

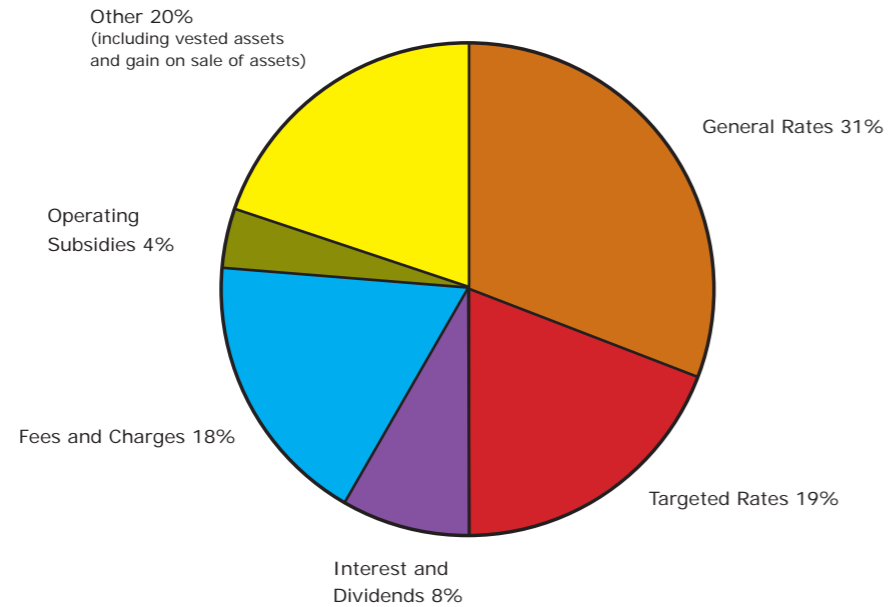


# FINANCIAL PERFORMANCE

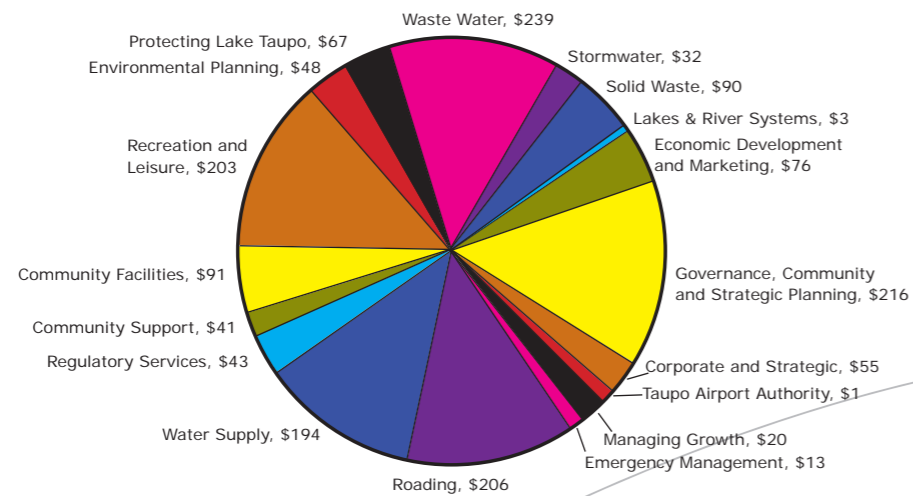
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# OUR FINANCES AT A GLANCE

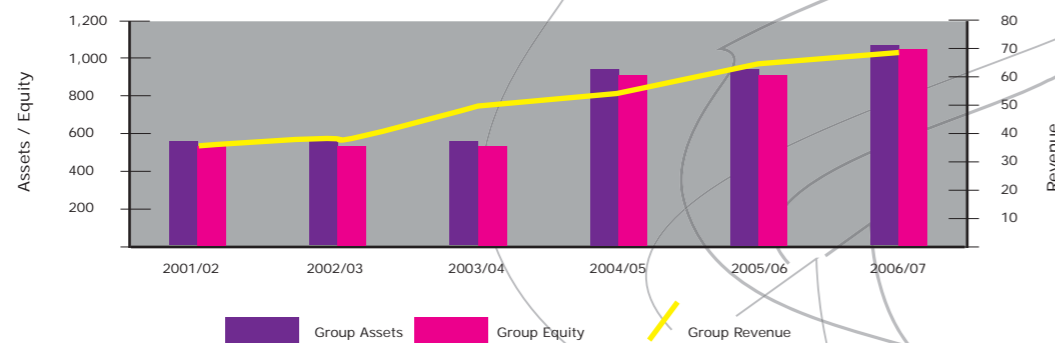
2006/07 FUNDING SOURCES - GROUP:



ON AVERAGE IT COST EACH RATEPAYER \$1,638 TO OPERATE THESE SERVICES:



REVENUE AND ASSETS/EQUITY BY YEAR (\$MILLIONS):



# CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2007

	Notes	Council Actual 2007 \$000	Council Estimate 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>Income</b>						
Rates revenue	2	34,010	33,675	30,738	34,010	30,738
Revenue from significant activities	1,3	22,050	17,751	23,330	22,432	23,892
Other revenue	3	11,284	4,798	8,727	11,271	8,727
Other gains/(losses)	3	698	2,031	3,853	873	3,947
<b>Total operating revenue</b>		<b>68,042</b>	<b>58,255</b>	<b>66,648</b>	<b>68,586</b>	<b>67,304</b>
<b>Expenditure</b>						
Employee benefit expenses	1,4	16,136	14,834	15,084	16,275	15,223
Depreciation and Amortisation	1,4	11,221	9,998	10,537	11,321	10,640
Finance costs	1,4	3,230	3,697	2,915	3,254	2,967
Other expenses	1,4	26,165	24,189	23,138	26,129	23,819
<b>Total operating expenditure</b>		<b>56,752</b>	<b>52,718</b>	<b>51,674</b>	<b>56,979</b>	<b>52,649</b>
<b>Operating surplus (deficit) before taxation</b>		<b>11,290</b>	<b>5,537</b>	<b>14,974</b>	<b>11,607</b>	<b>14,655</b>
Share of associate surplus/(deficit)	29	3,141	-	-	3,141	-
<b>Net surplus (deficit) before taxation</b>		<b>14,431</b>	<b>5,537</b>	<b>14,974</b>	<b>14,748</b>	<b>14,655</b>
Tax (expense) / credit	5	-	-	-	36	49
<b>Net surplus (deficit) after taxation</b>		<b>14,431</b>	<b>5,537</b>	<b>14,974</b>	<b>14,784</b>	<b>14,704</b>
Net surplus (deficit) after taxation is attributable to:						
Taupo District Council	6	14,431	5,537	14,974	14,778	14,772
Minority Interest	6	-	-	-	6	(68)
<b>Net surplus (deficit) after taxation</b>		<b>14,431</b>	<b>5,537</b>	<b>14,974</b>	<b>14,784</b>	<b>14,704</b>

### Explanation of Council net surplus:

Council achieved a net surplus this year of \$14.4m in comparison with a budget of \$5.5m. Explanations for the variance between the actual and estimated net surplus are provided in note 28. Much of the surplus derives from non-cash revenue items such as infrastructure vested by developers (\$5.2m); recognition of the share of the surplus / net assets of associate, the Lake Taupo Protection Trust (\$3.1m); and net fair value gains in the value of various assets taken through the income statement (\$0.7m). In addition, it should be noted that the surplus includes \$7.1m of profits earned from the subdivision and sale of surplus Council land. This figure is considerably in excess of the \$2m budgeted from this source for the 2006/07 year.

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2007

	Notes	Council Actual 2007 \$000	Council Estimate 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
Equity at start of the year	30	887,067	938,948	871,935	890,756	875,894
<i>Property, plant and equipment</i>						
Revaluations gains/(losses) through equity	6	134,470	27,350	-	135,223	-
<i>Financial assets at fair value through equity</i>						
Revaluation gains/(losses) through equity	6	27	-	21	27	21
Cash flow hedges taken to equity	6	643	-	137	643	137
Tax on equity items	6	-	-	-	(16)	-
Net income (expense) recognised directly in equity		135,140	27,350	158	135,877	158
Surplus(deficit) for the year		14,431	5,537	14,974	14,784	14,704
<b>Total recognised income and expenses for the year</b>		<b>149,571</b>	<b>32,887</b>	<b>15,132</b>	<b>150,661</b>	<b>14,862</b>
Total recognised income and expenses are attributable to:						
Taupo District Council		149,571	32,887	15,132	150,637	14,930
Minority Interest	6	-	-	-	24	(68)
<b>Total recognised income and expenses for the year</b>		<b>149,571</b>	<b>32,887</b>	<b>15,132</b>	<b>150,661</b>	<b>14,862</b>
<b>Equity at end of the year</b>		<b>1,036,638</b>	<b>971,835</b>	<b>887,067</b>	<b>1,041,417</b>	<b>890,756</b>

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

# CONSOLIDATED BALANCE SHEET

as at 30 June 2007

	Notes	Council Actual 2007 \$000	Council Estimate 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>Equity</b>						
Accumulated Funds	6	798,783	231,633	796,275	801,306	798,451
Council Created Reserves	6	102,163	81,572	90,263	102,163	90,263
Restricted Reserves	6	266	234	243	266	243
Revaluation Reserves	6	135,426	658,396	286	136,145	286
Minority Interest	6	-	-	-	1,537	1,513
<b>Total Equity</b>		<b>1,036,638</b>	<b>971,835</b>	<b>887,067</b>	<b>1,041,417</b>	<b>890,756</b>
<b>Current Assets</b>						
Cash and Cash Equivalents	7	4,080	4,200	11,431	4,112	11,466
Other Financial Assets	9	44,014	34,933	18,189	44,014	18,189
Derivative Financial Instruments	19	137	-	18	137	18
Trade and Other Receivables	8	7,420	10,783	7,842	7,066	7,509
Inventories		566	540	523	566	523
Non-Current Assets Held for Sale	10	426	1,478	3,816	426	3,816
<b>Total Current Assets</b>		<b>56,643</b>	<b>51,934</b>	<b>41,819</b>	<b>56,321</b>	<b>41,521</b>
<b>Non-Current Assets</b>						
Other Financial Assets	9	27,104	35,366	49,025	25,504	47,429
Derivative Financial Instruments	19	902	141	197	902	197
Trade and Other Receivables	8	-	-	1,694	-	1,694
Intangible Assets	13	418	-	515	418	515
Investment Properties	14	-	-	-	1,666	1,491
Investments in Associates	29	3,141	-	-	3,141	-
Biological Assets - Forestry	12	4,634	3,946	3,801	4,634	3,801
Property, Plant and Equipment	11	996,082	960,563	844,211	1,002,429	849,883
<b>Total Non-Current Assets</b>		<b>1,032,281</b>	<b>1,000,016</b>	<b>899,443</b>	<b>1,038,694</b>	<b>905,010</b>
<b>Total Assets</b>		<b>1,088,924</b>	<b>1,051,950</b>	<b>941,262</b>	<b>1,095,015</b>	<b>946,531</b>
<b>Current Liabilities</b>						
Trade and Other Payables	15	7,854	8,441	7,783	7,910	7,866
Employee Benefit Liabilities	16	1,957	1,771	1,618	1,969	1,634
Borrowings	18	229	3,578	239	229	456
<b>Total Current Liabilities</b>		<b>10,040</b>	<b>13,790</b>	<b>9,640</b>	<b>10,108</b>	<b>9,956</b>
<b>Non-Current Liabilities</b>						
Provisions	17	32	-	30	32	30
Borrowings	18	41,832	63,046	43,846	42,140	44,154
Development Contribution Liability		-	2,679	-	-	-
Deferred Tax Liabilities	5	-	-	-	936	956
Employee Benefit Liabilities	16	382	600	679	382	679
<b>Total Non-Current Liabilities</b>		<b>42,246</b>	<b>66,325</b>	<b>44,555</b>	<b>43,490</b>	<b>45,819</b>
<b>Total Liabilities</b>		<b>52,286</b>	<b>80,115</b>	<b>54,195</b>	<b>53,598</b>	<b>55,775</b>
<b>Total Net Assets</b>		<b>1,036,638</b>	<b>971,835</b>	<b>887,067</b>	<b>1,041,417</b>	<b>890,756</b>

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

The financial statements are authorised for issue by Council on 9 October 2007.



R T Williams  
CHIEF EXECUTIVE OFFICER  
TAUPO DISTRICT COUNCIL  
9 October 2007



C T A Stent  
MAYOR  
TAUPO DISTRICT COUNCIL  
9 October 2007

# CONSOLIDATED CASHFLOW STATEMENT

for the year ended 30 June 2007

	Council Actual 2007 \$000	Council Estimate 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>Cashflows from operating activities</b>					
Cash was provided from :					
Rates	33,970	34,173	31,055	33,970	31,055
Interest income	4,235	6,510	3,621	4,235	3,621
Dividends received	31	-	405	31	405
Fees, charges and other income	17,304	18,417	16,148	17,767	16,632
Net GST received	-	-	419	-	419
<b>Cash inflows from operating activities</b>	<b>55,540</b>	<b>59,100</b>	<b>51,648</b>	<b>56,003</b>	<b>52,132</b>
Cash was applied to :					
Payments to suppliers and employees	41,226	39,208	37,945	41,706	38,516
Interest on public debt	3,206	3,697	2,868	3,243	2,899
Net GST paid	375	-	-	375	-
<b>Cash outflows from operating activities</b>	<b>44,807</b>	<b>42,905</b>	<b>40,813</b>	<b>45,324</b>	<b>41,415</b>
<b>Net cash inflow (outflow) from operating activities</b>	<b>10,733</b>	<b>16,195</b>	<b>10,835</b>	<b>10,679</b>	<b>10,717</b>
<b>Cash Flows from investing activities</b>					
Cash was provided from :					
Proceeds from sale of property, plant and equipment	10,003	4,800	6,251	10,003	6,269
<b>Cash inflows from investing activities</b>	<b>10,003</b>	<b>4,800</b>	<b>6,251</b>	<b>10,003</b>	<b>6,269</b>
Cash was applied to :					
Purchase and development of property, plant and equipment	21,624	36,982	24,604	21,647	24,654
Purchase of intangible assets	150	-	-	150	-
Net increase in investments	4,290	2,774	1,545	3,997	1,453
<b>Cash outflows from investing activities</b>	<b>26,064</b>	<b>39,756</b>	<b>26,149</b>	<b>25,794</b>	<b>26,107</b>
<b>Net cash inflow (outflow) from investing activities</b>	<b>(16,061)</b>	<b>(34,956)</b>	<b>(19,898)</b>	<b>(15,791)</b>	<b>(19,838)</b>
<b>Cash Flows from financing activities</b>					
Cash was provided from :					
Loans raised	86	19,592	18,712	86	18,712
Net increase in finance lease liability	-	-	26	-	26
<b>Cash inflows from financing activities</b>	<b>86</b>	<b>19,592</b>	<b>18,738</b>	<b>86</b>	<b>18,738</b>
Cash was applied to:					
Repayment of loans	2,013	2,231	2,194	2,232	2,194
Net repayment of finance lease liability	96	-	-	96	-
<b>Cash outflows from financing activities</b>	<b>2,109</b>	<b>2,231</b>	<b>2,194</b>	<b>2,328</b>	<b>2,194</b>
<b>Net cash inflow (outflow) from financing activities</b>	<b>(2,023)</b>	<b>17,361</b>	<b>16,544</b>	<b>(2,242)</b>	<b>16,544</b>
Net increase (decrease) in cash held	(7,351)	(1,400)	7,481	(7,354)	7,423
Add cash at start of year	11,431	5,600	3,950	11,466	4,043
<b>Cash at end of period</b>	<b>4,080</b>	<b>4,200</b>	<b>11,431</b>	<b>4,112</b>	<b>11,466</b>
Consisting of:					
Cash and bank	113	100	303	145	338
Call deposits	3,967	-	10,128	3,967	10,128
Short term deposits (less than 3 months)	-	4,100	1,000	-	1,000
<b>Cash at end of period</b>	<b>4,080</b>	<b>4,200</b>	<b>11,431</b>	<b>4,112</b>	<b>11,466</b>

## Notes

The LTCCP included separate disclosure of subsidies, capital subsidies and development/financial contributions. Separate disclosure is not required under NZ IFRS and these items have now been included in fees, charges and other income. The net GST item in the operating activity reflects the net GST paid or received with the Inland Revenue Department. The GST item is disclosed on a net basis as the gross amounts do not provide meaningful information for financial reporting purposes.

