cash Inflow (Outflow) from Operating Activities</b>               | <b>9,649</b>                                    | <b>5,851</b>                             | <b>10,383</b>                      |
| <b>Cash Flows from Investing Activities</b>                              |   |  |                                    |
| <b>Cash was provided from</b>  |   |  |                                    |
| Proceeds from Sale of Property, Plant & Equipment and Bio-logical assets | 1,331   | 3,613                                    | 3,000                              |
| *2 Development/ Financial Contributions                                  | 4,441   | 4,989                                    | 850                                |
| *3 Capital Subsidies   | 4,993   | 945                                      | 1,796                              |
| Net Decrease in Investments  | -   | 3,760                                    | -                                  |
|  | 10,765  | 13,307                                   | 5,646                              |
| <b>Cash was applied to</b>   |   |  |                                    |
| Purchase & Development of Property, Plant & Equipment                    | 37,878  | 33,388                                   | 33,150                             |
| Net Increase in Investments  | 566   | -  | 3,332                              |
|  | 38,444  | 33,388                                   | 36,482                             |
| <b>Net cash inflow (outflow) from investing activities</b>               | <b>(27,679)</b>                                 | <b>(20,081)</b>                          | <b>(30,836)</b>                    |
| <b>Cash Flows from Financing Activities</b>                              |   |  |                                    |
| <b>Cash was provided from</b>  |   |  |                                    |
| Loans Raised   | 25,862  | 26,824                                   | 26,064                             |
|  | 25,862  | 26,824                                   | 26,064                             |
| <b>Cash was applied to</b>   |   |  |                                    |
| *7 Repayment of Public Debt  | 7,832   | 12,594                                   | 5,611                              |
|  | 7,832   | 12,594                                   | 5,611                              |
| <b>Net cash inflow (outflow) from financing activities</b>               | <b>18,030</b>                                   | <b>14,230</b>                            | <b>20,453</b>                      |
| <b>Net increase (decrease) in cash and cash equivalents</b>              | <b>-</b>  | <b>-</b>                                 | <b>-</b>                           |
| <b>Add: cash and cash equivalents at start of year</b>                   | <b>7,930</b>                                    | <b>16,891</b>                            | <b>7,930</b>                       |
| <b>Cash and cash equivalents at end of year</b>                          | <b>7,930</b>                                    | <b>16,891</b>                            | <b>7,930</b>                       |

\* See Notes to Financial Statements page 98

## PROSPECTIVE STATEMENT OF BORROWINGS

| <b>For the year ended 30 June</b>                               | Last Year<br>Annual Plan<br>2010/11<br>(\$,000) | LTCCP<br>Forecast<br>2011/12<br>(\$,000) | Annual Plan<br>2011/12<br>(\$,000) |
|---|---|--|------------------------------------|
| <b>Debt Balances</b>  |   |  |                                    |
| Opening Debt  | 138,787   | 168,102                                  | 156,817                            |
| New Borrowing Requirements                                      | 25,862  | 26,824                                   | 26,064                             |
| Debt Repayments   | (7,832)   | (12,594)                                 | (5,611)                            |
| <b>Closing External Debt</b>                                    | <b>156,817</b>                                  | <b>182,332</b>                           | <b>177,270</b>                     |
| <b>Debt Servicing Costs</b>                                     |   |  |                                    |
| Interest  | 8,393   | 13,279                                   | 9,665                              |
| Debt Repayments   | 7,832   | 12,594                                   | 5,611                              |
| <b>Total External Debt Servicing Costs</b>                      | <b>16,225</b>                                   | <b>25,873</b>                            | <b>15,276</b>                      |
| <b>Borrowing Limits</b>   |   |  |                                    |
| % Gross External Interest Expense/Operating Income              | 10%   | 13.2%                                    | 10%                                |
| EBIT/Net Interest<br>(- implies more interest earned than paid) | 1.5   | 5.3                                      | 1.5                                |
| Operating Cashflows/Gross External Interest Expense             | 3.0   | 5.3                                      | 3.0                                |
| % Gross External Debt/Equity                                    | 15%   | 14.2%                                    | 15%                                |

# PROSPECTIVE STATEMENT OF CAPITAL EXPENDITURE

| Activity/Scheme                                   | Project   | Last Year<br>Annual Plan<br>2010/11<br>(\$000) | LTCCP<br>Forecast<br>2011/12<br>(\$000) | Annual Plan<br>2011/12<br>(\$000) |
|---|---|--|---|-----------------------------------|
| <b><i>Leadership, Governance and Advocacy</i></b> |   |  |   |                                   |
| District support services                         | Building, plant and equipment renewals  | 484  | 549                                     | 549                               |
| Support services                                  | Computer network development  | 506  | 319                                     | 319                               |
| <b>Total Leadership, Governance and Advocacy</b>  |   | <b>990</b>                                     | <b>868</b>                              | <b>868</b>                        |
| <b><i>Liveable Places</i></b>                     |   |  |   |                                   |
| Taupō   | Wayfinding  | 712  | -                                       | 100                               |
| Turangi & Mangakino                               | Wayfinding  | -  | -                                       | 250                               |
| Taupō CBD   | Laneways  | 100  | -                                       | -                                 |
| <b>Total Liveable Places</b>                      |   | <b>812</b>                                     | <b>-</b>                                | <b>350</b>                        |
| <b><i>Taupō District Investments</i></b>          |   |  |   |                                   |
| Forestry  | Afforestation   | 563  | 29                                      | 29                                |
| Mangakino   | Service Delivery Centre & Library   | 206  | -                                       | -                                 |
| Property management                               | Council property renewals   | 198  | 232                                     | 213                               |
| Property management                               | Waiora House extension  | 258  | 265                                     | 265                               |
| Urban land development                            | Taupō urban land developments   | 1,025  | 4,962                                   | 2,000                             |
| <b>Total Taupō District Investments</b>           |   | <b>2,250</b>                                   | <b>5,488</b>                            | <b>2,507</b>                      |
| <b><i>Destination Marketing</i></b>               |   |  |   |                                   |
| Visitor Centres                                   | Building, plant and equipment renewals  | 24   | 132                                     | 42                                |
| <b>Total Destination Marketing</b>                |   | <b>24</b>                                      | <b>132</b>                              | <b>42</b>                         |
| <b><i>Community Facilities</i></b>                |   |  |   |                                   |
| Pensioner housing                                 | Renewals  | 42   | 262                                     | 262                               |
| Libraries   | Taupō, Turangi and Mangakino new books and renewals   | 375  | 416                                     | 388                               |
| Public conveniences                               | Building and plant renewals   | 108  | 143                                     | 143                               |
| Public conveniences                               | Acacia Bay beach changing rooms rebuild and Acacia Bay beach/hall and 5 Mile Bay toilet upgrade | 206  | -                                       | -                                 |
| Public conveniences                               | Kaimanawa Park new toilet and changing rooms  | 21   | -                                       | -                                 |
| Public conveniences                               | Hickling Park toilets and changing rooms  | 21   | -                                       | -                                 |
| Public conveniences                               | Secombe Park toilets and changing rooms   | 144  | 149                                     | 149                               |
| Cemeteries  | Huka Lawn upgrade, new berm, pathway, seating and renewals                                      | 12   | 11                                      | 11                                |
| Community halls                                   | Renewals  | 74   | 77                                      | 64                                |
| <b>Total Community Facilities</b>                 |   | <b>1,003</b>                                   | <b>1,058</b>                            | <b>1,017</b>                      |

## PROSPECTIVE STATEMENT OF CAPITAL EXPENDITURE, continued

| <b>Activity/Scheme</b>                | <b>Project</b>                                 | Last Year<br>Annual Plan<br>2010/11<br>(\$,000) | LTCCP<br>Forecast<br>2011/12<br>(\$,000) | Annual Plan<br>2011/12<br>(\$,000) |
|---------------------------------------|--|---|--|------------------------------------|
| <b>Venues</b>                         |  |   |  |                                    |
| A.C. Baths                            | Refurbishment, building and equipment renewals | 697   | 749                                      | 2,079                              |
| Turangi Genesis Energy Aquatic Centre | Building renewals                              | 14  | 20                                       | 20                                 |
| Taupō Events Centre                   | Building and equipment renewals                | 238   | 277                                      | 99                                 |
| Great Lake Centre                     | Building renewals and vehicle replacement      | 84  | 422                                      | 173                                |
| Owen Delany Park                      | Irrigation                                     | 158   | -  | -                                  |
| Owen Delany Park                      | Investigate new indoor training facility       | 20  | -  | -                                  |
| Owen Delany Park                      | Rugby World Cup 2011 improvements              | 77  | -  | -                                  |
| Owen Delany Park                      | Redevelopment and improvements                 | 52  | 440                                      | 58                                 |
| Owen Delany Park                      | Building and plant renewals                    | 197   | 116                                      | 101                                |
| Hickling Park                         | Redevelopment                                  | 21  | -  | -                                  |
| Crown Park                            | Irrigation                                     | 21  | 53                                       | -                                  |
| Sports grounds TT                     | Renewals and reseals                           | 21  | 21                                       | 21                                 |
| Gymnasium TT                          | Building renewals                              | 15  | 23                                       | 23                                 |
| Mangakino Sports Hall & Pool          | Building and equipment renewals                | 26  | 27                                       | 8                                  |
| <b>Total Venues</b>                   |  | <b>1,640</b>                                    | <b>2,148</b>                             | <b>2,582</b>                       |
| <b>Heritage and Public Art</b>        |  |   |  |                                    |
| Museum                                | Public art                                     | 103   | 106                                      | 106                                |
| Museum                                | Building and equipment renewals                | 72  | 65                                       | 49                                 |
| <b>Total Heritage and Public Art</b>  |  | <b>175</b>                                      | <b>171</b>                               | <b>156</b>                         |
| <b>Parks and Reserves</b>             |  |   |  |                                    |
| Parks & Reserves TK/MP                | Lakefront development                          | 335   | 370                                      | 318                                |
| Parks & Reserves TK/MP                | Tongariro Domain redevelopment                 | 227   | 160                                      | -                                  |
| Parks & Reserves TK/MP                | Tongariro Domain asset renewal                 | -   | 42                                       | 42                                 |
| Parks & Reserves TK/MP                | Nukuhau Reserve development and parking        | 41  | 11                                       | 11                                 |
| Parks & Reserves TK/MP                | Renewals and improvements                      | 873   | 780                                      | 708                                |
| Parks & Reserves TK/MP                | Development contributions growth projects      | 706   | 1,752                                    | -                                  |
| Parks & Reserves TT                   | Renewals and improvements                      | 318   | 356                                      | 362                                |
| <b>Total Parks and Reserves</b>       |  | <b>2,500</b>                                    | <b>3,471</b>                             | <b>1,441</b>                       |
| <b>Emergency Management</b>           |  |   |  |                                    |
| Emergency Management                  | RT equipment                                   | 15  | 17                                       | 17                                 |
| <b>Total Emergency Management</b>     |  | <b>15</b>                                       | <b>17</b>                                | <b>17</b>                          |

# PROSPECTIVE STATEMENT OF CAPITAL EXPENDITURE, continued

| <b>Activity/Scheme</b>           | <b>Project</b>   | Last Year<br>Annual Plan<br>2010/11<br>(\$,000) | LTCCP<br>Forecast<br>2011/12<br>(\$,000) | Annual Plan<br>2011/12<br>(\$,000) |
|----------------------------------|--|---|--|------------------------------------|
| <b>Regulatory Services</b>       |  |   |  |                                    |
| Regulatory Services              | Building, plant and equipment renewals                 | 33  | 156                                      | 156                                |
| <b>Total Regulatory Services</b> |  | <b>33</b>                                       | <b>156</b>                               | <b>156</b>                         |
| <b>Transportation</b>            |  |   |  |                                    |
| Business Unit                    | Survey equipment and equipment renewal                 | 5   | 80                                       | 80                                 |
| Roading TK/MP Urban              | Lake Terrace traffic calming and realignment           | 22  | 89                                       | 89                                 |
| Roading TK/MP Urban              | Intersection improvements and realignment              | 95  | 29                                       | 29                                 |
| Roading TK/MP Urban              | Mangakino street upgrade                               | 120   | 14                                       | 14                                 |
| Roading TK/MP Urban              | Nukuhau/Riverside Park pedestrian bridge               | -   | -  | -                                  |
| Roading TK/MP Urban              | Tongariro Street traffic calming                       | 7   | 30                                       | 30                                 |
| Roading TK/MP Urban              | Tauhara/Spa Road intersection                          | 600   | -  | -                                  |
| Roading TK/MP Urban              | Retaining walls - Acacia Bay, Wily Terrace             | 45  | 479                                      | -                                  |
| Roading TK/MP Urban              | Spa Road four laning investigation                     | 28  | 119                                      | 119                                |
| Roading TK/MP Urban              | Shared path beside ETA/footpaths, reseals and renewals | 1,013   | 899                                      | 901                                |
| Roading TK/MP Urban              | Bus Infrastructure                                     | -   | 32                                       | 32                                 |
| Roading TK/MP Urban              | Heu Heu Street upgrade                                 | -   | -  | 550                                |
| Roading TK/MP Rural              | Seal extension/pavement reseals and renewals           | 1,918   | 2,071                                    | 2,063                              |
| Roading TK/MP Rural              | Poihipi Road widening                                  | -   | 32                                       | 32                                 |
| Roading TK/MP Rural              | East Taupō Arterial (ETA)                              | 5,461   | -  | 1,381                              |
| Roading TT Urban                 | Footpaths and renewals                                 | 68  | 96                                       | 96                                 |
| Roading TT Rural                 | Minor safety works                                     | 5   | 6  | 6                                  |
| Roading TT Rural                 | Pavement reseals and renewals                          | 60  | 65                                       | 65                                 |
| <b>Total Transportation</b>      |  | <b>9,447</b>                                    | <b>4,041</b>                             | <b>5,486</b>                       |
| <b>Water Supply</b>              |  |   |  |                                    |
| All schemes                      | Renewals   | 2,513   | 540                                      | 631                                |
| Water Supply                     | Vehicle replacements                                   | 31  | 48                                       | 48                                 |
| Taupō                            | Water treatment upgrade                                | 6,089   | 8,481                                    | 8,481                              |
| Turangi                          | Water treatment plant upgrade and seismic controller   | -   | -  | 270                                |
| Mangakino                        | Water treatment plant upgrade and seismic controller   | -   | -  | 170                                |
| <b>Total Water Supply</b>        |  | <b>8,633</b>                                    | <b>9,069</b>                             | <b>9,600</b>                       |

# PROSPECTIVE STATEMENT OF CAPITAL EXPENDITURE, continued

| <b>Activity/Scheme</b>                    | <b>Project</b>                                | Last Year<br>Annual<br>Plan<br>2010/11<br>(\$,000) | LTCCP<br>Forecast<br>2011/12<br>(\$,000) | Annual<br>Plan<br>2011/12<br>(\$,000) |
|---|---|--|--|---------------------------------------|
| <b><i>Solid Waste</i></b>                 |   |  |  |                                       |
| Broadlands Road                           | Landfill cell construction                    | 79   | 1,202                                    | 1,132                                 |
| Solid Waste Disposal                      | Transfer station and equipment renewals       | 302  | 126                                      | 122                                   |
| <b>Total Solid Waste</b>                  |   | <b>381</b>   | <b>1,328</b>                             | <b>1,254</b>                          |
| <b><i>Stormwater</i></b>                  |   |  |  |                                       |
| Stormwater                                | Stormwater upgrades and improvements          | 47   | 22                                       | 22                                    |
| Stormwater                                | Renewals                                      | -  | -  | 31                                    |
| <b>Total Stormwater and Land Drainage</b> |   | <b>47</b>  | <b>22</b>                                | <b>53</b>                             |
| <b><i>Wastewater</i></b>                  |   |  |  |                                       |
| Taupō                                     | Wastewater treatment plant upgrade            | 5,292  | 3,035                                    | 5,459                                 |
| Taupō                                     | State Highway 1 sewer extension               | 798  | -  | -                                     |
| Acacia Bay                                | Rising main to Taupō WWTP and sewer extension | -  | 1,262                                    | -                                     |
| Biosolids                                 | Processing and disposal                       | 1,537  | -  | -                                     |
| Omori/Kurutau/Pukawa                      | Treatment and disposal system                 | 1,272  | -  | -                                     |
| Whareroa                                  | Treatment plant upgrade                       | 238  | -  | -                                     |
| Turangi                                   | WWTP screens                                  | -  | -  | 670                                   |
| Mangakino                                 | Tertiary treatment and irrigation             | -  | -  | 15                                    |
| Mangakino                                 | Stormwater influx                             | -  | -  | 5                                     |
| Mangakino                                 | Community garden                              | -  | -  | 10                                    |
| District                                  | Vehicle replacements                          | -  | 48                                       | -                                     |
| District                                  | Renewals all schemes                          | 743  | 1,029                                    | 1,415                                 |
| <b>Total Wastewater</b>                   |   | <b>9,880</b>                                       | <b>5,374</b>                             | <b>7,574</b>                          |
| <b>Total Capital Expenditure</b>          |   | <b>37,830</b>                                      | <b>33,342</b>                            | <b>33,103</b>                         |