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

# STATEMENT OF ACCOUNTING POLICIES

for the year ended 30 June 2007

## REPORTING ENTITY

Taupo District Council is a Local Authority governed by the Local Government Act 2002. The financial statements of Taupo District Council and Group have been prepared in accordance with the provisions of section 98(1) of the Local Government Act 2002.

The Council's financial statements include Council and the Lake Taupo Protection Trust as an equity accounted associate.

The group reporting entity consists of the Taupo District Council, and its subsidiaries, Taupo Airport Authority, Data Capture Systems Limited and Destination Lake Taupo Limited. Council has two other Council Controlled Entities being the Lake Taupo Tourism Advisory Board and the Taupo District Economic Development Board. These are advisory boards and there are no financial results or assets or liabilities to consolidate.

The primary objective of Taupo District Council and group is to provide goods or services for the community or 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 financial reporting.

The financial statements of Taupo District Council are for the year ended 30 June 2007. The financial statements were authorised for issue by Council on 9 October 2007.

## STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and therefore also comply with International Financial Reporting Standards.

This is the Council's first year in complying with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and comparatives for the year ended 30 June 2006 have been restated to NZ IFRS accordingly. A reconciliation of

equity and the net surplus is provided in note 30.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS Balance Sheet at 1 July 2005 for the purposes of the transition to NZ IFRS.

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.

## Standards and interpretations issued and not yet adopted

There are no standards, interpretations, and amendments that have been issued, but are not yet effective, that Taupo District Council has not yet applied.

## ACCOUNTING POLICIES

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

### Basis of Consolidation

Subsidiaries include special purpose entities and are those over which Taupo District Council and group has the power to govern financial and operating policies, generally arising from a shareholding of at least half of the voting rights. Potential exercisable or convertible voting rights are considered when assessing whether Taupo District Council and group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to Taupo District Council and group, and de-consolidated from the date control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries.

Inter-company transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated, unless the transaction

provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary, to ensure consistency with the policies adopted by Taupo District Council and group.

The following entities are treated as subsidiaries in Council's consolidated financial statements:

- Taupo Airport Authority (50% owned but in substance Council exercises control)
- Data Capture Systems Limited (100% owned)
- Destination Lake Taupo Limited (100% owned)

**Accounting for Associates**

Taupo District Council accounts for an investment in an associate in the parent and group financial statements using the equity method. The associate is the Lake Taupo Protection Trust. The Trust is treated as an associate, as Council has significant influence over it without it being either a subsidiary of any organisation, nor an interest in a joint venture. Council has equal significant influence with two other settlers, Environment Waikato and the Crown. As a result Council accounts for an equity interest of 33.3%. The carrying amount of Council's interest is increased or decreased each year to recognise Council's share of the surplus or deficit of the Trust in keeping with this 33.3% interest. Council's share of the surplus or deficit of the associate is recognised in the Income Statement.

**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.

**Derivative Financial Instruments**

Taupo District Council and group 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 the treasury policies of

the respective group entities, Taupo District Council and group do not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see Hedging policy).

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

**Hedging**

Derivatives are first recognised at fair value on the date a contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Taupo District Council and group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

Taupo District Council and group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Taupo District Council and group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

**Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair

value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

**Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non financial asset (for example, inventory) or a non financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

**Derivatives that do not qualify for hedge accounting**

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

**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.

**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 Taupo District Council and group 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 straight-line 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 the Council provides, or is able to provide, the service that gave rise to the charging of the contribution. Otherwise development contributions and financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service.

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. Interest income is not allocated to significant activities and is included as other income in the income statement.

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 Taupo District Council are recognised as revenue when control over the asset is obtained.

General rates are not allocated to significant activities and are included as general rate revenue in the income statement.

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

#### 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 recognised 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 recognised 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 straight-line 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 (see Hedging policy).

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

#### 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

#### 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 elsewhere in these policies.

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short-term highly liquid investments with

maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of Taupo 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.

#### Financial Assets

Taupo District Council and group classify 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, that 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 derecognised are recognised in the income statement.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative 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 non-derivatives that are either designated in this category, or not classified in any of the other categories.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition, and re-evaluates this designation at every reporting date. After initial recognition these investments are measured at their fair value. Gains and losses are recognised directly in equity except for impairment losses, which are recognised in the income statement. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the income statement even though the asset has not been derecognised. On derecognition the cumulative gain or loss previously recognised in equity is recognised in the income statement.

#### Council investment in subsidiaries

For the purposes of the Council's financial statements, Taupo District Council's equity investments in its subsidiary companies are stated at cost, less impairment losses (see impairment policy).

#### 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.

Council's shareholding in King Country Energy Limited is classified as available for sale. This investment is stated at fair value with the resultant gain or loss recognised through equity. Fair value is determined at current market value based on the 30 June closing stock exchange sale price.

Where Taupo District Council and group has the positive intent and ability to hold Government bonds to maturity, they are classified as held-to-maturity investments, measured at initial recognition at fair value, and subsequently carried at amortised cost less impairment losses.

#### 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 impairment policy).

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.

**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 held for distribution at no charge, or for a nominal amount, are stated at the lower of cost and current replacement cost.

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.

**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.

**Property, plant and equipment**

Property, plant and equipment consist of:

Operational assets – These include land, buildings, improvements, library books, plant and equipment, 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.

Heritage assets and works of art.

**Valuation Methodologies**

Operational land and restricted land were initially valued at fair value by Quotable Value New Zealand at 30 June 2005, which was considered deemed cost. These were revalued to fair value by Quotable Value New Zealand at 30 June 2007.

Operational buildings were initially valued at fair value by Quotable Value New Zealand at 1 July 2005, which was considered deemed cost. These were revalued to fair value by Quotable Value New Zealand at 30 June 2007.

Infrastructure roading assets (except for land under roads) were valued at depreciated replacement cost by Council Asset Managers and reviewed by Opus International Consultants Limited at 30 June 2005. This valuation is considered deemed cost.

Infrastructure water, wastewater and stormwater (excluding buildings associated with these networks) were valued at depreciated replacement cost by Beca Valuations Limited at 30 June 2005. This valuation is considered deemed cost.

Infrastructure solid waste is valued at cost less accumulated depreciation.

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.

Land under roads was initially valued by Quotable Value New Zealand at 30 June 2005 which was considered deemed cost. This asset class was revalued to fair value by Quotable Value New Zealand at 30 June 2007. Urban land was valued at 45% of the surrounding land's market value. Rural land was valued based on the surrounding land's market value. Land under roads is not depreciated.

The Airport Infrastructure was valued at depreciated replacement cost by Beca Valuations Limited at 30 June 2002. This valuation is considered deemed cost.

Heritage assets and park furniture were included for the first time at 1 July 2005. Under NZ IFRS these valuations have been deemed cost, and these classes will no longer be valued. Heritage assets are not depreciated.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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.

Borrowing costs are not capitalised as part of the cost of an asset. They are recognised as an expense in the period in which they are incurred.

**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 recognised 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.

**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
<b>Buildings</b>		
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	4-10 yrs	10-25%DV
Computer Equipment	4 yrs	25%SL
Office Equipment	5-10 yrs	10-20%DV
Furniture & Fittings	5 -10 yrs	10%-20%DV
Park Furniture	2-25 yrs	4%- 50% SL
Vehicles	5 -10yrs	10-20%DV
Library Books	6.5 yrs	15.5%SL

**Infrastructural assets:**

<b>Roads</b>		
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	10 - 80 yrs	1.3%-10%SL

Stormwater Systems		
pipes	80 - 100 yrs	1%-1.3%SL
manholes, cesspits	80 - 100 yrs	1%-1.3%SL
Flood Control Systems	15 - 18 yrs	5.6%-6.7%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.

**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.

**Intangible Assets**

**Development expenditure**

Costs related to producing the accounting billing system for Data Capture Systems Ltd. Development costs are capitalised where future benefits are expected to exceed those costs, otherwise such costs are recognised in the income statement in the period in which they are incurred. Unamortised costs are reviewed at each balance date to determine the amount

(if any) that is no longer recoverable, and any amount so identified is written off. As the company has made the decision to cease trading, all development expenditure has been fully impaired.

**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.

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

**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 Taupo District Council and groups 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.

**Investment property**

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Council itself has no investment property, however the Airport has investment property and this is consolidated into the group financial statements. Investment property is measured initially at its cost, including transaction costs. After initial recognition, Council measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the income statement.

**Impairment**

The carrying amounts of Taupo District Council and group's 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 recognised 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.

**Financial Liabilities**

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

**Employee Entitlements**

Provision is made in respect of Taupo District Council and group'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.

**Provisions**

A provision is recognised in the balance sheet when the group 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.

**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.

**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 substantially 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.

**Cost Allocation**

Taupo 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.

**Budget Figures**

The budget figures are those approved by the Council at the beginning of the year after a period of consultation with the public, as part of the Long Term Council Community Plan / Annual Plan process. The budget figures have been prepared in accordance with generally accepted accounting practice, and are consistent with the accounting policies adopted by the Council for the preparation of the financial statements.

**Third Party Transfer Payment Agencies**

Taupo District Council and group collect monies for many organisations. Where collections are processed through Taupo District Council and group'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.

**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 minimised by Council performing a combination of physical inspections and condition modelling 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.

**Critical Judgements in Applying Council's Accounting Policies**

Management has exercised the following critical judgements in applying the Council's accounting policies for the period ended 30 June 2007.

**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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

1 Summary Cost of Services	Actual 2007	Actual 2007	Actual 2007	Estimate 2007	Actual 2006	Actual 2006	Actual 2006
	Revenue	Expenses	Net	Net	Revenue	Expenses	Net
Managing Growth	8,079	1,511	(6,568)	(1,034)	7,742	1,417	(6,325)
Strong Communities	14,067	31,626	17,559	12,672	13,618	29,068	15,450
Sustainable Environment	10,740	14,315	3,575	3,189	11,631	12,609	978
Economic Development and Marketing	1,738	2,722	984	930	1,380	2,381	1,001
Good Governance and Strategic Alliances	5	6,121	6,116	5,624	1	5,934	5,933
Other	839	2,330	1,491	1,043	977	2,008	1,031
Activity revenues and expenses	35,468	58,625	23,157	22,424	35,349	53,417	18,068
Targeted rates included in note 2	(12,798)	-	12,798	12,543	(11,205)	-	11,205
Internal transactions	(620)	(1,873)	(1,253)	-	(814)	(1,743)	(929)
<b>Total Council</b>	<b>22,050</b>	<b>56,752</b>	<b>34,702</b>	<b>34,967</b>	<b>23,330</b>	<b>51,674</b>	<b>28,344</b>
Taupo Airport Data Capture Systems Limited	382	568	186	72	546	828	282
	-	(341)	(341)	-	16	147	131
<b>Total Group</b>	<b>22,432</b>	<b>56,979</b>	<b>34,547</b>	<b>35,039</b>	<b>23,892</b>	<b>52,649</b>	<b>28,757</b>

## INTERNAL TRANSACTIONS

Each significant activity is stated gross of internal costs and revenues, and includes targeted rates (refer note 2). In order to fairly reflect the total external operations for the Council in the income statement, these transactions are eliminated as shown above, except for the revenue from internal rates eliminated against general rates (refer note 2), and the revenue from internal interest eliminated from the interest item in note 3.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

2 Rates Revenue - Council only	Actual 2007	Estimate 2007	Actual 2006
	\$000	\$000	\$000
General rates (excluding internal rates)	21,724	21,632	20,021
Less rates remissions	(512)	(500)	(488)
General rates	21,212	21,132	19,533
<i>Targeted rates attributable to activities:</i>			
Lake Protection	1,393	1,350	1,341
Water Supply	4,033	4,035	3,733
Sewage Disposal	4,956	4,881	4,100
Refuse Disposal	1,205	1,090	1,080
Marketing Development	906	897	657
Mainstreet Rate	157	156	162
Mainstreet Security Rate	35	35	34
Whakamaru Fire Protection	3	4	3
Taupo Town Centre	110	95	95
Total targeted rates	12,798	12,543	11,205
<b>Total rates revenue</b>	<b>34,010</b>	<b>33,675</b>	<b>30,738</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