# ACCOUNTING POLICIES

## 1. Reporting Entity

Taupō District Council (TDC) is a Local Authority under Schedule 2, Part 2 of the Local Government Act 2002. The Council has not presented group prospective financial statements because the Council believes that the parent prospective financial statements are more relevant to the users. The main purpose of prospective financial statements in the Annual Plan is to provide users with information about core services that the Council intends to provide ratepayers, the expected cost of those services and, as a consequence, how much Taupō District Council requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries, except to the extent that Taupō District Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements presented. The primary objective of Taupō District Council is to provide goods and services to the community for social benefit, rather than for making a financial return. Accordingly the Council has designated itself and the group as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

## 2. Statement of Compliance and Basis of Preparation

The financial statements of Taupō District Council have been prepared in accordance with the Local Government Act 2002 which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). The statements comply with FRS 42 Prospective Financial Statements, as appropriate for public benefit entities. The financial statements use opening balances from the period ending 30/06/2010, estimates have been restated accordingly if required.

The financial statements are prepared using the historical cost basis, except for assets and liabilities, which are recorded at fair value. These are detailed in the specific policies below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

## 3. Accounting Policies

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

### 3.1 Foreign Currency Transactions

The functional and presentation currency is New Zealand dollars. Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction.

Foreign currency monetary assets and liabilities

at the balance date are translated to NZ dollars at the rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

### 3.2 Derivative Financial Instruments

Taupō District Council uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operational, financing and investment activities. In accordance with its treasury policy, Taupō District Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value at each balance date. Gains or losses in fair value and those resulting from re-measuring are recognised in the Statement of Financial Performance.

### 3.3 GST

The financial statements have been prepared exclusive of GST with the exception of receivables and payables that have been shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

### 3.4 Revenue

Rates revenue is recognised when invoiced.

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.

Government grants, including non-monetary grants at fair value, shall not be recognised by Taupō District Council until there is reasonable assurance that:

- (a) the entity will comply with the conditions accounting to them; and
- (b) the grants will be received.

Government grants, other than grants related to assets, shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

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

Other grants and bequests, and assets vested in the Council – with or without conditions – are recognised as revenue when control over the assets is obtained. Grants and bequests are recognised at their fair value where there is a reasonable assurance that the grant or bequest will be received and that Council as the recipient will comply with all attached conditions.

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from any services rendered (except as described above) is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

Rental income from investment property is recognised in the income statement on a straightline basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Development contributions and financial contributions are recognised as revenue when Council invoices the customer.

Dividend income shall be recognised when the shareholder's right to receive payment is established.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in Taupō District Council are recognised as revenue when control over the asset is obtained.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

### **3.5 Expenses**

#### **Leases**

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognized as assets and liabilities on the balance sheet at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognized as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

#### **Operating lease payments**

Payments made under operating leases are recognised in the income statement on a straightline basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### **Finance lease payments**

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### **Financing costs**

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange losses, and losses on hedging instruments that are recognised in the income statement.

The interest expense component of finance lease

payments is recognised in the income statement using the effective interest rate method.

### **3.6 Equity**

Equity is the community's interest in the Council as measured by the value of total assets less total liabilities. Public Equity is disaggregated and classified into a number of reserves to enable clearer identification of the specified uses Council makes of its accumulated surpluses. The public equity of Council is made up of the following components:

- Accumulated Funds
- Council Created Reserves
- Restricted Reserves
- Revaluation Reserves

### **3.7 Reserves**

Reserves are a component of Public Equity and represent a particular use to which parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

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.

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

Asset Revaluation Reserves arise from certain asset classes being revalued, with these classes including land, buildings, infrastructural assets, restricted assets and investments. The treatment of revaluation movements is detailed in item 3.14.1 of the policies.

### **3.8 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances and call deposits, and other shortterm highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of Taupō District Council and group's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, and in current liabilities on the balance sheet.

### **3.9 Financial Assets**

Taupō District Council classifies its investments in the following categories:

**(a) Financial assets or financial liabilities at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as

hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. After initial recognition they are measured at their fair values. Gains or losses on remeasurement are recognised in the income statement.

**(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognized are recognised in the income statement.

**(c) Held-to-maturity investments**

Held-to-maturity investments are nonderivative financial assets with fixed or determinable payments and fixed maturities, that management has the positive intention and ability to hold to maturity. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the income statement.

**(d) Available-for-sale financial assets**

Available-for-sale financial assets are nonderivatives that are either designated in this category, or not classified in any of the other categories.

**Investments in debt and equity securities**

Financial instruments held for trading are classified as financial assets at fair value through profit and loss and are stated at fair value, with any resultant gain or loss recognised in the income statement. Council's managed equity investments fall into this category. Fair value is determined as current market value based on the 30 June closing sale price recorded in the relevant stock exchange. The value of the foreign-listed managed equities is converted to New Zealand dollars at the 30 June closing rate of exchange.

**3.10 Trade and other Receivables**

Trade and other receivables are initially measured at fair value and subsequently valued at their amortised cost using the effective interest method, less impairment losses (see accounting policy 3.17).

A provision for impairment of receivables is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of the estimated recovery of the debt.

**3.11 Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Inventories (such as spare parts and other items) held for distribution or consumption in the

provision of services that are not supplied on a commercial basis, are measured at the lower of cost, adjusted when applicable, for any loss of service potential.

The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

**3.12 Non-current assets (or disposal groups) held for sale**

Non current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non current asset (or disposal group) is recognised at the date of de-recognition.

Non current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non current assets classified as held for sale and the assets of a disposal group classified as held for sale, are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

**3.13 Property, plant and equipment**

Property, plant and equipment consist of:

**Operational assets** – These include land, buildings, improvements, library books, plant and equipment, heritage assets and works of art, and motor vehicles.

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

**Infrastructure assets** – Infrastructure assets are the fixed utility systems owned by the Council.

Each asset type includes all items that are required for the network to function, for example, wastewater reticulation includes reticulation piping and pump stations.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

### 3.14.1 Valuation Methodologies

Those asset classes that are revalued are revalued on a three yearly valuation cycle. All other asset classes are carried at depreciated historical cost. The carrying values of all assets not revalued in any year are reviewed at each balance date to ensure that those values are not materially different to fair value.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Valuations are performed with sufficient regularity to ensure revalued assets are carried at a value that is not materially different from fair value.

Increases in the carrying amounts arising on revaluation of an asset class are credited to revaluation reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the income statement.

### 3.14.2 Additions

Additions between valuations are shown at cost, except vested assets. Certain infrastructural assets and land have been vested in Council as part of the sub-divisional consent process. The vested land reserve has been initially recognized at the most recent appropriately certified Government valuation. Vested infrastructural assets are valued based on the actual quantities of infrastructure components vested, and the current "in the ground" cost of providing identical services.

### 3.14.3 Depreciation

Land is not depreciated. Depreciation on other assets is calculated using either the straight line or the diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

The useful lives and associated depreciation rates of assets to be depreciated have been estimated as follows:

#### Operational assets

|                  |           |              |
|------------------|-----------|--------------|
| Land             | Nil       | Nil          |
| Buildings        | 40-75 yrs | 1.3%-2.5% SL |
| Site Value       | 13 yrs    | 7.69% SL     |
| Structure        | 20-80 yrs | 1.3% -5% SL  |
| Roof             | 20-40 yrs | 2.5%-5% SL   |
| Services         | 20-45 yrs | 2.5%-5% SL   |
| Internal fit out | 15-35 yrs | 2.9%-6.7% SL |
| Plant            | 20-30 yrs | 3.3%-5% SL   |
| Machinery        | 2-20 yrs  | 5-50% SL     |
| Computer Eqpmt   | 4 yrs     | 25% SL       |

|                |          |              |
|----------------|----------|--------------|
| Office Eqpmt   | 4-10 yrs | 13.33-25% SL |
| Furn.& Fittngs | 2-10 yrs | 10-50% SL    |
| Park Furniture | 2-25 yrs | 4%-50% SL    |
| Vehicles       | 4-10yrs  | 10-25% SL    |
| Library Books  | 6.5 yrs  | 15.5% SL     |

#### Infrastructural assets

|                  |                 |              |
|------------------|-----------------|--------------|
| Roads            |                 |              |
| top surface      | 3-20 yrs        | 5%-33% SL    |
| pavement         | 45-60 yrs       | 1.7%-2% SL   |
| formation        | not depreciated |              |
| culverts         | 55-80 yrs       | 1.3%-1.8% SL |
| footpaths        | 50-80 yrs       | 1.3%-2% SL   |
| kerbs            | 60 yrs          | 1.7% SL      |
| signs            | 15 yrs          | 6.7% SL      |
| street lights    | 25-60 yrs       | 1.7%-4% SL   |
| bridges          | 90-100 yrs      | 1%-1.1% SL   |
| land under roads | not depreciated |              |

#### Water Reticulation

|                  |           |              |
|------------------|-----------|--------------|
| Pipes            | 45-80 yrs | 1.25%-2.2%SL |
| valves, hydrants | 40 yrs    | 2.5% SL      |
| pump stations    | 10-60 yrs | 1.7%-10% SL  |
| tanks            | 25-80 yrs | 1.3%-4% SL   |

#### Sewerage Reticulation

|                 |           |              |
|-----------------|-----------|--------------|
| Pipes           | 15-80 yrs | 1.3%-6.7% SL |
| Manholes        | 80 yrs    | 1.3% SL      |
| treatment plant | 5-80 yrs  | 1.3%-20% SL  |

#### Stormwater Systems

|                       |            |            |
|-----------------------|------------|------------|
| Pipes                 | 70-100 yrs | 1%-1.4% SL |
| manholes, cesspits    | 75-100 yrs | 1%-1.3% SL |
| flood control systems | 50-100 yrs | 1%-2% SL   |

#### Restricted Assets

|       |          |           |
|-------|----------|-----------|
| Land  | Nil      | Nil       |
| Other | 0-40 yrs | 0-2.5% SL |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### 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. The current carrying amount of items under construction is separately disclosed.

#### **3.14.4 Disposal**

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves in respect of those assets are transferred to retained earnings.

#### **3.15 Intangible Assets**

##### **Software**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These are valued at cost, and are amortised over the expected useful life of the license.

The useful lives and associated amortisation rates of assets to be amortised have been estimated as follows: Software 4 years 25%

Costs associated with maintaining computer software are recognised as an expense when incurred.

#### **3.16 Biological assets and agricultural produce**

A biological asset is a living animal or plant. Biological assets that are the subject of agricultural activity (i.e., the management of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets) are stated at fair value less estimated point-of-sale costs, determined on the basis of an annual revaluation, with any resultant gain or loss recognised in the income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

All other biological assets are measured at the lower of cost and net realisable value.

Agricultural produce is the harvested product of the entity's biological assets. Agricultural produce is measured at fair value less estimated point-of-sale costs at the point of harvest.

##### **Forest assets**

Forest assets are predominantly standing trees which are managed on a sustainable yield basis. These are shown in the balance sheet at fair value less estimated point of sale costs at harvest. The costs to establish and maintain the forest assets are included in the income statement, together with the change in fair value for each accounting period.

The valuation of Taupō District Councils forests is based on discounted cash flow models where the fair value is calculated using cash flows from continued operations; that are, based on sustainable forest management plans taking into account growth potential. The yearly harvest from tree forecast tree growth is multiplied by expected wood prices and the costs associated with forest management, harvesting and distribution are then deducted to derive annual cash flows.

The fair value of the forest assets is measured as the present value of cash flows from one growth cycle based on the productive forest land, taking into consideration environmental, operational and market restrictions. Forest assets are valued separately from the underlying freehold land.

#### **3.17 Impairment**

The carrying amounts of Taupō District Councils assets, other than investment property (see Investments policy), inventories (see Inventories policy) and deferred tax assets (see Income Tax policy), are reviewed at each balance sheet date to determine whether there is any indication of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential. The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the income statement.

For assets not carried at a revalued amount, the total impairment loss is recognised in the income statement.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognized in the income statement, a reversal of the impairment loss is also recognised in the income statement.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the income statement.

#### **3.18 Financial Liabilities**

Financial liabilities (creditors, loans, bonds and deposits) are initially recognised at fair value. These are subsequently recognised at amortised cost.

#### **3.19 Employee Entitlements**

Provision is made in respect of Taupō District Council's liability for annual leave, sick leave, long service leave, and gratuities.

The retiring gratuity liability is assessed on an actuarial basis using current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point

of entitlement. These estimated amounts are discounted to their present value.

Long-service leave for which there is already actual entitlement is accrued at actual entitlement using current rates of pay. In addition, there is an actuarial assessment of value for which entitlement has not yet been reached. This assessment uses current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Liabilities for annual leave are accrued on an actual entitlement basis, using current rates of pay.

Liabilities for accumulating short-term compensated absences (for example, sick leave) are measured as the amount of unused entitlement accumulated at balance date that the Council anticipates employees will use in future periods in excess of the days that they will be entitled to in each of those periods.

### **3.20 Provisions**

A provision is recognised in the balance sheet when the Council has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### **Landfill post-closure costs**

The Council, as operator of the District landfill, has a legal obligation under the resource consent to provide ongoing maintenance and monitoring services at the landfill site 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.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the Council.

### **3.21 Interest-bearing Borrowings**

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

### **3.22 Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **3.23 Cost Allocation**

Taupō District Council has derived the net cost of service for each significant activity of the Council using the following cost allocation system:

Direct costs (costs directly attributable to a significant activity) are charged directly to significant activities.

Indirect costs (those costs which cannot be identified in an economically feasible manner, with a specific significant activity) are charged to significant activities based on cost drivers and related activity/usage information.

### **3.24 Third Party Transfer Payment Agencies**

Taupō District Council collects monies for many organisations. Where collections are processed through Taupō District Council's books, any monies held are shown as trade payables in the Balance Sheet. Amounts collected on behalf of third parties are not recognised as revenue, but commissions earned from acting as agent are recognised in revenue.

### **3.25 Critical Accounting Estimates and Assumptions**

In preparing these financial statements, Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### **Infrastructural Assets**

There are a number of assumptions and

estimates used when performing the depreciated replacement cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example, the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimized by Council performing a combination of physical inspections and condition modeling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under estimating the annual depreciation charge recognised as an expense in the statement of financial performance. To minimise this risk, Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of Council's asset management planning activities, which provides Council with further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

#### **Classification of Property**

Council owns a number of properties, which are maintained primarily to provide housing to pensioners. Receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the Council's social housing policy. These properties are accounted for as property, plant and equipment.

#### **3.26 Prospective Financial Information**

The financial information contained within this document is prospective financial information in terms of accounting standard FRS42. The purpose for which it has been prepared is to enable ratepayers, residents and any other interested parties to obtain information about the expected future financial performance, position and cashflow of Taupō District Council.

The actual results achieved for any particular financial year are also likely to vary from the information presented and may vary materially depending on the circumstances that arise during the period.

Estimates and judgements are continually

evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Financing costs**

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange losses, and losses on hedging instruments that are recognised in the income statement.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

# FUNDING IMPACT STATEMENT

## 1 Introduction

This Funding Impact Statement has been prepared taking into consideration the changes to one rating area for the district and uniform annual general charges being levied on separately usable or inhabitable parts of rating units. This Funding Impact Statement has been updated to include any Council decisions subsequent to the 2010/11 Annual Plan and to reflect the revenue requirements of the 2011/12 year.

The schedule on page 97 is provided to show the dollars collected from all funding sources.

## 2 Ward Boundaries and Rating Areas

Council has one rating area for the whole district. Where services benefit the whole community, these services will be paid from general rates. Where services benefit individuals or identifiable groups in the community, user charges or targeted rates may be levied.

The rating system used by Council is land value, and the property valuations produced by Land Mass Technologies effective 1 July 2010 are used for the 2011/12 rating year.

It should be noted that any rate in the dollar detailed in this policy is a rate in the dollar using the land value of that rating unit.



### 3 Categories of Rateable Land

The Council will adopt the following as its definitions for categories of rateable land for the 2011/12 financial year. These categories will be used as described elsewhere in this policy, and as required, for setting the general rate differentially and for setting some of the targeted rates.