RATES REMISSIONS					
Under Council's remissions policies, remissions are allowed for Lake Taupo lakebed and lakeshore reserve; community, sporting, and other organisations; non-income producing, unoccupied Maori freehold land in multiple ownership and in undeveloped state; and penalties in certain circumstances and at Council's discretion.					
NON-RATEABLE PROPERTIES					
In accordance with the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. This includes schools, places of worship, public gardens and reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of water supply, sewage disposal and refuse disposal.					
	Council Actual 2007	Council Estimate 2007	Council Actual 2006	Group Actual 2007	Group Actual 2006
	\$000	\$000	\$000	\$000	\$000
<b>3 Revenue by nature</b>					
<b>Revenue from significant activities</b>					
Land Transport NZ - Roading subsidy	2,409	2,853	2,087	2,409	2,087
Other subsidies	128	48	47	128	47
User Charges	5,931	5,621	5,250	6,182	5,671
Regulatory Income	2,164	1,967	2,178	2,164	2,178
Rental income from investment properties	-	-	-	131	141
Infringements and fines	366	277	379	366	379
Interest income	29	-	-	29	-
Gains on disposal of property, plant & equipment	7,189	2,043	7,366	7,189	7,366
Financial or development contributions	3,834	4,942	6,023	3,834	6,023
<b>Revenue from significant activities</b>	<b>22,050</b>	<b>17,751</b>	<b>23,330</b>	<b>22,432</b>	<b>23,892</b>
<b>Other revenue</b>					
Petrol Tax	329	345	364	329	364
Interest income	5,651	4,103	3,659	5,638	3,659
Dividend income	31	-	20	31	20
Vested assets	5,227	-	4,377	5,227	4,377
Other income	46	350	307	46	307
<b>Other revenue</b>	<b>11,284</b>	<b>4,798</b>	<b>8,727</b>	<b>11,271</b>	<b>8,727</b>
<b>Other gains/(losses)</b>					
Changes in fair value of forestry assets (note 12)	640	-	136	640	136
Changes in fair value of investment properties (note 14)	-	-	-	175	94
Gains on disposal of property, plant & equipment	19	-	-	19	-
Changes in value of term deposit investments	(61)	-	(53)	(61)	(53)
Realised gain/(loss) on managed equities	(82)	2,031	3,707	(82)	3,707
Unrealised gain on derivatives not hedge accounted	182	-	63	182	63
<b>Other gains/(losses)</b>	<b>698</b>	<b>2,031</b>	<b>3,853</b>	<b>873</b>	<b>3,947</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

SUBDIVISIONAL VESTED ASSETS		
The Council has vested to it certain infrastructural assets and land as part of the subdivisional approval process. Council recognises the value of these vested assets as other income in its Statement of Financial Performance with an equivalent increase in fixed assets.		
	Council Actual 2007	Council Actual 2006
	\$000	\$000
<b>The vested assets comprise:</b>		
Roads	3,176	2,494
Wastewater	1,269	679
Water	393	457
Stormwater	292	602
Reserves - land	97	145
<b>Total vested assets</b>	<b>5,227</b>	<b>4,377</b>
GOVERNMENT GRANTS		
There are no unfulfilled conditions or other contingencies attached to any recognised government grants.		

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>4 Operating Expenditure</b>				
<b>Employee benefit expenses</b>				
Salaries and wages	16,039	14,597	16,182	14,740
Increases/(decreases) in employee benefit liabilities	42	421	38	417
Severance payments (see below)	-	8	-	8
Contribution to superannuation schemes	55	58	55	58
<b>Employee benefit expenses</b>	<b>16,136</b>	<b>15,084</b>	<b>16,275</b>	<b>15,223</b>
<b>Depreciation and Amortisation</b>				
Depreciation (see note 11)	10,974	10,336	11,074	10,439
Amortisation (see note 13)	247	201	247	201
<b>Depreciation and Amortisation</b>	<b>11,221</b>	<b>10,537</b>	<b>11,321</b>	<b>10,640</b>
<b>Finance costs</b>				
Interest on borrowings	3,200	2,884	3,224	2,936
Finance charges on leased assets	30	31	30	31
<b>Finance costs</b>	<b>3,230</b>	<b>2,915</b>	<b>3,254</b>	<b>2,967</b>
<b>Other expenses</b>				
<i>Audit fees</i>				
Audit fees paid to Audit NZ for Council and Group entity audits	90	85	98	97
Audit fees paid to Audit NZ for audit of NZ IFRS transition	10	-	10	-
Audit fees paid to Audit NZ for audit of the LTCCP and amendments	4	46	4	46
Councillor remuneration (note 24)	352	326	352	326
Community Board remuneration (note 24)	41	36	41	36
Directors fees	-	-	5	4
Impairment of investments	352	-	-	-
Loss on disposal of property, plant and equipment	1,814	673	1,814	673
Donations	108	216	108	545
Minimum lease payments under operating leases	264	177	276	185
Impairment of accounts receivable (note 8)	(7)	381	(4)	500
Other costs	23,137	21,198	23,425	21,407
<b>Other expenses</b>	<b>26,165</b>	<b>23,138</b>	<b>26,129</b>	<b>23,819</b>
<b>Total Operating Expenses</b>	<b>56,752</b>	<b>51,674</b>	<b>56,979</b>	<b>52,649</b>
<b>SEVERANCE PAYMENTS</b>				
In 2006/07 there were no severance payments (2006 One employee, \$8,000).				

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>5 Taxation</b>				
<b>Relationship between tax expense and accounting profit</b>				
Operating surplus before taxation	14,431	14,974	14,748	14,655
Tax calculated @ 33%	4,762	4,941	4,867	4,836
<i>Less tax effect of:</i>				
Non taxable income	(4,762)	(4,978)	(4,875)	(4,934)
Deferred tax adjustment	-	-	(28)	12
Tax losses not recognised	-	37	-	37
<b>Taxation expense / (credit)</b>	<b>-</b>	<b>-</b>	<b>(36)</b>	<b>(49)</b>
<b>Current tax expense</b>				
Current year taxation	-	-	-	-
Deferred taxation	-	-	(36)	(49)
<b>Taxation expense</b>	<b>-</b>	<b>-</b>	<b>(36)</b>	<b>(49)</b>
<b>Deferred Tax</b>				
Opening Balance	-	-	956	1,005
Charged to income	-	-	(36)	(49)
Charged to equity	-	-	16	-
<b>Deferred tax closing balance</b>	<b>-</b>	<b>-</b>	<b>936</b>	<b>956</b>
Data Capture Systems Limited, a subsidiary of Council, has unrecognised tax losses as at 31 March 2007 of \$191,351 to carry forward (2006 \$79,063). The tax effect of these losses is \$57,405 (2006 \$26,091). The carried forward losses originated from the activity of Taupo Information Centre Limited, that company later being renamed Data Capture Systems Limited, and have in the past been applied to meet Council's tax liability on coupon interest received from various CCTO bonds.				

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>6 Equity</b>				
<b>Accumulated Funds</b>				
Opening balance	796,275	790,195	798,451	792,573
Net Surplus/(Deficit) attributable to Council	14,431	14,974	14,778	14,772
	810,706	805,169	813,229	807,345
<i>Transfers from reserves:</i>				
Council created reserves	24,286	19,164	24,286	19,164
<i>Transfers to reserves:</i>				
Restricted reserves	(23)	(15)	(23)	(15)
Council created reserves	(36,186)	(28,043)	(36,186)	(28,043)
<b>Total Accumulated Funds</b>	<b>798,783</b>	<b>796,275</b>	<b>801,306</b>	<b>798,451</b>
<b>Council Created Reserves</b>				
Opening balance	90,263	81,384	90,263	81,384
Transfer from accumulated funds	36,186	28,043	36,186	28,043
Transfer to accumulated funds	(24,286)	(19,164)	(24,286)	(19,164)
<b>Total Council Created Reserves</b>	<b>102,163</b>	<b>90,263</b>	<b>102,163</b>	<b>90,263</b>
<i>Council Created Reserves are made up as follows:</i>				
Depreciation reserves	25,076	22,156	25,076	22,156
Development contributions	3,293	2,457	3,293	2,457
TEL Fund	56,545	57,559	56,545	57,559
Disaster recovery	1,453	1,328	1,453	1,328
Other special purpose	15,796	6,763	15,796	6,763
<b>Total Council Created Reserves</b>	<b>102,163</b>	<b>90,263</b>	<b>102,163</b>	<b>90,263</b>
<b>Restricted Reserves</b>				
Opening balance	243	228	243	228
Transfer from (to) Accumulated Funds	23	15	23	15
<b>Total Restricted Reserves</b>	<b>266</b>	<b>243</b>	<b>266</b>	<b>243</b>
These restricted reserves are sinking funds put aside for the repayment of loans.				
<b>Revaluation Reserves</b>				
<i>Property, Plant and Equipment</i>				
Opening balance	-	-	-	-
Change in asset value	134,470	-	135,223	-
less tax on equity items	-	-	(16)	-
less minority interest share in change in asset value	-	-	(18)	-
Closing balance - Property, Plant & Equipment	134,470	-	135,189	-
<i>Property, Plant &amp; Equipment Revaluation Reserves made up as follows:</i>				
Land under roads	71,432	-	71,432	-
Infrastructural buildings	456	-	456	-
Reserves	25,087	-	25,087	-
Other restricted land	730	-	730	-
Operational Land	28,955	-	29,655	-
Operational buildings	7,810	-	7,829	-
Closing balance - Property, Plant and Equipment	134,470	-	135,189	-

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<i>Fair Value through Equity Reserve - Investments in Shares</i>				
Opening balance	146	125	146	125
Change in asset value	27	21	27	21
Closing balance - Investments in Shares	173	146	173	146
<i>Cash Flow Hedge Reserves</i>				
Opening balance	140	3	140	3
Change in asset value	643	137	643	137
Closing balance - Cashflow Hedge Reserves	783	140	783	140
<b>Total Revaluation Reserves</b>	<b>135,426</b>	<b>286</b>	<b>136,145</b>	<b>286</b>
<b>Minority Interest</b>				
Opening balance	-	-	1,513	1,581
Share of revaluation reserve change in asset value	-	-	18	-
Share of surplus	-	-	6	(68)
<b>Total Minority Interest</b>	<b>-</b>	<b>-</b>	<b>1,537</b>	<b>1,513</b>
<b>7 Cash and Cash Equivalents</b>				
Cash at bank and in hand	113	303	145	338
Call deposits	3,967	10,128	3,967	10,128
Short term deposits of less than 3 months	-	1,000	-	1,000
<b>Total cash and cash equivalents</b>	<b>4,080</b>	<b>11,431</b>	<b>4,112</b>	<b>11,466</b>
The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value. The weighted average effective interest rate for cash and cash equivalents is 7.32% (2006 7.12%).				
<b>8 Trade and Other Receivables</b>				
Rates Receivable	1,594	1,467	1,594	1,467
General Debtors	4,938	6,957	4,984	6,896
Related Party Receivables (Note 21)	203	241	-	-
Accruals	730	1,246	528	1,200
Prepayments	233	19	241	34
Gross Receivables	7,698	9,930	7,347	9,597
Less Provision for Doubtful Debts	278	394	281	394
<b>Total Net Trade and Other Receivables</b>	<b>7,420</b>	<b>9,536</b>	<b>7,066</b>	<b>9,203</b>
<i>Made up of:</i>				
Current	7,420	7,842	7,066	7,509
Non-current	-	1,694	-	1,694
<b>Total Net Trade and Other Receivables</b>	<b>7,420</b>	<b>9,536</b>	<b>7,066</b>	<b>9,203</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

The carrying amount of these receivables approximates their fair value. There is no significant concentration of credit risk with respect to receivables outside the group as the group has a large number of customers. As of 30 June 2007 and 2006, all overdue receivables have been assessed for impairment and appropriate provisions applied. The non-current debtors are due to delayed 'builders terms' settlements on Botanical Heights subdivision section sales.

	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>9 Other Financial Assets</b>				
<b>Current</b>				
<i>Held to maturity</i>				
Local government and corporate bonds	1,724	3,008	1,724	3,008
Sinking funds	49	-	49	-
<i>Fair value through equity</i>				
Term deposits	42,241	15,181	42,241	15,181
<b>Total Current Investments</b>	<b>44,014</b>	<b>18,189</b>	<b>44,014</b>	<b>18,189</b>
<b>Non-Current</b>				
<i>Held to maturity</i>				
Local government and corporate bonds	19,401	20,171	19,401	20,171
Sinking funds	216	242	216	242
<i>Fair Value through the income statement</i>				
Managed Equity Investments	-	18,730	-	18,730
<i>Fair value through equity</i>				
Term deposits	5,624	8,050	5,624	8,050
Other shares in companies	263	236	263	236
<i>Subsidiaries and Associates at Cost</i>				
Data Capture Systems Ltd	4	-	-	-
Taupo Airport Authority Joint Venture	1,596	1,596	-	-
<b>Total Non-Current Investments</b>	<b>27,104</b>	<b>49,025</b>	<b>25,504</b>	<b>47,429</b>
Sinking funds are invested with National Provident Fund and are to used for the repayment of public debt.				
	Council Actual 2007	Council Actual 2006	Group Actual 2007	Group Actual 2006
<b>Interest Rates</b>				
<i>Weighted Average Effective Interest Rates are:</i>				
Term deposits	7.94%	7.43%	7.94%	7.43%
Local government and corporate bonds	7.09%	6.99%	7.09%	6.99%
Sinking Funds	7.36%	6.03%	7.36%	6.03%

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Actual 2007 \$000	Actual 2007 \$000	Actual 2007 \$000	Actual 2007 \$000	Actual 2007 \$000
<b>Maturities - Council and Group</b>	<6 mths	6-12 mths	1-2 yrs	2-5 yrs	>5 yrs
Term deposits	26,700	15,541	5,624	-	-
Local government & corporate bonds	980	744	5,408	3,004	10,989
Sinking Funds	-	49	216	-	-
	27,680	16,334	11,248	3,004	10,989
	Actual 2006 \$000	Actual 2006 \$000	Actual 2006 \$000	Actual 2006 \$000	Actual 2006 \$000
	<6 mths	6-12 mths	1-2 yrs	2-5 yrs	>5 yrs
Term deposits	11,175	4,006	-	8,050	-
Local government & corporate bonds	3,008	-	739	8,418	11,014
Sinking Funds	-	-	37	205	-
	14,183	4,006	776	16,673	11,014
<b>SUBSIDIARIES</b>					
Taupo District Council has 50% ownership of the Taupo Airport Authority Joint Venture. The Crown is the owner of the other 50%. The Taupo Airport Authority balance date is 30 June.					
Taupo District Council has 100% ownership of the subsidiary Data Capture Systems Limited. The Data Capture Systems Limited balance date is 30 June. Council owns 150 shares in Data Capture Systems Limited (2006 100 shares).					
Council also owns 100 shares in Destination Lake Taupo Limited.					
<b>OTHER SHARES IN COMPANIES</b>					
Council holds the following equity investments: NZ Local Government Insurance Corporation Ltd 83,971 shares at fair value of \$2.78 (2006 \$2.51) each. King Country Energy Limited 6,129 shares at fair value of \$4.85 (2006 \$4.10) each. Local Authority Shared Services Ltd 1 ordinary capital share of \$1,000 (2006 \$1000).					
	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000	
<b>10 Non-Current Assets Held for Sale</b>					
Land	426	3,816	426	3,816	
<b>Total Non-Current Assets Held for Sale</b>	<b>426</b>	<b>3,816</b>	<b>426</b>	<b>3,816</b>	
The non-current assets held for sale are commercial land subdivision projects. Council has a considerable amount of land that has been identified for this purpose. The land is only shown in this category if it has been approved by Council for sale, the land is being actively marketed, and it is expected to sell within the next financial year.					