The categories are:

- Residential – all residential rating units with up to two separately used or inhabited portions under common ownership
- Rural Residential - all rural properties under four hectares but excluding those properties which have commercial, retail, industrial, accommodation, farming or horticultural, or electricity generation uses
- Multi residential – all rating units where there are more than two portions capable of separate occupation (including institutions for the elderly)
- Commercial/Industrial – all rating units used for commercial, industrial or retail purposes excluding motels, hotels and other accommodation establishments for the travelling public, and rating units with electricity generation use. Administrative and operational rating units of Central and Local Government, including State Owned Enterprises are also categorised Industrial/Commercial
- Accommodation – all accommodation establishments for the travelling public, including motels, hotels, camping grounds and backpacker lodges
- Timeshare Accommodation – all timeshare units where there is a composite certificate of title for an undivided share in a stratum estate in freehold under the Unit Titles Act 1972 and an estate in leasehold for a time-share period under the Land Transfer Act 1952.
- Rural within urban – all rating units in the urban areas of four hectares or larger, but excluding those rating units which have commercial or retail, industrial, accommodation or electricity generation uses.
- Rural – all rating units in the rural areas of four hectares or larger, but excluding those properties which have commercial or retail, industrial, accommodation or electricity generation uses. To avoid doubt this category includes any rating unit used predominately for farming or horticultural use.
- Electricity generators – all rating units used for electricity generation, where the whole operation of the electricity generator within the District (from this rating unit and any others involved in the operation) exceeds 30,000 MWh per annum.
- Other - All other rating units not defined within the other differential categories.

It should be noted that:

- a. Vacant land – the differential classification will be determined by the underlying zone classification or size (area) of the rating unit.
- b. Separately usable or inhabitable part - this refers to the ability to use a part or parts of the rating unit as an independent residence; or in the case of a rating unit used for commercial or industrial business, the ability to use part or parts of the rating unit for independent trading operations. In a residential situation a separately usable or inhabitable part will only be classified if all of the following apply - separate kitchen including a bench top, sink or cooking facilities, separate living facilities, separate toilet and bathroom facilities and a separate external entrance. In a business situation a separately usable or inhabitable part will be classified where the property has been set-up to accommodate, or is accommodating, separate lessees, tenants, or the like, operating separate businesses from the same rating unit..
- c. Contiguous properties – urban and rural – where the following is correct these can be treated as one rating unit and the differential applying to all assessments will be determined by the predominant use.
  - Any two or more rating units are held in the same ownership, used jointly as a single property and are contiguous; or
  - The certificates of title are required to be sold together; or
  - A substantial improvement(s) straddles the certificate of title boundaries; or
  - In the case of a large holding such as a motel, reserve or airport etc, it is unreasonable to treat each certificate of title as a rating unit; or
  - Land that is used as one farming operation and it is likely that the operation will be sold only as one farming operation.
- d. Multi-use rating units- where a property has more than one use in terms of the differential classification, a rating division will be created to accurately show each portion as per the differential.

### 3.1 Property Classifications and Differential Factors for 2011/12 General Rate Based on Land Use

| Property Classes   | Differential Factors |
|--|----------------------|
| Urban Residential  | 1.000                |
| Urban Multi Resd [>2]  | 2.000                |
| Urban Ind/Commercial   | 2.000                |
| Urban Accommodation  | 2.000                |
| Timeshare Accommodation  | 1.000                |
| Rural within Urban   | 1.000                |
| Rural Residential  | 1.000                |
| Rural Multi Resd [>2]  | 2.000                |
| Rural Ind/Commercial   | 2.000                |
| Rural Accommodation  | 2.000                |
| Rural within Rural   | 1.000                |
| Electricity Generators – Hydro Taupō/Kaingaroa/Mangakino/Pouakani      | 11.80                |
| Electricity Generators – Hydro Turangi Tongariro                       | 19.70                |
| Electricity Generators – Geothermal Taupō/Kaingaroa/Mangakino/Pouakani | 20.45                |
| Electricity Generators – Geothermal Turangi Tongario                   | 20.45                |
| Other  | 2.000                |

### 3.2 Targeted Rates Based on Land Use

Council will target rates based on land use to assess:

- Marketing Development Rate (1 below)
- District Refuse Disposal Rate (1 and 2 below)
- Lake Protection Rate (3 below).

The following categories will apply:

- 1 All commercial, industrial, electricity generation, and accommodation rating units
- 2 All residential, multi residential, timeshare accommodation, and rural properties
- 3 All rural rating units over 2 hectares within the defined Lake Taupō catchment area excluding commercial/industrial and forestry.

### 3.3 Targeted Rates Based on Location

Council will use targeted rates based on location to assess rates on rating units for:

- Main Street Development Charge (1 below)
- Lake Protection Rate (2 and 3 below)
- Town Centre Taupō Management Rate (4 below)
- Security Rate (5 below)
- Whareroa Refuse Rate (6 below)
- Turangi-Tongariro Community Board Rate (see 1 below)

The following categories will apply:

- 1 Turangi/Tongariro Rating Area – all rating units
- 2 Inside Lake Taupō catchment Area – all rating units excluding rural units over 2 hectares
- 3 Outside Lake Taupō catchment area – all rating units
- 4 Commercial/Industrial rating units within the defined central business district of Taupō town (see map at end of policy)
- 5 Specified rating units within the Turangi central business district
- 6 All rating units on the Whareroa valuation roll

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### **3.4 Targeted Rates Based on Availability of Service**

Council will use targeted rates based on availability of service to assess rates on rating units for:

- Water supply and sewage disposal (1,2,3,4 and 5 below)
- Water and sewer loans to fund capital costs (6 below)
- Main Street Security Rate (7 below)
- Whakamaru Fire Protection Charge (8 below).

The following categories will apply:

1. connected – any rating unit that is connected to a Council operated water scheme or is connected to a public sewerage drain
2. serviceable – any rateable rating unit that is not connected to a sewage drain but is within 30 metres of such a drain; or a Council operated water scheme that is not connected, but:
  - for certain defined water schemes is within 100 metres of any part of the waterworks or
  - for other certain defined water schemes within the scheme area
3. sewer multi connections – rating units with more than one pan or urinal
4. water multi connections – rating units with more than one separately occupiable part
5. metered water supply – rating units with a water meter
6. rating units where no election was made to pay by lump sum contribution
7. defined rating units within the Turangi CBD
8. defined rating units within the Whakamaru village

### **4. General and Targeted Rates**

The Council intends to set the following rates under the Local Government (Rating) Act 2002, on rating units in the district for the financial year commencing on 1 July 2011 and ending on 30 June 2012.

## 4.1 General Rate

A General Rate, set under section 13 of the Local Government (Rating) Act 2002 made on every rating unit, assessed on a differential basis as described below and calculated on the land value of each rating unit in the district.

| Area and Rating Unit                                | 2010/11<br>GST Inclusive | 2011/12<br>GST Inclusive |
|---|--------------------------|--------------------------|
| <b>Taupō Township/Acacia Bay/Mangakino Township</b> |                          |                          |
| Residential   | 0.0025725/\$             | 0.0029092/\$             |
| Residential-Multi                                   | 0.0051450/\$             | 0.0058184/\$             |
| Accommodation                                       | 0.0051450/\$             | 0.0058184/\$             |
| Timeshare Accommodation                             | 0.0025725/\$             | 0.0029092/\$             |
| Industrial/Commercial                               | 0.0051450/\$             | 0.0058184/\$             |
| Rural   | 0.0025725/\$             | 0.0029092/\$             |
| Electricity generators – Geothermal                 | 0.0700229/\$             | 0.0594934/\$             |
| Electricity generators – Hydro                      | 0.0359118/\$             | 0.0343287/\$             |
| Other   | 0.0051450/\$             | 0.0058184/\$             |
| <b>Balance Taupō Ward/Kaingaroa/Pouakani</b>        |                          |                          |
| Residential   | 0.0025725/\$             | 0.0029092/\$             |
| Residential-multi                                   | 0.0051450/\$             | 0.0058184/\$             |
| Accommodation                                       | 0.0051450/\$             | 0.0058184/\$             |
| Timeshare Accommodation                             | 0.0025725/\$             | 0.0029092/\$             |
| Industrial/Commercial                               | 0.0051450/\$             | 0.0058184/\$             |
| Rural   | 0.0025725/\$             | 0.0029092/\$             |
| Electricity generators – Geothermal                 | 0.0700229/\$             | 0.0594934/\$             |
| Electricity generators – Hydro                      | 0.0359118/\$             | 0.0343287/\$             |
| Other   | 0.0051450/\$             | 0.0058184/\$             |
| <b>Turangī Township</b>                             |                          |                          |
| Residential   | 0.0027011/\$             | 0.0029092/\$             |
| Residential-multi                                   | 0.0054022/\$             | 0.0058184/\$             |
| Accommodation                                       | 0.0054022/\$             | 0.0058184/\$             |
| Timeshare Accommodation                             | 0.0027011/\$             | 0.0029092/\$             |
| Industrial/Commercial                               | 0.0054022/\$             | 0.0058184/\$             |
| Rural   | 0.0027011/\$             | 0.0029092/\$             |
| Electricity generators – Geothermal                 | 0.0734699/\$             | 0.0594934/\$             |
| Electricity generators – Hydro                      | 0.0416782/\$             | 0.0573115/\$             |
| Other   | 0.0054022/\$             | 0.0058184/\$             |
| <b>Tongariro</b>                                    |                          |                          |
| Residential   | 0.0027011/\$             | 0.0029092/\$             |
| Residential-multi                                   | 0.0054022/\$             | 0.0058184/\$             |
| Accommodation                                       | 0.0054022/\$             | 0.0058184/\$             |
| Timeshare Accommodation                             | 0.0027011/\$             | 0.0029092/\$             |
| Industrial/Commercial                               | 0.0054022/\$             | 0.0058184/\$             |
| Rural   | 0.0027011/\$             | 0.0029092/\$             |
| Electricity generators – Geothermal                 | 0.0734699/\$             | 0.0594934/\$             |
| Electricity generators – Hydro                      | 0.0416782/\$             | 0.0573115/\$             |
| Other   | 0.0054022/\$             | 0.0058184/\$             |