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Cost or Valuation 2007 \$000	Accum Depn/ Amortisation 2007 \$000	Net Book Value 2007 \$000	Cost or Valuation 2006 \$000	Accum Depn/ Amortisation 2006 \$000	Net Book Value 2006 \$000
<b>11 Property, Plant and Equipment</b>						
<b>Infrastructural Assets</b>						
<i>At Valuation</i>						
Land under roads	308,440	-	308,440	-	-	-
Infrastructural Buildings	4,676	-	4,676	-	-	-
<i>At Cost</i>						
Roading network	255,077	6,998	248,079	246,919	3,502	243,417
Land under roads	-	-	-	237,008	-	237,008
Infrastructural Buildings	-	-	-	4,329	147	4,182
Wastewater	56,085	3,383	52,702	52,846	1,511	51,335
Water	41,819	2,213	39,606	40,623	1,193	39,430
Stormwater	36,279	1,110	35,169	35,684	553	35,131
Solid Waste	2,357	1,496	861	2,352	1,204	1,148
Items under construction	13,343	-	13,343	5,283	-	5,283
Council Infrastructural Assets	718,076	15,200	702,876	625,044	8,110	616,934
<b>Restricted Assets</b>						
<i>At Valuation</i>						
Reserves	160,209	-	160,209	-	-	-
Other	1,830	-	1,830	-	-	-
<i>At Cost</i>						
Reserves	-	-	-	134,700	4	134,696
Other	-	-	-	1,100	-	1,100
Items under construction	212	-	212	-	-	-
Council Restricted Assets	162,251	-	162,251	135,800	4	135,796
<b>Operational Assets</b>						
<i>At Valuation</i>						
Land	62,508	-	62,508	-	-	-
Buildings	50,832	-	50,832	-	-	-
<i>At Cost</i>						
Land	-	-	-	35,164	-	35,164
Buildings	-	-	-	41,926	1,296	40,630
Machinery, vehicles and plant	8,438	4,842	3,596	7,915	4,188	3,727
Furniture and office equipment	13,597	4,944	8,653	11,626	4,037	7,589
Library books	3,231	2,576	655	3,203	2,608	595
Heritage assets	1,325	-	1,325	1,324	-	1,324
Computers and fitness equipment (leased)	904	535	369	769	298	471
Items under construction	3,017	-	3,017	1,981	-	1,981
Council Operational Assets	143,852	12,897	130,955	103,908	12,427	91,481
<b>Total Council</b>	<b>1,024,179</b>	<b>28,097</b>	<b>996,082</b>	<b>864,752</b>	<b>20,541</b>	<b>844,211</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Cost or Valuation 2007 \$000	Accum Depn/ Amortisation 2007 \$000	Net Book Value 2007 \$000	Cost or Valuation 2006 \$000	Accum Depn/ Amortisation 2006 \$000	Net Book Value 2006 \$000
<b>Taupo Airport</b>						
Airport Infrastructure	3,366	712	2,654	3,367	629	2,738
Land at Valuation	3,300	-	3,300	-	-	-
Land at cost	-	-	-	2,600	-	2,600
Buildings at Valuation	337	-	337	-	-	-
Buildings at cost	-	-	-	302	9	293
Machinery, vehicles & plant	118	102	16	115	96	19
Furniture & Office equip.	70	51	19	68	49	19
Items under construction	21	-	21	3	-	3
Taupo Airport Assets	7,212	865	6,347	6,455	783	5,672
<b>Total Group</b>	<b>1,031,391</b>	<b>28,962</b>	<b>1,002,429</b>	<b>871,207</b>	<b>21,324</b>	<b>849,883</b>
<p><b>INFRASTRUCTURAL ASSETS</b> Council manages infrastructural assets in accordance with Asset Management Plans. These plans detail the level of service required, the current physical extent, condition and capacity of the network and the timing, extent and cost of work required to maintain and restore the network's defined capacity in future years.</p> <p><b>RESTRICTED ASSETS</b> Restricted assets cannot be disposed of because of legal or other restrictions.</p> <p><b>COMPUTERS AND FITNESS EQUIPMENT</b> These assets are subject to finance leases.</p> <p><b>IMPAIRMENT</b> There were no impairment provisions required for property, plant and equipment.</p>						

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Movements for the year 2006/07	Net Book Value 1/7/06 \$000	Additions 2007 \$000	Disposals 2007 \$000	Depreciation Expense 2007 \$000	Revaluation Increment 2007 \$000	Net Book Value 30/6/07 \$000
<b>Infrastructural Assets</b>						
Roading network	243,417	8,494	(333)	(3,499)	-	248,079
Land under roads	237,008	-	-	-	71,432	308,440
Infrastructural buildings	4,182	79	-	(41)	456	4,676
Wastewater	51,335	3,508	(158)	(1,983)	-	52,702
Water	39,430	1,214	(15)	(1,023)	-	39,606
Stormwater	35,131	624	(28)	(558)	-	35,169
Solid Waste	1,148	5	-	(292)	-	861
Items under construction	5,283	8,060	-	-	-	13,343
<b>Council Infrastructural Assets</b>	<b>616,934</b>	<b>21,984</b>	<b>(534)</b>	<b>(7,396)</b>	<b>71,888</b>	<b>702,876</b>
<b>Restricted Assets</b>						
Reserves	134,696	519	(92)	(1)	25,087	160,209
Other	1,100	-	-	-	730	1,830
Items under construction	-	212	-	-	-	212
<b>Council Restricted Assets</b>	<b>135,796</b>	<b>731</b>	<b>(92)</b>	<b>(1)</b>	<b>25,817</b>	<b>162,251</b>
<b>Operational Assets</b>						
Land	35,164	475	(2,086)	-	28,955	62,508
Buildings	40,630	4,881	(1,243)	(1,246)	7,810	50,832
Machinery, vehicles and plant	3,727	819	(88)	(862)	-	3,596
Furniture and office equipment	7,589	2,100	(5)	(1,031)	-	8,653
Library books	595	256	-	(196)	-	655
Heritage assets	1,324	1	-	-	-	1,325
Computers and fitness equipment (leased)	471	140	-	(242)	-	369
Items under construction	1,981	1,036	-	-	-	3,017
<b>Council Operational Assets</b>	<b>91,481</b>	<b>9,708</b>	<b>(3,422)</b>	<b>(3,577)</b>	<b>36,765</b>	<b>130,955</b>
<b>Total Council</b>	<b>844,211</b>	<b>32,423</b>	<b>(4,048)</b>	<b>(10,974)</b>	<b>134,470</b>	<b>996,082</b>
<b>Taupo Airport</b>						
Airport Infrastructure	2,738	-	-	(84)	-	2,654
Land	2,600	-	-	-	700	3,300
Buildings	293	-	-	(9)	53	337
Machinery, vehicles and plant	19	2	-	(5)	-	16
Furniture and office equipment	19	2	-	(2)	-	19
Items under construction	3	18	-	-	-	21
<b>Taupo Airport Assets</b>	<b>5,672</b>	<b>22</b>	<b>-</b>	<b>(100)</b>	<b>753</b>	<b>6,347</b>
<b>Total Group</b>	<b>849,883</b>	<b>32,445</b>	<b>(4,048)</b>	<b>(11,074)</b>	<b>135,223</b>	<b>1,002,429</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Movements for the year 2005/06	Net Book Value 1/7/05 \$000	Additions 2006 \$000	Disposals 2006 \$000	Depreciation Expense 2006 \$000	Net Book Value 30/6/06 \$000
<b>Infrastructural Assets</b>					
Roading network	240,656	6,684	(418)	(3,505)	243,417
Land under roads	237,008	-	-	-	237,008
Infrastructural buildings	4,329	-	-	(147)	4,182
Wastewater	44,960	7,921	(26)	(1,520)	51,335
Water	37,077	3,559	(28)	(1,178)	39,430
Stormwater	34,291	1,385	-	(545)	35,131
Solid Waste	1,376	-	-	(228)	1,148
Items under construction	8,078	(2,795)	-	-	5,283
<b>Council Infrastructural Assets</b>	<b>607,775</b>	<b>16,754</b>	<b>(472)</b>	<b>(7,123)</b>	<b>616,934</b>
<b>Restricted Assets</b>					
Reserves	133,731	1,113	(147)	(1)	134,696
Other	1,100	-	-	-	1,100
<b>Council Restricted Assets</b>	<b>134,831</b>	<b>1,113</b>	<b>(147)</b>	<b>(1)</b>	<b>135,796</b>
<b>Operational Assets</b>					
Land	31,667	4,895	(1,398)	-	35,164
Buildings	42,077	32	(131)	(1,348)	40,630
Machinery, vehicles and plant	3,821	678	(120)	(652)	3,727
Furniture and office equipment	6,191	2,220	(4)	(818)	7,589
Library books	614	166	-	(185)	595
Heritage assets	43	1,284	(3)	-	1,324
Computers and fitness equipment (leased)	446	253	(19)	(209)	471
Items under construction	4,467	(2,486)	-	-	1,981
<b>Council Operational Assets</b>	<b>89,326</b>	<b>7,042</b>	<b>(1,675)</b>	<b>(3,212)</b>	<b>91,481</b>
<b>Total Council</b>	<b>831,932</b>	<b>24,909</b>	<b>(2,294)</b>	<b>(10,336)</b>	<b>844,211</b>
<b>Taupo Airport</b>					
Airport Infrastructure	2,804	19	-	(85)	2,738
Land	2,600	-	-	-	2,600
Buildings	302	-	-	(9)	293
Machinery, vehicles and plant	17	10	-	(8)	19
Furniture and office equipment	2	18	-	(1)	19
Items under construction	-	3	-	-	3
<b>Taupo Airport Assets</b>	<b>5,725</b>	<b>50</b>	<b>-</b>	<b>(103)</b>	<b>5,672</b>
<b>Total Group</b>	<b>837,657</b>	<b>24,959</b>	<b>(2,294)</b>	<b>(10,439)</b>	<b>849,883</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>12 Biological Assets - Forestry</b>				
Opening Balance	3,801	3,665	3,801	3,665
Capitalisation of forestry costs	193	-	193	-
Gains/(losses) arising from changes in fair value	640	136	640	136
<b>Biological assets at 30 June</b>	<b>4,634</b>	<b>3,801</b>	<b>4,634</b>	<b>3,801</b>
<p>The forest estate comprises a number of relatively small forests and two larger forests (Rangitaiki &amp; Tirohanga) in the Taupo basin. The main species is radiata pine with an area of semi-mature Douglas fir present in Rangitaiki forest. The total net stocked area of the estate is estimated to be 1,058 hectares. No harvesting has taken place this year (2006 Nil).</p> <p>Independent valuers, Chandler Fraser Keating Limited have valued the forestry assets as at 30 June 2007. A pre tax discount rate of 11% (2006 11%) has been used in discounting the present value of expected cash flows.</p> <p>FINANCIAL RISK MANAGEMENT STRATEGIES Council is exposed to financial risks arising from changes in timber prices. As Council is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future, it has not taken any measures to manage the risk of a decline in timber prices.</p>				
	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>13 Intangible Assets</b>				
<b>Software</b>				
<i>Opening carrying amounts</i>				
Cost	1,151	971	1,151	971
Less Accumulated Amortisation	(636)	(437)	(636)	(437)
Opening carrying amounts	515	534	515	534
<i>Movements</i>				
Purchases	150	182	150	182
Amortisation	(247)	(201)	(247)	(201)
Closing carrying amounts - Software	418	515	418	515
<b>Development Expenditure</b>				
<i>Opening carrying amounts</i>				
Cost	-	-	-	135
Less Accumulated Amortisation	-	-	-	(66)
Opening carrying amounts	-	-	-	69
<i>Movements</i>				
Write off during the year	-	-	-	(69)
Closing carrying amounts - Development Expenditure	-	-	-	-
<b>Closing balance - Intangible assets</b>	<b>418</b>	<b>515</b>	<b>418</b>	<b>515</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>14 Investment Properties</b>				
Opening Balance	-	-	1,491	1,397
Fair value gains/(losses) on valuation	-	-	175	94
<b>Investment Properties at 30 June</b>	<b>-</b>	<b>-</b>	<b>1,666</b>	<b>1,491</b>
<b>15 Trade and Other Payables</b>				
Creditors	4,725	3,082	4,783	3,090
Deposits/Bonds/Provisions	452	2,683	452	2,683
Accrued expenses	1,344	867	1,344	920
Interest payable	20	26	20	26
Income in Advance	1,264	1,099	1,264	1,118
Amounts due to related parties (Note 21)	20	2	18	5
Councillors' fees payable	29	24	29	24
<b>Trade and Other Payables</b>	<b>7,854</b>	<b>7,783</b>	<b>7,910</b>	<b>7,866</b>
Accounts payable are non-interest bearing and are normally settled on 30-day terms, therefore the carrying values of accounts payables approximates their fair value.				
	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>16 Employee Benefit Liabilities</b>				
Accrued pay	284	254	288	254
Annual leave	1,480	1,236	1,488	1,252
Retirement gratuities & long service leave	545	777	545	777
Sick leave	30	30	30	30
<b>Total Employee Benefit Liabilities</b>	<b>2,339</b>	<b>2,297</b>	<b>2,351</b>	<b>2,313</b>
<i>Made up of:</i>				
Current	1,957	1,618	1,969	1,634
Non-current	382	679	382	679
<b>Total Employee Benefit Liabilities</b>	<b>2,339</b>	<b>2,297</b>	<b>2,351</b>	<b>2,313</b>
Opening Balance	2,297	1,876	2,313	1,887
Additional provisions made during the year	1,800	1,614	1,800	1,619
Amounts used during the year	(1,788)	(1,246)	(1,792)	(1,246)
Discount unwinding	30	53	30	53
<b>Employee Benefit Liabilities at 30 June</b>	<b>2,339</b>	<b>2,297</b>	<b>2,351</b>	<b>2,313</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>17 Provisions</b>				
Council has made provision for landfill after-care liability.				
<b>Landfill liability</b>	<b>32</b>	<b>30</b>	<b>32</b>	<b>30</b>
Opening balance	30	28	30	28
Additional provisions made during the year	2	2	2	2
<b>Provisions at 30 June</b>	<b>32</b>	<b>30</b>	<b>32</b>	<b>30</b>

Taupo District Council gained a resource consent in September 1998 to operate the Broadlands Road Landfill. The Council has responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed.

There are closure and post-closure responsibilities such as the following:

Closure responsibilities:

- Final application and vegetation
- Drainage control features
- Facilities for leachate collection and monitoring
- Facilities for water quality monitoring
- Facilities for monitoring and recovery of gas

Post-closure responsibilities:

- Treatment and monitoring of leachate
- Ground water and surface monitoring
- Gas monitoring and recovery
- Implementation of remedial measures needed for cover and control systems
- Ongoing site maintenance for drainage systems, final cover and vegetation

The management of the landfill will influence the timing of recognition of some liabilities, for example, the current landfill consists of a series of new cells being progressively opened as old ones are completed. Each of these require additional capital expenditure and the recalculation of the landfill aftercare provision.

#### CAPACITY OF THE SITE

The estimated remaining capacity of the site as at 30 June 2007 is approximately 600,000 cubic metres (2006 595,000 cubic metres). The estimated remaining life as at 30 June 2007 is 23 years (2006 24 years).

Estimates of the remaining capacity and life have been made by Council's engineers based on historical volume information and early results from the new Solid Waste Management Strategy.

The cash outflows for landfill post-closure are expected to occur between 2030 and 2035. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 7.75%.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>18 Borrowings</b>				
<b>Current</b>				
Loans	3	3	3	220
Lease Liabilities	226	236	226	236
	229	239	229	456
<b>Non-current</b>				
Loans	41,635	43,563	41,943	43,871
Lease Liabilities	197	283	197	283
	41,832	43,846	42,140	44,154
<b>Total Borrowings</b>	<b>42,061</b>	<b>44,085</b>	<b>42,369</b>	<b>44,610</b>

The value of Council's debt subject to fixed interest rates is \$1,537,023 (2006 \$1,453,599). Council's floating rate debt is secured bank funding issued under a committed loan facility. The interest rate reprices quarterly at the 90-day bank bill rate plus margin. The \$80 million facility has two tranches of \$40 million each, the first is a two-year evergreen facility which renews annually for a further two year term; the second is a five-year evergreen facility which renews annually to a five year maturity.

Council has entered into \$36.5 million of interest rate swaps to provide fixed rate cover on the committed loan facility. Refer to note 19 for further details.

Council manages its borrowing in accordance with its funding and financial policies, which includes a Treasury Management Policy. This policy has been adopted as part of the Council's Long Term Council Community Plan 2006-2016.

#### SECURITY

All loans are secured over the rates of the District or Council assets. The committed loan facility is secured by deed of charge in favour of the ANZ Banking Group (New Zealand) Limited. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>Repayment terms</b>				
Payable no later than one year	229	239	229	456
Later than one, not later than two years	40,255	40,184	40,255	40,184
Later than two, not later than five years	1,577	3,651	1,885	3,959
Later than five years	-	11	-	11
<b>Total Borrowings</b>	<b>42,061</b>	<b>44,085</b>	<b>42,369</b>	<b>44,610</b>
<b>Interest Rates</b>				
Weighted average effective interest rates on borrowings (both current & non current):				
Loans	7.18%	6.88%	7.19%	6.89%
Lease Liabilities	13.73%	14.42%	13.73%	14.42%
Overall weighted average	7.32%	7.31%	7.32%	7.31%
<b>Analysis of Finance Lease Liabilities</b>				
Payable no later than one year	257	268	257	268
Later than one, not later than two years	157	205	157	205
Later than two, not later than five years	70	118	70	118
	484	591	484	591
Future Finance Charges	(61)	(72)	(61)	(72)
Recognised as a liability	423	519	423	519
Representing Lease Liabilities:				
Current	226	236	226	236
Non-current	197	283	197	283
	423	519	423	519
<b>19 Derivative Financial Instruments</b>				
<b>Current asset portion</b>				
Interest rate swaps - cash flow hedges	137	18	137	18
<b>Total current portion</b>	<b>137</b>	<b>18</b>	<b>137</b>	<b>18</b>
<b>Non-current asset portion</b>				
Interest rate swaps - cash flow hedges	902	197	902	197
<b>Total non-current portion</b>	<b>902</b>	<b>197</b>	<b>902</b>	<b>197</b>
The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2007 were \$36,500,000 (2006 \$39,000,000).				
At 30 June 2007, the fixed interest rates of cash flow hedge interest rate swaps vary from 6.45% to 6.74% (2006 6.45% to 6.74%).				

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>20 Reconciliation of Net Surplus to Net Cash Inflow from Operating Activities</b>				
Net surplus (deficit)	14,431	14,974	14,784	14,704
<i>Add (less) Non Cash Items:</i>				
Depreciation and amortisation	11,221	10,537	11,321	10,640
Vested Assets	(5,227)	(4,377)	(5,227)	(4,377)
Impairment of investments	352	-	-	-
Unrealised (gains)/ losses in fair value of biological assets	(640)	(136)	(640)	(136)
Unrealised (gains)/ losses in fair value of term deposits	61	53	61	53
Unrealised (gains)/ losses in fair value of non-hedge accounted derivatives	(182)	(63)	(182)	(63)
Share of associate (surplus)/deficit	(3,141)	-	(3,141)	-
Unrealised (gains)/ losses in fair value of investment properties	-	-	(175)	(94)
Unrealised (Gain)/Loss on equities	-	(3,707)	-	(3,707)
	2,444	2,307	2,017	2,316
<i>Add (less) Movements in Working Capital:</i>				
(Increase) / decrease in accounts receivable	2,116	(2,980)	2,137	(2,697)
(Increase) / decrease in inventories	(43)	(1)	(43)	(1)
Increase / (decrease) in accounts payable	115	309	84	278
	2,188	(2,672)	2,178	(2,420)
<i>Add (less) item classified as investing activity:</i>				
Net (Gain) Loss on sale / write-offs	(5,394)	(6,693)	(5,394)	(6,693)
Non-operating movement in accounts receivable	-	-	70	(71)
Decrease / (increase) in creditors for capital expenditure	(1,269)	(647)	(1,309)	(685)
Increase / (decrease) in debtors for capital revenue	(1,667)	3,566	(1,667)	3,566
	(8,330)	(3,774)	(8,300)	(3,883)
<b>Per statement of cashflows</b>	<b>10,733</b>	<b>10,835</b>	<b>10,679</b>	<b>10,717</b>
<b>21 Related Party Transactions</b>	Taupo District Council has a number of group and associated entities.			
	During 2006/07 the following related party transactions occurred:			
	<b>Taupo Airport Authority (see Note 9 for details of the nature of the relationship)</b>			
	The balance of a loan provided by the Council to the Airport at 30 June 2007 was \$201,500 (2006 \$141,500). The airport paid interest of \$12,783 (2006 \$7,580) to Council on these borrowings. The Airport paid the Council administration and management fees of \$21,458 (2006 \$35,361). The Airport has accounts payable to Council as at 30 June 2007 of \$202,622 (2006 \$186,349).			

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## *Bank Borrowing Arrangements*

The Airport Authority's term liabilities include bank-sourced lending of \$308,017 borrowed by way of distinct drawdown in the name of Taupo District Council, but on-lent to the Authority. This borrowing is subject to a 5 year evergreen arrangement requiring no principal repayments for 5 years. It is subject to quarterly re-pricing with the cost of this borrowing ranging between 7.68% and 8.61% over the 2006/07 year. Interest expense on this borrowing is fully charged in the Authority's financial statements.

## **Data Capture Systems Limited (see Note 9 for details of the nature of the relationship between the related parties)**

The balance of a loan provided by the Council to Data Capture Systems Limited at 30 June 2007 was \$0 (2006 \$69,436). No interest was charged on this loan in the 2006/07 year (2006 \$4,084). Data Capture Systems Limited is administered by Taupo District Council and all costs associated with the administration are absorbed by Council. Data Capture Systems Limited has amounts payable to Council as at 30 June 2007 of \$433 (2006 \$54,494). Data Capture Systems Limited has accounts receivable from Council as at 30 June 2007 of \$4,693 (2006 \$100). Data Capture Systems Limited has accounts receivable from Taupo Airport Authority as at 30 June 2007 of \$0 (2006 \$304).

## **Lake Taupo Protection Trust (see Note 29 for details of the nature of the relationship between the related parties)**

Council paid the Lake Taupo Protection Trust \$1,991,000 during the 2006/07 year, this amount fully meeting Council's responsibilities for targeted rate contributions for the 2004/05, 2005/06 and 2006/07 years under the agreed funding arrangements (2006 \$0). In addition, a further \$157,823 of interest was paid over to the Trust being interest accrued on these monies while they were held by Taupo District Council pending the Trust's formal establishment in February 2007 (2006 \$0).

## **Councillors And Key Management Personnel**

During the year Councillors and key management personnel, as part of a normal customer relationship, were involved in minor transactions with the Council (such as payment of rates, use of Council facilities, dog registration, purchase of rubbish stickers, etc).

There are three Taupo District Council appointees to the seven trustees of the Lake Taupo Development Trust. The Lake Taupo Development Trust owns 100% of the Lake Taupo Development Company Limited. Payments totalling \$203,156 (2006 \$190,000) were made by Council to the Company during the year ended 30 June 2007, for the delivery of Economic Development Services.

Councillor Blyth is the Council observer / advisor to the Waiora Community Trust. Grants totalling \$111,500 were paid by Council to the Trust during the year ended 30 June 2007 (2006 \$111,500), with \$71,500 of this amount in each year for reallocation to the community in accordance with Councils Grants Policy.

Councillor Welch is an observer / advisor trustee to the Lake Taupo Arts Festival Trust. During the 2006/07 year grants of \$33,200 (2006 \$31,000) were made by Council to the Trust. Council's funding of the Trust is a contribution towards the running of the bi-Annual Taupo Arts Festival. A further \$2,711 (2006 \$15,148) was paid to the Trust for merchandise purchases or for artwork sold on behalf of the Trust.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Councillor Welch is the Chairman of the Taupo Youth Arts Trust. During the 2006/07 year a payment of \$40 (2006 \$0) was made by Council to the Trust for services provided.

Councillor Welch is the Chairman of Creative Taupo (The Taupo Community Arts Council). During the 2006/07 year grants of \$16,000 (2006 \$17,778) were made by Council to that organisation.

Councillor Uvhagen is a committee member of the Acacia Bay Residents Association. During the 2006/07 year Council hired the Association hall at a cost of \$1,305 (2006 \$795). At 30/6/07 \$60 (2006 \$0) was owing to the Association for hall hire.

Councillor Hickling and Councillor McElwee are Board members of the Waipahihi Botanical Society. During the 2006/07 year expenditure of \$5,240 (2006 \$2,440) was incurred by Council in the form of grants and reservoir site rentals payable to that organisation. There was a \$nil creditor balance owing to that organisation at 30 June 2007 (2006 \$2,520).

Councillor Uvhagen is the Chairman of the Taupo Therapy Centre. During the 2006/07 year payments of \$196 (2006 \$0) were made by Council to the Centre for course attendances.

Tina Jakes, Council's Community Manager Mangakino, is also a director of the Lake Taupo Primary Health Organisation (PHO). During the 2006/07 year Council received \$52,691 in programme funding and payments for other services from the PHO (2006 \$22,670).

Councillor Trewavas has close family ownership and management interests in the Freedom / Levene home furnishings retail chain. During the 2006/07 year Council made \$37,840 of purchases from the Taupo Levene store (2006 \$4,418) on normal commercial terms. Of this amount \$14,842 was owing as a creditor balance at 30/6/07 (2006 \$1,701).

His Worship the Mayor of Taupo District, Clayton Stent, is a director of fi360 (Australasia) Limited. During the 2006/07 year Taupo District Council purchased \$48,687 of services from that organisation, on normal commercial terms, these services being attendance fees on fiduciary training programmes, member accreditation fees, and consulting fees (2006 \$15,751).

Turangi / Tongariro Community Board member Mrs J Lockyer, has an ownership interest in Lockyer's Retravision and Furniture Limited. Council purchased \$503 of goods from that firm, on normal commercial terms, in the 2006/07 year (2006 \$283).

	Actual 2007	Actual 2006
Key management personnel compensation	\$000	\$000
Salaries and other short term employee benefits	1,292	1,197
Other long term benefits	7	9

It should be noted that the definition of key management personnel for this disclosure includes the Chief Executive, members of the Senior Leadership Group, the Area Manager Turangi, and the Mangakino Community Manager. Details of remuneration paid to Councillors and Community Board members is provided in Note 23.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## 22 Financial instrument risks - Council only

Council is risk adverse and seeks to minimise risk exposure associated with financial instruments and treasury activity. Council has risk management policies and processes in place particularly with regard to risk exposures relating to interest rates and the concentration of credit risk.

Council has established a Treasury Management Policy specifying what transactions can be entered into. The policy does not allow any transactions that are speculative in nature.

### MARKET RISK

#### PRICE RISK

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. Council is exposed to price risk through its equity securities, which are classified as financial assets held at fair value through equity, and through its managed equity investments which are classified as financial assets held at fair value through profit and loss. This price risk arises due to market movements in the value of listed securities. This price risk is managed by the diversification of Council's investment portfolio and is managed by Council's Investment Management Entity and external Fund Managers in accordance with Council's Investment Policy.

#### CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Taupo District Council has no significant exposure to currency risk.

#### INTEREST RATE RISK

Note 9 provides information on investment interest rates and maturity profile. Note 18 provides information on term loan interest rates and maturity profile.

#### FAIR VALUE INTEREST RATE RISK

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could impact on the cost of borrowing or the return from an investment.

Council's Liability Management Policy sets minimum and maximum levels of fixed rate exposure for borrowings, across various time windows.

Council's Investment Policy provides for interest rate risk on investments to be managed by Council as part of its overall investment strategy.

#### CASH FLOW INTEREST RATE RISK

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at variable interest rates expose Council to cash flow interest rate risk.

Taupo District Council manages its cash flow interest rate risk on borrowings by using floating-to-fixed interest rate swaps. These interest rate swaps have the economic effect of converting floating rate borrowings into fixed rates that are generally lower than those available if Taupo District Council borrowed at fixed rates directly.

Under the interest rate swaps, Taupo District Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Disclosure of the value of Council's interest rate swap instruments is made in note 19.

### CREDIT RISK

Credit risk is the risk that a third party will default on its obligation to Council, causing the Council to incur a loss.

Financial instruments which potentially subject the Council to credit risk principally consist of bank balances, accounts receivable, all investments, and sports club and other guarantees.