The General Rate will be used to fund planning guidance, building and development services, inspection services, rural fire, housing for the elderly, community support, community health, arts and culture, heritage, safety and crime prevention, venture centre, swimming pool (Turangi), roading, rate remissions, parking control, economic development and destination marketing.

## 4.2 Uniform Annual General Charge

A Uniform Annual General Charge set under section 15 of the Local Government (Rating) Act 2002 is assessed on every separately usable or habitable part of a rating unit (as defined in section 3b of this document).

| Targeted General Charge | 2010/11<br>GST Inclusive | Uniform Annual General Charge | 2011/12<br>GST Inclusive |
|-------------------------|--------------------------|-------------------------------|--------------------------|
| TKMP                    | \$468.00                 | One rating area               | \$470.00                 |
| TT                      | \$488.00                 |                               |                          |

The Uniform Annual General Charge will be used to fund governance, integrated planning, environmental planning, policy and development, civil defence, animal control, venues, libraries, Great Lake Centre (TKMP), parks and reserves, sports grounds, amenity plantings, community halls, public conveniences, Super Loo (TKMP), visitor centres and litter control.

## 4.3 Sewage Disposal

A targeted rate for sewage disposal, set under section 16 of the Local Government (Rating) Act 2002, assessed on every rating unit connected or available to be connected to a Council scheme on the basis of one charge per pan or urinal (with the exception of the residence of a single household – which shall be levied only one charge). For the avoidance of doubt the words 'a single household' do not restrict the charge to one pan/urinal in the situation where a rating unit has separately usable and habitable portions. In such a situation each separately usable or habitable portion is regarded as a separate household, and a charge applied, at the sliding scale, for each separately usable or habitable portion of the rating unit (as defined in section 3 of this document).

The sewer schemes are as follows:

Schemes – Taupō Township, Acacia Bay, Kinloch, Waitahanui/Five Mile Bay, Whakamaru, Mangakino, Atiamuri, Turangi Township/Tokaanu, Omori/Kuratau/Pukawa, Motutere, Whareroa and Motuoapa.

The targeted Sewer Disposal Charges are as follows:

| Category                                | 2010/11<br>GST Inclusive | 2011/12<br>GST Inclusive |
|---|--------------------------|--------------------------|
| Connected (1st pan/urinals)             | \$487.92                 | \$533.95                 |
| Connected ( 2 – 10 pans/urinals)        | \$365.94                 | \$400.46                 |
| Connected (10 + pans/urinals)           | \$243.96                 | \$266.97                 |
| Connected (schools 10 + pans/urinals)   | \$121.98                 | \$133.49                 |
| Serviceable (available to be connected) | \$243.96                 | \$266.98                 |

#### 4.4 Sewer Loan Servicing

A targeted rate for sewer scheme loans, set under section 16 of the Local Government (Rating) Act 2002, assessed on every rating unit within a sewer loan servicing scheme where no election was made to pay by way of lump sum contribution.

The targeted Sewer Scheme Loan Charges are as follows:

| Sewer Loan               | 2010/11<br>GST Inclusive | 2011/12<br>GST Inclusive |
|--------------------------|--------------------------|--------------------------|
| Waitahanui/Five Mile Bay | \$231.97                 | \$233.24                 |

#### 4.5 Water Supply

Water Schemes with fixed charge targeted rates.

A targeted rate for water supply, set under section 16 of the Local Government (Rating) Act, assessed on the basis of a targeted rate on any separately usable or habitable portion (as defined in section 3 of this document) of a rating unit that can be occupied, and being a rating unit which is connected, or is available to be connected, to a Council scheme. A full charge will be made for connected rating units and a half charge for serviceable rating units (those within 100 metres of any part of the waterworks).

The water schemes and targeted water charges on any separate part of a rating unit as described above are as follows:

| Water Scheme                    | 2010/11<br>GST Inclusive | 2011/12<br>GST Inclusive |
|---------------------------------|--------------------------|--------------------------|
| Taupō Township/Wairakei Village | \$209.72                 | \$226.44                 |
| Acacia Bay                      | \$448.17                 | \$474.42                 |
| Kinloch                         | \$177.63                 | \$190.17                 |
| Waitahanui                      | \$515.91                 | \$549.74                 |
| River Road                      | \$285.78                 | \$310.47                 |
| Mangakino Township              | \$201.00                 | \$217.97                 |
| Atiamuri                        | \$421.66                 | \$449.00                 |
| Whakamaru                       | \$337.03                 | \$348.05                 |
| Turangi Township/Tokaanu        | \$163.60                 | \$175.92                 |
| Motuoapa                        | \$185.91                 | \$195.72                 |
| Omori/Kuratau/Pukawa            | \$164.49                 | \$172.38                 |
| Hatepe                          | \$230.41                 | \$243.07                 |
| Whareroa                        | \$228.39                 | \$240.65                 |

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Water schemes with charges based on land value.

All rating units within the water supply areas defined below (whether connected or not) are levied on the basis of land value. This is also a targeted rate, set under section 16 of the Local Government (Rating) Act 2002.

The water schemes and targeted water rates are as follows:

| <b>Water Scheme</b> | 2010/11<br>GST Inclusive | 2011/12<br>GST Inclusive |
|---------------------|--------------------------|--------------------------|
| Whakaroa            | 0.0004895/\$             | 0.0008130/\$             |
| Centennial Drive    | 0.0011403/\$             | 0.0013743/\$             |
| Mapara Road         | 0.0002944/\$             | 0.0004174/\$             |
| Bonshaw Park        | 0.0014666/\$             | 0.0018965/\$             |
| Whakamoenga Point   | 0.0005735/\$             | 0.0007111/\$             |
| Waihaha             | 0.0016058/\$             | 0.0019391/\$             |
| Tirohanga           | 0.0004476/\$             | 0.0005525/\$             |

## 4.6 Metered Water Supply

A targeted rate for metered water supply, set under section 19 of the Local Government (Rating) Act 2002, and assessed on the volume of water supplied to every rating unit with a water meter. In applying these metered water charges, the ratepayer will be provided with units of water at no charge up to the threshold at which the level of water usage multiplied by the rate per cubic metre matches the targeted rate contribution under the provisions of section 4.5 of this policy. It is only when this threshold is exceeded that water meter charges at the rates set below will be applied.

Note: Water meter charges will be invoiced separately from rate invoices at various times throughout the year (depending on the water scheme).