Council's Investment Policy limits the amount of credit exposure on investment instruments to any one institution or organisation. There are also minimum credit rating limits in place.

Sports club and other loan guarantees are minimal and subject to policy constraints. There are no significant concentrations of credit risk with accounts receivable balances as Council has a large number of credit customers, mainly ratepayers, and there are appropriate debt management practices in place. Council has significant powers under the Local Government (Rating) Act 2002 to recover outstanding amounts from ratepayers.

### LIQUIDITY RISK

Liquidity risk is the risk that Council will encounter difficulty in raising sufficient funds to meet financial commitments as they fall due. Council addresses this risk by maintaining headroom in its committed credit facilities, and the ability to close out market positions on investments if required.

There are specific liquidity risk provisions in Council's Liability Management and Investment policies. Council's committed lending facilities with the ANZ Bank amount to \$80 million.

## 23 Remuneration - Council Only

### CHIEF EXECUTIVE OFFICER'S REMUNERATION

The Chief Executive Officer of the Taupo District Council is appointed under Section 42 of the Local Government Act 2002. During the 2006/07 year there was a change of Chief Executive Officer with the previous CEO retiring and a new CEO appointed.

### RETIRING CHIEF EXECUTIVE OFFICER

The retiring Chief Executive Officer received the following salary and additional benefits:

Cost during the financial year:	Actual 2007	Actual 2006
Salary	163,448	170,605
Vehicle (market value plus FBT)	11,470	15,506
Medical Insurance Subsidy	3,750	3,000
Superannuation Contribution	6,856	8,475
Leave Entitlements	17,725	-
Back Pay	3,854	-
Subscriptions	685	500
Telephone Allowance	269	384
<b>Total</b>	<b>208,057</b>	<b>198,470</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

For the period 1 July 2006 to 9 April 2007, the total cost including fringe benefit tax to the Council of the remuneration package paid, or payable, to the retiring Chief Executive Officer is calculated at \$208,057 (2006 \$198,470).

#### NEW CHIEF EXECUTIVE OFFICER

The new Chief Executive Officer received the following salary and additional benefits:

Cost during the financial year:	Actual 2007	Actual 2006
Salary	38,582	-
Vehicle (market value plus FBT)	2,596	-
Relocation Costs	3,350	-
<b>Total</b>	<b>44,528</b>	<b>-</b>

For the period 10 April 2007 to 30 June 2007, the total cost including fringe benefit tax to the Council of the remuneration package paid, or payable to, the new Chief Executive Officer is calculated at \$44,528 (2006 \$0).

#### TOTAL CHIEF EXECUTIVE OFFICER REMUNERATION

The combined total cost including fringe benefit tax of the remuneration paid, or payable, to the two persons holding the Taupo District Council Chief Executive Officer position during the 2006/07 year was \$252,585 (2006 \$198,470).

#### MAYOR AND ELECTED MEMBERS REMUNERATION

The following people held office as elected members of the Council's governing body during the reporting period. The aggregate monetary remuneration to the 19 councillors/community board members and the Mayor during the year totalled \$392,566 (2006: 19 councillors/community board members and the Mayor \$362,059) and is disaggregated and classified as follows:

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Council / Community Board Member	Salary	Total Meeting Allowances	Total Actual 2007	Actual 2006
Stent, Clayton ( Mayor)	71,091	-	71,091	67,136
Howard, Shamus	19,445	4,400	23,845	21,550
Uvhagen, Kathryn	15,272	8,100	23,372	21,670
Trewavas, David	19,445	4,600	24,045	22,250
Hickling, Barry	15,272	5,400	20,672	19,870
McElwee, Christine	15,272	7,000	22,272	20,670
Campbell, Don	6,803	-	6,803	6,000
Welch, Andrew	19,445	7,700	27,145	24,250
Smallman, Arthur	15,272	5,000	20,272	19,570
Coulter, Ian	15,272	4,900	20,172	18,770
Sutcliffe, Peter	6,803	-	6,803	6,000
Ormsby, Donald	26,246	7,800	34,046	30,950
Gathergood, Ailsa	15,272	7,200	22,472	21,233
Keepa, Gary	15,272	5,200	20,472	17,470
McCarthy, Susan	6,803	-	6,803	6,000
Lockyer, Janis	6,803	-	6,803	6,000
Stewart, Margaret	6,803	-	6,803	6,000
Smallman, Mary	6,803	-	6,803	6,000
Blyth, Doreen	15,272	6,600	21,872	20,670
<b>Total Monetary Remuneration</b>	<b>318,666</b>	<b>73,900</b>	<b>392,566</b>	<b>362,059</b>

The monetary remuneration detailed above (salary and meeting allowances) is determined by the Council resolution within limits set by the Local Government Elected Members Determination in accordance with the provisions of Clause 6 Schedule 7 of the Local Government Act 2002. FBT of \$9,270 (2006 \$6,574) was paid to the IRD by Council for a vehicle supplied to the Mayor, Clayton Stent.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
<b>24 Commitments</b>				
<b>Major contracts which Council was committed to:</b>				
Wastewater	3,147	1,667	3,147	1,667
Stormwater	76	-	76	-
Water Supply	1,925	184	1,925	184
District Roading	9,640	2,039	9,640	2,039
Refuse	8,404	6,078	8,404	6,078
Taupo Library Extension	2,492	-	2,492	-
Turangī Library Extension	731	-	731	-
Riverside Park	34	-	34	-
AC Baths	-	100	-	100
Property Purchase (conditional)	-	220	-	220
<b>Total Major Contracts</b>	<b>26,449</b>	<b>10,288</b>	<b>26,449</b>	<b>10,288</b>
<b>Non-cancellable operating leases as lessee:</b>				
Taupo District Council leases property, plant and equipment in the normal course of its business. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:				
Payable no later than one year	272	254	279	248
Later than one, not later than two years	196	203	201	197
Later than two, not later than five years	218	230	218	223
<b>Total Commitments</b>	<b>27,135</b>	<b>10,975</b>	<b>27,147</b>	<b>10,956</b>
<b>25 Contingencies</b>				
<b>Loan Guarantees - Council only</b>				
<i>The following Loan Guarantees have been given by Council:</i>				
	Year of guarantee 2007	Term in years 2007	Amount of original guarantee 2007	Current level of guarantee outstanding 2007
Great Lake (Taupo) Hockey Club Inc.	2005	5	40,000	14,004
Mount Tauhara Gymnastics Club Inc.	1996	10	50,000	9,519
Taupo Association Football Club	1992	25	53,000	35,495
Taupo Squash Rackets Club	2005	10	50,000	28,186
<b>Totals for the year ended 30 June 2007</b>			<b>193,000</b>	<b>87,204</b>
Totals for the year ended 30 June 2006			159,000	116,270

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## OTHER CONTINGENCIES TAUPO DISTRICT COUNCIL

Scientific advice has been received regarding the Hipaua Geothermal Landslide risk near Waihi at the southern end of Lake Taupo. In the event of a landslide any property damage and/or loss of life could potentially give rise to claim(s) against Council, currently unquantifiable (2006 Same contingency disclosure made).

A land subsidence issue has been identified in the Taupo urban area, with the potential for property damage and therefore raising liability issues. Taupo District Council does not believe it has any direct potential liability, specifically related to the causes of the subsidence. The issue of contingent liability however, currently unquantifiable, is under review (2006: Same contingency disclosure made).

Council controls and has brought to account certain reserve lands throughout the District which will return to Iwi ownership in the event that they are no longer required for reserve purposes. Council does not envisage that this situation will ever eventuate (2006 Same disclosure of this contingency).

Council may be subject to claims relating to weathertightness building defects. As at the date of this report the Weathertight Home Resolution Service (WHRS) is investigating 5 claims relating to properties in the Taupo District. These may or may not result in formal claims against Council. One further weathertightness claim has been lodged directly with Council. The quantum of these claims cannot be accurately calculated at present, although any liability under this claim will be met by our insurers, subject to our usual excess requirements (2006 5 WHRS claims plus one lodged directly).

In addition to the weathertightness building defect claims, there are a further 16 unresolved potential legal claims against Council as at 30 June 2007 (2006 10 claims). All seek compensation related to resource consents, property damage, contractual disputes, or other aspects of Council's operations which the claimants believe have caused them loss. It is not possible for Council to quantify a maximum financial exposure for these claims. Council will vigorously defend all claims and expects its actual liability to be minimal, if indeed there is any liability at all.

### GROUP

There are no contingent liabilities relating to the subsidiary entities (2006 nil).

### CONTINGENT ASSET

#### GROUP

In July 2005 Taupo District Council and the Airport Sub-Committee were advised by the Secretary of Transport of a change in policy direction in regard to Crown funding of joint venture airport operating losses.

We understand that the policy change means that the Crown will meet its share of the operating losses of joint venture airports such as Taupo. We have been advised that the policy change is applicable to both past and future losses.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

This policy change should result in the Taupo Airport Authority obtaining an equity injection from the Crown in recognition of any operating losses incurred over the past few years which fit the Crowns policy criteria.

The quantum, form, and timing of this compensating payment is currently being determined, hence its disclosure as a contingent asset.

## 26 Events after balance sheet date

There were no significant events after balance date that require reporting (2006 Group - reported wind-down of Data Capture Systems Limited).

## 27 Capital management

The Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 [the Act] requires the Council to manage its revenues, expenses, assets, liabilities, investments, general financial dealings prudently and in a manner that promotes the current and future interests of the community.

Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets while not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Council Community Plan (LTCCP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. And the Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTCCP.

Taupo District Council has the following Council created reserves:

- Depreciation reserves
- Development contributions
- TEL Fund
- Disaster recovery
- Other special purpose

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Depreciation reserves reflect the value of depreciation expense charged in the financial statements and funded from rates. These reserves are utilised to fund the replacement and renewal of the assets that are being depreciated.

Development contribution reserves reflect development contributions invoiced and received, but not yet spent on growth-related asset purchases or construction.

The TEL Fund was established in September 2005 when Taupo District Council sold its investments in Taupo Electricity Limited and Taupo Generation Limited. The beneficial owners of the fund are the ratepayers in the Taupo/Kaiangaroa and Mangakino/Pouakani (TKMP) rating areas and the fund is utilised to reduce the rating requirement in these areas of the District.

The disaster recovery reserve is set aside to assist with readily available funds in the case of a significant natural disaster.

The other special purpose reserves are an accumulation of a number of other designated reserves, funded and held for a variety of purposes. Among the more significant balances are the strategic property reserve, land subdivision reserves, the forestry reserve, and the Turangi/Tongariro general purpose reserve.

## 28 Explanation of major variances against budget

Explanations for major variations from the Council estimate figures for year one of the 2006/16 LTCCP are as follows:

### INCOME STATEMENT

Council's actual surplus of \$14.4m is \$8.9m greater than the \$5.5m budgeted. The major variations are due to:

- Revenue from activities being \$4.3m higher than budgeted. The major factor in this is the recognition of gains on sale from various subdivision projects carried out by Council (\$5.1m). Changes in the timing of these projects have resulted in a mismatch in the budget versus actual timing of the recognition of these revenues. This gain is offset by a shortfall in development contribution and financial contribution revenue against budget expectations.
- Unbudgeted infrastructure vested in council of \$5.2m.
- An unbudgeted \$3.1m recognition of the surplus of associate, the Lake Taupo Protection Trust.
- Partially offsetting these items of unbudgeted revenue is Council's expenditure being \$4m in excess of budget. Major factors in this are employee benefit expenses being \$1.3m higher than budgeted, depreciation being \$1.2m in excess of budget, and \$1.8m of unbudgeted losses on the disposal of assets.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## STATEMENT OF CHANGES IN EQUITY

The major variations are due to:

- The opening equity position being \$51.9m lower than anticipated in the budget, primarily the result of errors in 30 June 2005 revaluations of land being discovered after estimates were prepared, but corrected for in the actual numbers reported.
- The 30 June 2007 revaluations of land and buildings being \$107m higher than anticipated in the LTCCP.
- Other unbudgeted revaluation gains of \$0.67m being taken directly to equity.
- The net surplus for the year being \$8.9m higher than budgeted (see explanation under 'Income Statement' heading above)

## BALANCE SHEET

The major variations are due to:

- Trade and other receivables being \$3.3m lower than budgeted.
- Non-Current Assets Held for sale being \$1.0m lower than budgeted with changes in the timing of Council's subdivision programme impacting on this.
- Derivative financial instruments being \$0.9m higher than budgeted with changes in interest rates over the year increasing the value of the interest rate swaps that Council has entered into.
- The recognition of an unbudgeted \$3.1 million interest in the net assets of Council associate, the Lake Taupo Protection Trust.
- Property, plant and equipment being \$35.5m higher than budgeted, the result of 30 June 2007 revaluations, corrections to the 2005 valuations, and changes in Council's capital spending programmes.
- Borrowings being \$24.5m less than budgeted, the result of changes in Council's capital expenditure programme, and the repayment of some borrowings earlier than expected.
- The change in accounting policy on development contributions between budget and preparation of actuals, moving the policy away from a liability method of accounting to a revenue method. This resulted in the estimated liability of \$2.7m for development contributions not eventuating.
- Equity position varying as described under the heading of 'Statement of Movements in Equity' elsewhere in this note

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## 29 Investments in Associates

Taupo District Council has significant influence over the activities of the Lake Taupo Protection Trust, an entity created in February 2007.

As one of the three settlors of the Trust, together with Environment Waikato and the Ministry for the Environment, Taupo District Council has assessed its interest in the Trust at 33.3%.

	Council Actual 2007 \$000	Council Actual 2006 \$000	Group Actual 2007 \$000	Group Actual 2006 \$000
Movements in the carrying amount of investments in associates:				
Opening Balance	-	-	-	-
Share of total recognised revenues and expenses	3,141	-	3,141	-
Value of investment	3,141	-	3,141	-
Summarised financial information of associates:				
Assets	9,722	-		
Liabilities	299	-		
Equity	9,423	-		
Revenues	9,732	-		
Expenses	309	-		
Surplus/(deficit)	9,423	-		
Taupo District Council's interest	33.3%	-		

The Lake Taupo Protection Trust is charged with developing a programme of work that will reduce the amount of manageable nitrogen leaching into the lake by 20% over the next 14 years. It will encourage and assist land use change, purchase land or nitrogen in the Lake Taupo catchment, and fund research and other initiatives that will assist landowners to reduce the nitrogen impact of their activities on Lake Taupo. The Trust will be funded with \$81.5 million over the next 14 years to achieve these purposes.