The targeted water meter rates are as follows:

| Water Supply            | 2010/11 GST Inclusive             |  | 2011/12 GST Inclusive             |  |
|-------------------------|-----------------------------------|--|-----------------------------------|--|
|                         | Ordinary cents per m <sup>3</sup> | Extraordinary cents per m <sup>3</sup> | Ordinary cents per m <sup>3</sup> | Extraordinary cents per m <sup>3</sup> |
| Taupō Township/Wairakei | 106.3                             | 152.3                                  | 110.6                             | 158.4                                  |
| Waitahanui              | 489.8                             | 737.0                                  | 509.4                             | 766.5                                  |
| Acacia Bay              | 180.9                             | 258.6                                  | 188.1                             | 268.9                                  |
| Kinloch                 | 84.9                              | 130.8                                  | 88.3                              | 136.0                                  |
| Whakaroa                | 116.5                             | 169.7                                  | 121.2                             | 176.5                                  |
| Centennial Drive        | 39.9                              | 76.7                                   | 41.5                              | 79.8                                   |
| Mapara Road             | 114.5                             | 170.7                                  | 119.1                             | 177.5                                  |
| Bonshaw Park            | 149.3                             | 221.8                                  | 155.3                             | 230.7                                  |
| Whakamoenga Point       | 107.3                             | 107.3                                  | 111.6                             | 111.6                                  |
| River Road              | 73.6                              | 111.4                                  | 76.5                              | 115.9                                  |
| Mangakino Township      | 82.8                              | 121.6                                  | 86.1                              | 126.5                                  |
| Tirohanga               | 40.9                              | 93.0                                   | 42.5                              | 96.7                                   |
| Turangi Township        | 40.9                              | 75.6                                   | 42.5                              | 78.6                                   |
| Motuoapa                | 56.2                              | 82.8                                   | 58.4                              | 86.1                                   |
| Tokaanu                 | 77.7                              | 77.7                                   | 80.8                              | 80.8                                   |
| Hatepe                  | 92.0                              | 138.0                                  | 95.7                              | 143.5                                  |
| Omori/Kuratau/Pukawa    | 102.2                             | 102.2                                  | 106.3                             | 106.3                                  |

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#### 4.7 District Refuse Disposal Charge

A targeted rate for district refuse disposal, solid waste operations and waste minimization initiatives, set under section 16 of the Local Government (Rating) Act 2002 and assessed on every rateable rating unit in the district on the basis that residential, multi-residential, timeshare accommodation, rural and electricity generation rating units shall be assessed with one charge per rating unit, and all other rating units shall be assessed with two charges per separately useable or habitable portion of a rating unit (as defined in section 3 of this document). For the avoidance of doubt, where a rating unit is divided into separate parts for rating purposes, each separate part is treated as if it were a separate rating unit for the application of this District Refuse Disposal Charge.

The targeted District Refuse Disposal Charge is as follows:

|                                 | 2010/11<br>GST Inclusive | 2011/12<br>GST Inclusive |
|---------------------------------|--------------------------|--------------------------|
| District Refuse Disposal Charge | \$79.17                  | \$82.71                  |

#### 4.8 Marketing Development Rate

A targeted Marketing Development Rate, set under section 16 of the Local Government (Rating) Act 2002, assessed on every rating unit in the district being used for commercial, industrial, electricity generation, or accommodation purposes.

The targeted Marketing Development Rate is as follows:

|                            | 2010/11<br>GST Inclusive | 2011/12<br>GST Inclusive |
|----------------------------|--------------------------|--------------------------|
| Marketing Development Rate | 0.0021019/\$             | 0.0022605/\$             |

#### 4.9 Main Street Development – Project Pounamu

A targeted Main Street Development Rate, set under section 16 of the Local Government (Rating) Act 2002, assessed on every rating unit in the Turangi/Tongariro rating area.

The targeted Main Street Development Charge is as follows:

|                         | 2010/11<br>GST Inclusive | 2011/12<br>GST Inclusive |
|-------------------------|--------------------------|--------------------------|
| Main Street Development | \$36.23                  | 35.72                    |

#### 4.10 Security Rate

A targeted Security Rate, set under section 16, of the Local Government (Rating) Act 2002, assessed on specified rating units within the Turangi central business district.

The targeted Security Rate is as follows:

|               | 2010/11<br>GST Inclusive | 2011/12<br>GST Inclusive |
|---------------|--------------------------|--------------------------|
| Security Rate | 0.0077291/\$             | 0.0080071/\$             |

#### 4.11 Whakamaru Fire Protection Rate

A targeted Whakamaru Fire Protection Rate, set under section 16 of the Local Government (Rating) Act 2002, assessed on specified rating units within the Whakamaru Village.

The targeted Whakamaru Fire Protection Rate is as follows:

|                           | 2010/11<br>GST Inclusive | 2011/12<br>GST Inclusive |
|---------------------------|--------------------------|--------------------------|
| Whakamaru Fire Protection | \$117.81                 | \$118.38                 |

#### 4.12 Whareroa Refuse Rate

A targeted Whareroa Refuse Rate, set under section 16 of the Local Government (Rating) Act 2002, assessed on all rating units in the Whareroa rating area.

The targeted Whareroa Refuse Rate is as follows:

|                      | 2010/11<br>GST Inclusive | 2011/12<br>GST Inclusive |
|----------------------|--------------------------|--------------------------|
| Whareroa Refuse Rate | \$68.63                  | \$69.00                  |

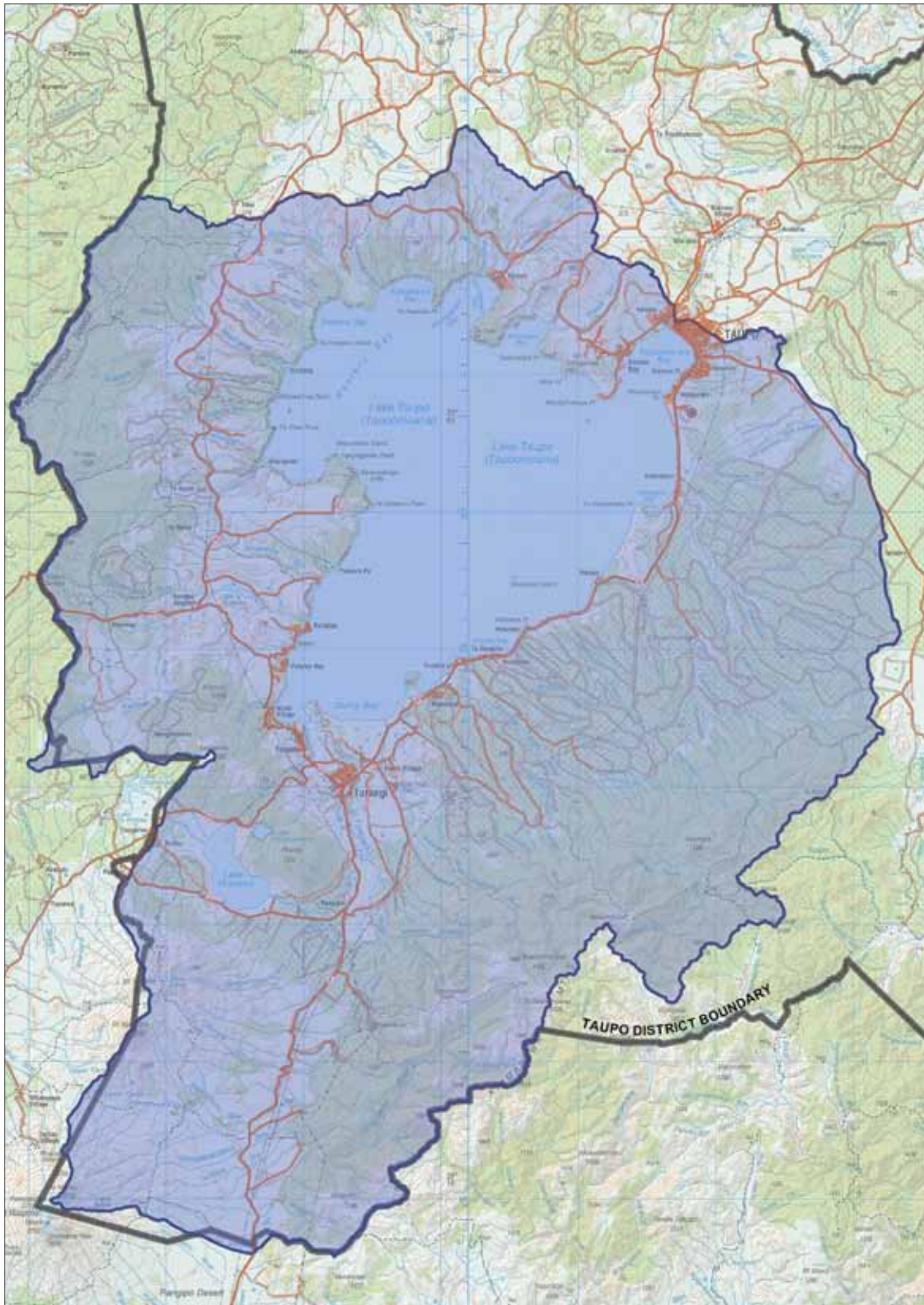
#### 4.13 Lake Protection Rate

A targeted Lake Protection Rate, set under section 16 of the Local Government (Rating) Act 2002, assessed on specified rating units within the Lake Taupō District.