Council, together with the two other settlors contributes funding to the Trust, with Council's share of this funding charged as operational expenditure in the Council accounts and recognised as revenue in the Trust's accounts. Council expects no return on equity from the Trust other than the achievement of the set objective of nitrogen reduction.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## 30 Explanation of transition to NZ IFRS

These are the first Taupo District Council financial statements that comply with NZ IFRS, and NZ IFRS 1 has been applied.

The transition date is 1 July 2005 and a NZ IFRS opening balance sheet was prepared as at that date.

In preparing these consolidated financial statements in accordance with NZ IFRS 2, Council has applied the mandatory exceptions and certain optional exemptions from full retrospective application of NZ IFRS.

The fair value as deemed cost exemption has been applied. Taupo District Council has elected to measure its roading network; land under roads; wastewater, water and stormwater networks; infrastructural buildings; operational land, operational buildings and reserve land (including assets of this nature at Taupo Airport); heritage assets; park furniture; and airport infrastructure; at fair value at either 30 June 2005 or 1 July 2005, and use those fair values as the deemed cost at 1 July 2005 transitional date.

The designation of financial assets and financial liabilities exemption has been applied. Council has designated its direct investments in shares at fair value through equity at the date of transition to NZ IFRS.

The following tables and the associated notes show the changes in equity resulting from the transition from previous NZ GAAP to NZ IFRS as at 1 July 2005 and 30 June 2006.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## Reconciliation of equity to previously reported financial statements - Council

	Opening Balance Sheet 1/7/05				Comparative Balance Sheet 30/6/06			
	Previous GAAP \$000	Correction \$000	Effect of Transition \$000	NZ IFRS \$000	Previous GAAP \$000	Correction \$000	Effect of Transition \$000	NZ IFRS \$000
<b>Equity</b>								
Accumulated funds	217,713	230	572,252	790,195	228,144	328	567,803	796,275
Council created reserves [note (v)]	81,384	-	-	81,384	87,807	-	2,456	90,263
Restricted reserves	228	-	-	228	243	-	-	243
Investment revaluation reserve [note (iii)]	-	-	125	125	-	-	146	146
Cash flow hedge reserves [note (i)]	-	-	3	3	-	-	140	140
Property revaluation reserves [notes (xv), (vii)]	625,698	(62,831)	(562,867)	-	630,784	(62,831)	(567,953)	-
	925,023	(62,601)	9,513	871,935	946,978	(62,503)	2,592	887,067
<b>Current assets</b>								
Cash and cash equivalents [note (ii)]	155	-	3,812	3,967	303	-	11,128	11,431
Other financial assets [note (ii), (iii)]	18,590	-	(3,539)	15,051	29,136	-	(10,947)	18,189
Trade and other receivables [note (iv)]	7,528	-	(972)	6,556	9,221	-	(1,379)	7,842
Derivative financial instruments [note(i)]	-	-	-	-	-	-	18	18
Inventories	522	-	-	522	523	-	-	523
Non-current assets held for sale	515	-	-	515	3,816	-	-	3,816
	27,310	-	(699)	26,611	42,999	-	(1,180)	41,819
<b>Non current assets</b>								
Other financial assets [notes (iii), (iv)]	45,837	-	682	46,519	47,876	-	1,149	49,025
Trade and other receivables	-	-	-	-	1,694	-	-	1,694
Derivative financial instruments [note(i)]	-	-	15	15	-	-	197	197
Intangible assets [note (viii)]	-	-	535	535	-	-	515	515
Biological assets [note (ix)]	-	-	3,665	3,665	-	-	3,801	3,801
Property, plant and equipment [notes (vii), (viii), (ix), (xiv), (xv)]	889,188	(62,601)	5,345	831,932	911,030	(62,503)	(4,316)	844,211
	935,025	(62,601)	10,242	882,666	960,600	(62,503)	1,346	899,443

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Opening Balance Sheet 1/7/05				Comparative Balance Sheet 30/6/06			
	Previous		Effect of		Previous		Effect of	
	GAAP	Correction	Transition	NZ IFRS	GAAP	Correction	Transition	NZ IFRS
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Current liabilities</b>								
Trade and other payables	7,897	-	-	7,897	7,783	-	-	7,783
Provisions	28	-	(28)	-	30	-	(30)	-
Employee benefit liabilities [note (vi)]	1,291	-	30	1,321	1,588	-	30	1,618
Borrowings [note (xvi)]	10,872	(5,183)	-	5,689	10,351	(10,112)	-	239
	20,088	(5,183)	2	14,907	19,752	(10,112)	-	9,640
<b>Non current liabilities</b>								
Provisions	-	-	28	28	-	-	30	30
Borrowings [note (xvi)]	16,669	5,183	-	21,852	33,734	10,112	-	43,846
Development Contribution liability [note (v)]	-	-	-	-	2,456	-	(2,456)	-
Employee benefit liabilities	555	-	-	555	679	-	-	679
	17,224	5,183	28	22,435	36,869	10,112	(2,426)	44,555
<b>Net Assets</b>	925,023	(62,601)	9,513	871,935	946,978	(62,503)	2,592	887,067
<b>Net Surplus for the Year</b>					16,604			
Increase in valuation of forest previously accounted for through the revaluation reserve [note (ix)]							136	
Decrease in the valuation of term deposits [note (iii)]							(53)	
Reverse prior year adjustment for Development Contributions [note (v)]							2,431	
Development Contributions revenue received this year - [note (v)]							109	
Derivative Financial Instruments [note (i)]							63	
Assets introduced in 2005/06 - now adjusted in opening balance sheet [note (vii)]							(4,414)	
Change in depreciation of library books [note (xiv)]						98		
					<b>16,604</b>	<b>98</b>	<b>(1,728)</b>	<b>14,974</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Opening Balance Sheet 1/7/05				Comparative Balance Sheet 30/6/06			
	Previous		Effect of		Previous		Effect of	
	GAAP	Correction	Transition	NZ IFRS	GAAP	Correction	Transition	NZ IFRS
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Reconciliation of equity to previously reported financial statements - Group</b>								
<b>Equity</b>								
Accumulated funds	216,135	230	576,208	792,573	226,294	328	571,829	798,451
Council created reserves [note (v)]	81,384	-	-	81,384	87,807	-	2,456	90,263
Restricted reserves	228	-	-	228	243	-	-	243
Investment revaluation reserve [note (iii)]	-	-	125	125	-	-	146	146
Cash flow hedge reserves [note (i)]	-	-	3	3	-	-	140	140
Property revaluation reserves [notes (xv), (vii)]	627,934	(62,731)	(565,203)	-	633,020	(62,730)	(570,290)	-
Minority Interest	1,339	-	242	1,581	1,198	-	315	1,513
	927,020	(62,501)	11,375	875,894	948,562	(62,402)	4,596	890,756
<b>Current assets</b>								
Cash and cash equivalents [note (ii)]	231	-	3,812	4,043	338	-	11,128	11,466
Other financial assets [notes (ii), (iii)]	18,590	-	(3,539)	15,051	29,136	-	(10,947)	18,189
Trade and other receivables [note (iv)]	7,478	-	(972)	6,506	8,888	-	(1,379)	7,509
Derivative financial instruments [note (i)]	-	-	-	-	-	-	18	18
Inventories	522	-	-	522	523	-	-	523
Non-current assets held for sale	515	-	-	515	3,816	-	-	3,816
	27,336	-	(699)	26,637	42,701	-	(1,180)	41,521
<b>Non current assets</b>								
Other financial assets [notes (iii), (iv)]	44,241	-	682	44,923	46,280	-	1,149	47,429
Trade and other receivables	-	-	-	-	1,694	-	-	1,694
Derivative financial instruments [note (i)]	-	-	15	15	-	-	197	197
Investment Property [note (xi)]	-	-	1,397	1,397	-	-	1,491	1,491
Intangible assets [note (viii), (xii)]	-	-	603	603	-	-	515	515
Biological assets [note (ix)]	-	-	3,665	3,665	-	-	3,801	3,801
Property, plant and equipment [notes, (vii), (viii), (ix), (xii), (xiv), (xv)]	893,411	(62,501)	6,747	837,657	915,132	(62,402)	(2,847)	849,883
	937,652	(62,501)	13,109	888,260	963,106	(62,402)	4,306	905,010

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Opening Balance Sheet 1/7/05				Comparative Balance Sheet 30/6/06			
	Previous		Effect of		Previous		Effect of	
	GAAP	Correction	Transition	NZ IFRS	GAAP	Correction	Transition	NZ IFRS
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Current liabilities</b>								
Trade and other payables	8,016	-	-	8,016	7,866	-	-	7,866
Provisions	28	-	(28)	-	30	-	(30)	-
Employee benefit liabilities [note (vi)]	1,302	-	30	1,332	1,604	-	30	1,634
Borrowings [note (xvi)]	10,885	(5,196)	-	5,689	10,568	(10,112)	-	456
	20,231	(5,196)	2	15,037	20,068	(10,112)	-	9,956
<b>Non current liabilities</b>								
Provisions	-	-	28	28	-	-	30	30
Borrowings [note (xvi)]	17,182	5,196	-	22,378	34,042	10,112	-	44,154
Development Contribution liability [note (v)]	-	-	-	-	2,456	-	(2,456)	-
Deferred Tax Liability [note(x)]	-	-	1,005	1,005	-	-	956	956
Employee benefit liabilities	555	-	-	555	679	-	-	679
	17,737	5,196	1,033	23,966	37,177	10,112	(1,470)	45,819
<b>Net Assets</b>	927,020	(62,501)	11,375	875,894	948,562	(62,402)	4,596	890,756
<b>Net Surplus for the Year</b>					16,332			
Increase in valuation of forest previously accounted for through the revaluation reserve [note (ix)]							136	
Decrease in the valuation of term deposits [note iii)]							(53)	
Reverse prior year adjustment for Development Contributions [note (v)]							2,431	
Derivative financial instruments [note(i)]							63	
Development Contributions revenue received this year - [note (v)]							109	
Assets introduced in 2005/06 - now adjusted in opening balance sheet [note (vii)]							(4,414)	
Change in depreciation of library books [note (xiv)]						98		
Recalculated depreciation as a result of revaluating airport buildings and reclassifying investment properties, previously classified as property, plant and equipment [notes (vii) and (xi)]							1	
Changes in fair value of investment properties revaluation [note (xi)]							94	
Prior year consolidation errors eliminated							(142)	
Current portion of the deferred tax movement [note (x)]							49	
					<b>16,332</b>	<b>98</b>	<b>(1,726)</b>	<b>14,704</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

## EXPLANATORY NOTES - RECONCILIATION OF EQUITY

### NZ IFRS Adjustments

(i) Under previous NZ GAAP, derivatives were not brought to account in the financial reports. Under NZ IAS 39 the fair value of derivatives must be accounted for. Council has a number of interest rate swap derivative instruments. Where these have been designated for hedge accounting, and the effectiveness of the hedge is proven, the movement in value is accounted for in a revaluation reserve. Where there is no designation, or where there is ineffectiveness, the value movement is taken to the income statement.

(ii) Cash and cash equivalents have been defined as funds invested with maturity date of three months or less from the date of investment. A number of investments have been reclassified to cash and cash equivalents.

(iii) In the past investments in bonds and term investments have been accounted for at the lower of cost or net realisable value. Under NZ IFRS, Council has classified its investments in bonds as being "held to maturity" and valued at amortised cost, while term investments with banks are classified as "available for sale" and accounted for at market value. Investments in non-related shares are valued at market value. Any increase in market value in the investments is accounted for through the investment revaluation reserve, while decreases are taken through the Income Statement.

(iv) Interest accrued on term investments is taken into account in the market value calculation and included as part of the investment value. In the past this has been accounted for as interest accrued in the accounts receivable balance.

(v) During the 2005/06 year, the accounting treatment for Development Contributions changed from accounting for revenue when invoiced, to the liability method, where revenue is not recognised until it is applied to an allowable capital project. Under IFRS, Development Contributions are to be recognised as income when invoiced. The effect of the change in accounting policy in the 2005/06 year has been reversed.

(vi) In the past unused sick leave has not been treated as a liability. There is now a requirement to provide for the portion of unused sick leave that is estimated to be used in future years.

(vii) Land and buildings (including infrastructure utility buildings) were revalued at 1 July 2005. In addition, park furniture and heritage assets were also included for the first time at 1 July 2005 and were introduced through the Income Statement in the 2005/06 year. The carrying value for classes of property, plant and equipment that have been previously revalued (including valuations at 1/7/05) are considered deemed cost and associated revaluation reserves have been transferred to retained earnings.

(viii) Software has been previously accounted for as property, plant and equipment, within the furniture and office equipment class. This has been reclassified as an intangible asset.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

(ix) Forestry has been previously classified as property, plant and equipment with any change in valuation being accounted for through the revaluation reserve. Under NZ IFRS, forestry assets are now classified as a biological asset and revalued annually. All changes in valuation are accounted for through the Income Statement. Non-biological assets (e.g. roads) included in the forestry class have been reclassified to other asset classes. A valuation was carried out at transition date, resulting in an increased value of \$1,075,000.

(x) Under previous NZ GAAP, the Taupo Airport used the partial method of calculating deferred tax, and no liability was recorded. Under NZ IAS 12, deferred tax is calculated based on the difference between the carrying value of an asset and the amount attributed to it for tax purposes. This method generally results in a significantly larger deferred tax liability, especially in relation to revalued assets.

(xi) The Taupo Airport Authority has not previously accounted for investment properties. A number of buildings have now been identified that are classified as investment properties under NZ IFRS, the majority of which had not been previously accounted for. The increase in fair value of these properties has been credited to the Income Statement. These assets are not depreciated.

(xii) Development expenditure for Data Capture Systems had been previously capitalised to property, plant and equipment. This has now been reclassified as an intangible asset.

(xiii) The provision for landfill liability has been reclassified from a current liability to non-current liability.

## CORRECTIONS OF PRIOR YEARS TREATMENT

(xiv) Historically, depreciation on library books has been incorrectly calculated. Accumulated depreciation has been amended to reflect the correct book value representing cost less accumulated depreciation.

(xv) There were a number of errors identified in the 2005 GAAP revaluation of land and reserves, overstating the value of the asset and the revaluation reserve by close to \$63million.

(xvi) In preparing the current financial report an error was noted in the current / non-current classification of public debt maturities in the 2004/05 and 2005/06 GAAP financial reports. This error has been corrected for.