The targeted Lake Protection Rate is as follows:

| Name              | Scope   | 2010/11<br>GST Inclusive | 2011/12<br>GST Inclusive |
|-------------------|---|--------------------------|--------------------------|
| Lake Protection 1 | All Taupō and Turangi township ratepayers. Lakeshore settlements, rural industrial properties and rural commercial properties including forestry interests within the Lake catchment. | \$68.63                  | \$69.00                  |
| Lake Protection 2 | Taupō District ratepayers outside the Lake catchment including Mangakino and River Road.  | \$28.59                  | \$28.74                  |
| Lake Protection 3 | Rural properties 2 hectares and over within catchment but excluding rural industrial properties, rural commercial properties and forestry interests.                                  | 0.0004084/\$             | 0.0004480/\$             |

Figure 2 Protecting Lake Taupō Management Zone





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#### 4.15 Turangi Tongariro Community Board Rate

A targeted Turangi Tongariro Community Board Rate, set under section 16 of the Local Government (Rating) Act 2002, assessed on each separately usable of inhabited part (as defined in section 3 of the LTCCP 2009-19) of all rating units within the Turangi-Tongariro ward.

|  | 2010/11<br>GST Inclusive | 2011/12<br>GST Inclusive |
|--|--------------------------|--------------------------|
| Turangi Tongariro Community Board Rate | N/A                      | \$16.62                  |

#### 5 Penalties on Rates

Council delegates authority to the Revenue Manager and their delegated Financial Officers to apply the following penalties on unpaid rates at their discretion:

- i. a charge of 10 percent on so much of any instalment that has been assessed after 1 July 2011 and which is unpaid after the due date
- ii. a charge of 10 percent on any outstanding rates, penalties and charges levied before 1 July 2011 which remain unpaid 5 working days after the 2011/12 rates resolution is made (between 1 - 9 July 2011).
- iii. Penalties imposed are exempt from GST.

## SCHEDULE TO FUNDING IMPACT STATEMENT

|  | Last Year<br>Annual Plan<br>2010/11<br>(\$,000) | LTCCP<br>Forecast<br>2011/12<br>(\$,000) | Annual Plan<br>2011/12<br>(\$,000) |
|--|---|--|------------------------------------|
| <b>INCOME</b>                          |   |  |                                    |
| General Rate                           | 19,568  | 20,653                                   | 20,316                             |
| <b>Targeted Rates</b>                  |   |  |                                    |
| Uniform Annual General Charge          | 9,000   | 9,000                                    | 9,584                              |
| Lake Protection                        | 1,400   | 1,470                                    | 1,400                              |
| Water Supply                           | 4,905   | 5,577                                    | 5,231                              |
| Sewage Disposal                        | 8,421   | 9,096                                    | 9,498                              |
| Refuse Disposal                        | 1,629   | 1,935                                    | 1,709                              |
| Whareroa Refuse Collection Rate        | 12  | 12                                       | 12                                 |
| Marketing Development Rate             | 1,090   | 1,093                                    | 1,160                              |
| Mainstreet Rate                        | 167   | 166                                      | 164                                |
| Mainstreet Security Rate               | 41  | 44                                       | 41                                 |
| Turangi/Tongariro Community Board Rate | -   | -  | 80                                 |
| Taupō Town Centre Management Rate      | 136   | 118                                      | 138                                |
| Whakamaru Fire Protection              | 4   | 4  | 4                                  |
| *2 <b>Fees and Charges</b>             | 12,179  | 12,802                                   | 11,302                             |
| <b>Operating Subsidies</b>             | 1,703   | 1,635                                    | 1,575                              |
| *2 <b>Interest</b>                     | 6,234   | 6,631                                    | 5,634                              |
| <b>Capital Contributions</b>           |   |  |                                    |
| *2 Development Contributions           | 4,441   | 4,989                                    | 850                                |
| *1 Asset Sales                         | 651   | 2,710                                    | 1,500                              |
| *2 Vested Assets                       | 4,400   | 4,692                                    | 600                                |
| *3 Capital Subsidy                     | 4,993   | 945                                      | 1,796                              |
| <b>Total Operating Revenue</b>         | <b>80,974</b>                                   | <b>83,572</b>                            | <b>72,594</b>                      |
| <b>OPERATING EXPENDITURE</b>           |   |  |                                    |
| *4 Operating expenditure               | 48,763  | 51,306                                   | 47,956                             |
| *5 Interest expense                    | 8,393   | 13,279                                   | 9,665                              |
| *6 Depreciation                        | 14,884  | 14,074                                   | 17,367                             |
| <b>Total operating Expenditure</b>     | <b>72,040</b>                                   | <b>78,659</b>                            | <b>74,988</b>                      |
| <b>Operating (surplus)/deficit</b>     | <b>(8,934)</b>                                  | <b>(4,913)</b>                           | <b>2,394</b>                       |
| <b>OTHER EXPENDITURE</b>               |   |  |                                    |
| Capital Expenditure                    | 37,830  | 33,342                                   | 33,103                             |
| *7 Debt Repayments                     | 7,832   | 12,594                                   | 5,611                              |
| Transfers to special reserves          | 7,624   | 2,182                                    | 1,576                              |
| Recognition of vested assets           | 4,400   | 4,692                                    | 600                                |
| Depreciation not funded                | (3,090)   | (1,961)                                  | (4,570)                            |
| <b>Total net Cost</b>                  | <b>45,662</b>                                   | <b>45,936</b>                            | <b>37,814</b>                      |
| <b>Funded by</b>                       |   |  |                                    |
| Loans Raised                           | 25,862  | 26,824                                   | 26,064                             |
| NZTA and Other Subsidies               | 4,993   | 945                                      | 1,945                              |
| *7 Transfers from Reserves             | 14,807  | 18,167                                   | 10,705                             |
| Opening Balance                        |   |  |                                    |
| <b>Total Net Funding</b>               | <b>45,662</b>                                   | <b>45,936</b>                            | <b>37,814</b>                      |

\* See Notes to Financial Statements page 98

# NOTES TO FINANCIAL STATEMENTS

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## What's different from the LTCCP?

### *Prospective Statement of Comprehensive Income*

- 1** Projections for property sales have been reduced due to less favourable market conditions.
- 2** Other revenue is significantly reduced due to less favourable market conditions, the main variations are as follows:
  - Reduction in forecast development contribution income of \$4.1m
  - Reduction in forecast vested assets of \$4.1m
  - Reduction in forecast regulatory income of \$800k
  - Reduction in forecast interest received of \$1m
- 4** Employee benefit expense projections have been reduced due to a staff restructure in early 2011. Other expenses projections are reduced due to operational savings.
- 5** Finance costs are reduced due to lower than forecast closing debt and lower interest rates.
- 6** Depreciation and Amortisation projections are higher due to higher than forecast revaluations of property, plant and equipment.

### *Prospective Statement of Cashflows*

- 2** refer note 2 in Prospective Statement of Comprehensive Income above.
- 3** refer note 3 in the Schedule to Funding Impact Statement below.
- 4** refer note 4 in Prospective Statement of Comprehensive Income above.
- 5** refer note 5 in Prospective Statement of Comprehensive Income above.
- 7** refer note 7 in the Schedule to Funding Impact Statement below.

### *Schedule to Funding Impact Statement*

- 1** Projections for property sales have been reduced due to less favourable market conditions.
- 2** Other revenue is significantly reduced due to less favourable market conditions, the main variations are as follows:
  - Reduction in forecast development contribution income of \$4.1m
  - Reduction in forecast vested assets of \$4.1m
  - Reduction in forecast regulatory income of \$800k
  - Reduction in forecast interest received of \$1m
- 3** Projected Capital subsidies are higher due to timing differences on the ETA subsidy from NZTA.
- 4** Employee benefit expense projections have been reduced due to a staff restructure in early 2011. Other expenses projections are reduced due to operational savings.
- 5** Finance costs are reduced due to lower than forecast closing debt and lower interest rates.
- 6** Depreciation and Amortisation projections are higher due to higher than forecast revaluations of property, plant and equipment.
- 7** Projected Debt repayments are less due to lower than forecast property sales and development contributions (refer notes 1 & 2). Projected transfers from reserves are lower due to the above.