# COUNCIL CONTROLLED ORGANISATIONS

Taupo District Council has a controlling interest in three Council Controlled Organisations:

- Taupo Airport Authority
- Lake Taupo Tourism Advisory Board
- Taupo District Economic Development Advisory Board

In addition, Taupo District Council has an interest in two other Council Controlled Organisations:

- The Lake Taupo Protection Trust – the settlors of this Trust are Taupo District Council, Environment Waikato and the Ministry for the Environment
- Local Authority Shared Services Limited – Council has a shareholding interest in this company together with other local authorities in the Waikato region

Taupo District Council also has a controlling interest in two organisations exempted under section 7 of the Local Government Act 2002 from the definition of Council Controlled Organisation:

- Data Capture Systems Limited
- Destination Lake Taupo Limited

This section of the annual report reports the performance of these entities in the 2006/07 year.

## TAUPO AIRPORT AUTHORITY

### BACKGROUND

Taupo District Council and the Crown, represented by the Ministry of Transport, own the Taupo Airport Authority (TAA) equally.

TAA is a Council Controlled Organisation (CCO) as defined by the Local Government Act 2002.

TAA is managed, under agreement with the Crown, by the Taupo District Council. During the 2006/07 year the governance of the Airport operations was provided by a Sub-Committee of Council while future governance options were considered. Subsequent to balance date a new Committee has been established which will provide the governance of the airport operations in 2007/08 and into the future.

Auditors - Audit New Zealand  
Bankers - Bank of New Zealand  
Solicitors - Le Pine & Co, Taupo

### SIGNIFICANT POLICIES AND OBJECTIVES

The objective of the Taupo Airport Authority is to operate a successful business providing for the safe, appropriate and efficient air transport needs of the Taupo District.

The Authority provided for the safe, appropriate and efficient air transport needs of the Taupo District during the year.

#### NATURE AND SCOPE OF ACTIVITIES

The Taupo Airport Authority is to provide an airport infrastructure to meet the needs of the Taupo District, together with leasehold land for airport related development.

The nature and scope of the activities provided by the Authority during the year are consistent with this intention.

#### PERFORMANCE

Performance Targets	Results	Achievement
The sealed runway will be open for air traffic 365 days of the year unless prevented by adverse weather or unexpected events.	The sealed runway was open for air traffic each day.	Achieved
The grass runway will be open for air traffic 365 days of the year unless prevented by adverse weather or unexpected events, or when the sealed runway is in use.	The grass runway was open for air traffic each day.	Achieved
Following the CAA directive, a Unicom information service will be provided 365 days of the year until such time as an alternative operational system, approved by the TAA Advisory Sub-Committee, is implemented.	A Unicom service was provided every day until its withdrawal in November.	Achieved
The terminal building will be open at least one hour before arrival times and half an hour after flight departure.	The terminal building was open as specified.	Achieved
A financial return on equity of at least 1% to be achieved annually.	Not achieved this year. However, the landing charges review is now complete which should ensure achievement of this target in future.	Not achieved
The TAA be self-funding in terms of its own cashflow requirements as soon as possible.	Not achieved this year. However, the landing charges review is now complete which should ensure achievement of this target in future.	Not achieved
	Actual 2007 \$	Budget 2007 \$
Financial Performance for the year ended 30 June 2007		
Total revenue	577,573	780,000
Total expenditure (including tax expense)	565,303	708,000
Net Surplus after taxation	12,270	72,000

## LAKE TAUPO TOURISM ADVISORY BOARD

#### BACKGROUND

The Lake Taupo Tourism Advisory Board (LTTAB) is an Advisory Board established by the Taupo District Council.

LTTAB is a Council Controlled Organisation (CCO) as defined by the Local Government Act 2002.

LTTAB's constitution provides for a 10-person board, with five of these independent members and the other five representatives of various organisations.

Auditors - Audit New Zealand

#### SIGNIFICANT POLICIES AND OBJECTIVES

The objectives of LTTAB are:

- To implement initiatives identified in the 10 Year Visitor Industry Strategy
  - To provide advice on tourism in the District including:
    - Marketing direction and operations of Destination Lake Taupo (DLT)
    - Destination management
  - To ensure alignment and consistency of approach with other organisations involved in economic development, and with other strategy documents prepared by the community
  - To advise Council on tourism expenditure (short and long term).
- These objectives have been met.

#### NATURE AND SCOPE OF ACTIVITIES

The intended activity of the Lake Taupo Tourism Advisory Board is to meet the objectives set out above.

The nature and scope of the activities provided by the Board during the year are consistent with this intention.



PERFORMANCE

Performance Targets	Results	Achievement
The development and execution of a domestic marketing campaign with 50% funding from industry.	The domestic campaign is in progress at 30 June 2007 with the winter-themed elements already carried out, and the balance of the campaign confirmed for implementation in the early part of the 2007/08 year. The funding target has been achieved with 52% of the cost of the campaign funded by industry.	In progress and on track
Arrangement and co-ordination of 12 visits from NZ journalists in the 2006/07 year, and the introduction of the measurement of Equivalent Advertising Value from 1 July 2006. These targets are designed to ensure increased media coverage in NZ-based newspapers and magazines and the introduction of a mechanism to measure this.	14 visits by domestic journalists completed.  Collection of clippings and analysis of EAV underway.	Achieved
The introduction of a "Meet Me in Taupo" campaign trial, focused on sports clubs and associations.	Campaign complete.	Achieved
The introduction of: A Maori specialist to be employed in the Taupo i-SITE;	Specialist employed and under training.	Achieved
Maori cultural training for i-SITE and DLT staff;	Ongoing Maori Cultural Training in place for DLT and i-Site staff.	Achieved
Benchmark measurement of the amount of Maori cultural product sold through the i-SITES to allow tracking in subsequent years;	Benchmarking of Maori Cultural product sold in place.	Achieved
Increased use of cultural themes in all promotional collateral;	Increased use of cultural themes throughout promotional collateral	Achieved
These initiatives are designed to ensure an increase in the amount of Maori cultural product sold through the i-SITES and the introduction of a mechanism to measure this.		
To increase the average length of visitor stay from 1.7 nights (present) to 1.8 nights by 30 June 2007.	Increased to 1.73 nights.	Not achieved

As the Board has no assets or liabilities and no financial activity, there is no financial performance to report.

## TAUPO DISTRICT ECONOMIC DEVELOPMENT ADVISORY BOARD

### BACKGROUND

The Taupo District Economic Development Advisory Board (TDEDAB) is an Advisory Board established by the Taupo District Council. TDEDAB is a Council Controlled Organisation (CCO) for the purposes of the Local Government Act 2002. TDEDAB's constitution provides for an eight-person board with four of these independent members and the other four representatives of various organisations.

Auditors - Audit New Zealand

### SIGNIFICANT POLICIES AND OBJECTIVES

To provide leadership through economic development respecting the values of people, place and the environment to improve the standard of living and quality of life of our people.

The Board is relatively new – it is working toward this objective.

### NATURE AND SCOPE OF ACTIVITIES

The intended primary responsibility of the Board is to provide advice to Taupo District Council on Council's role in economic development.

Other roles include:

- At its discretion promote, or carry out any activities that advance the economic wellbeing of the Taupo District as defined in its vision.
- Review and update the Taupo District Economic Development Strategy.
- Recommend to Council a ten-year budget for achieving the economic development outcomes of the Board in so far as these relate to Council's activities, for inclusion in the LTCCP.
- Liaise regularly with and encourage the alignment of the strategies of other organisations involved in economic development.
- Provide general advice to Council on economic development.
- Provide funding allocation advice to Council.

The nature and scope of the activities provided by the Board during the year are consistent with this intention.

### PERFORMANCE

Performance Targets	Results	Achievement
Completion of the review of the Taupo District Economic Development Strategy by February 2007.	A process for reviewing the strategy to develop an economic transformation Action Plan has been prepared.  Preliminary meetings have been held with a range of stakeholders.  Background information has been prepared.  Funding applications to NZTE were declined due to changes in the structure of the NZTE funding programmes.	Not Achieved. To be completed in 2007/08.

Performance Targets	Results	Achievement
	<p>A new organisation is being established 'Enterprise Lake Taupo'. This organisation will be able to apply for funding which will assist with the development of the Action Plan for economic transformation.</p> <p>Work is also being carried out in the Bay of Plenty and Waikato to develop regional strategies into which Taupo District's Action Plan will fit.</p>	
Inclusion of an economic development vision in the next release of Council's Long Term Council Community Plan.	Not required. No Long Term Council Community Plan prepared this year.	Not applicable this year.
Identify and support two projects by 30 June 2007 that will contribute to positive economic change in the Taupo District	The establishment of Enterprise Lake Taupo will help contribute to positive economic change in the District. Other projects will not be carried out until the review of the Economic Development Strategy is complete.	Not Achieved. This will follow the completion of the Economic Development Strategy in 2007/08.
Demonstrate positive links with other organisations.	<p>The establishment of Enterprise Lake Taupo requires positive links between the organisations involved. Progress to date has been due to these links. The relationship with the COBOP Economic Transformation group will also continue.</p> <p>The above relationships will be strengthened in the future.</p>	Achieved.
Advice to Council provided within timeframes agreed with Council.	Advice on a structure for economic development in the District was delivered to Council within the agreed timeframes.	Achieved.

As the Board has no assets or liabilities and no financial activity, there is no financial performance to report.

## THE LAKE TAUPO PROTECTION TRUST

### BACKGROUND

The Lake Taupo Protection Trust (LTPT) was formed and became operative at the time of establishment of the Lake Taupo Protection Project on 9 February 2007. The Trust will administer an \$81.5 million fund over the next 14 years to protect Lake Taupo's water quality.

Taupo District Council is a settlor of the Trust, together with Environment Waikato and the Ministry for the Environment.

Auditors - Audit New Zealand

### SIGNIFICANT POLICIES AND OBJECTIVES

The Trust is charged with developing a programme of work that will reduce the amount of manageable nitrogen leaching into the lake by 20% over the next 14 years.

The Trust is newly established. It is too early to assess the achievement of this objective.

### NATURE AND SCOPE OF ACTIVITIES

The Lake Taupo Protection Trust will encourage and assist land use change, purchase land or nitrogen in the Lake Taupo catchment, and fund research and other initiatives that will assist landowners to reduce the nitrogen impact of their activities on Lake Taupo.

The Trust is newly established. It is too early to assess the consistency of its activities with this intention.

### PERFORMANCE

The Trust was not formed until February 2007. As a result it was not required to have a Statement of Intent for the 2006/07 year, and there are no performance measures to be reported.

	Actual 2007 5 months \$	Budget 2007 5 months \$
Financial Performance for the 5 months ended 30 June 2007		
Total revenue	9,732,357	4,741,000
Total expenditure	309,047	307,330
Net Surplus (deficit)	9,423,310	4,433,670
Balance Sheet as at 30 June 2007		
Current assets	9,722,066	
Current liabilities	298,746	
Equity	9,423,320	

## LOCAL AUTHORITY SHARED SERVICES LIMITED

### BACKGROUND

Taupo District Council has a one-thirteenth ordinary shareholding in Local Authority Shared Services Limited (LASS).

Taupo District council also holds service shares in the Waikato Regional Aerial Photography Services (21,652 shares) and the Valuation Data Hosting Services (1 share) activities of the company. These service shareholdings give no rights to a share in the distribution of surplus assets, nor do they provide voting rights.

Auditors - Audit New Zealand

### SIGNIFICANT POLICIES AND OBJECTIVES

The company has been set up to provide Waikato Region local authorities with a vehicle to procure shared services and provide them to local authorities.

The services that will be initiated under the umbrella of this company will only be promulgated if the business case shows that they provide benefit to the share holders in terms of improved level of service or reduced cost.

### NATURE AND SCOPE OF ACTIVITIES

The principal nature and scope of the activity of LASS is to:

- Provide shared services to all local authorities within the Waikato Region. LASS may also sell processes and systems as set up under individual agreements to local authorities outside the Region.
- Pursue all opportunities to procure shared services that will benefit the community, either through enhanced services and/or reduced cost.
- Give consideration to developing shared services that a majority of local authorities of the Region believe are of value. The objective is to provide the most effective access to Regional information that may be of value to the community using modern technology and processes.
- Explore all possible avenues to provide these services itself or contract them from other parties, each depending on a rigorous business case and risk assessment.

### PERFORMANCE

Performance Targets	Actual Outcome <sup>1</sup>
Positive cash flow will be maintained so that the equity ratio is maintained at a minimum of 40%.	Achieved
Customers will be surveyed annually to ensure that there is at least 90% satisfaction with the services provided.	Not achieved. The customer survey requirement is being built into a SVDS service contract.
Expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the Directors.	Total expenditure for the year has been controlled and is only 3% over budget. The main area where this has occurred is in higher than anticipated administration costs.
The CEO will provide a written report on the business operations and financial position of LASS as a minimum on a six monthly basis.	Six monthly report prepared and provided to shareholders.

### FOOTNOTE

<sup>1</sup> At the time of preparing Council's Annual Report, the Annual Report of Local Authority Shared Services had not been audited, and hence these reported results remain unaudited.

## DATA CAPTURE SYSTEMS LIMITED

### BACKGROUND

Taupo District Council is the 100% owner of Data Capture Systems Limited (DCSL).

DCSL was a Council Controlled Organisation (CCO) as defined by the Local Government Act 2002. In February 2006 the Directors of DCSL resolved that it would cease operations. Subsequently, in June 2006, resolutions were passed to wind down the company during the course of the 2006/07 year. The company is now exempted under section 7 of the Local Government Act 2002 from the definition of a CCO.

Auditors - Audit New Zealand

## DESTINATION LAKE TAUPO LIMITED

### BACKGROUND

Taupo District Council is the 100% owner of Destination Lake Taupo Limited (DLTL).

DLTL is a non-trading company that is held only for name-protection purposes. It has no revenue or expenditure, assets or liabilities. Council has passed a resolution under section 7 of the Local Government Act 2002 making DLTL an exempt organisation, and hence removing it from the definition and requirements pertaining to a council-controlled organisation.

Auditors - Audit New Zealand



## THE TEL INVESTMENT FUND

On 5 September 1995, Taupo District Council sold its investments in Taupo Electricity Ltd and Taupo Generation Ltd [TEL/TGL] providing a net investment fund of \$61.3 million.

The policies regarding the use of the capital and investment income are included in the Treasury Management Policy. Amongst other requirements, the policies stipulate that the investment income earned on the inflation proofed sale proceeds be available for distribution each year, with the distribution determined during the Long Term Council Community Plan / Annual Plan process. Income available for distribution in 2006/2007 was \$2.661 million [budget \$4.606 million]. Where the income received from the fund did not meet the amount required for distribution by the LTCCP / Annual Plan, the balance was met by a fluctuation reserve. The fluctuation reserve was also utilised to meet any inflation-proofing that was not achieved through capital growth. With Council's withdrawal from its managed equities investments in October 2006, the fluctuation reserve which was in a significant negative balance at that time was "washed out" into the "losses on investments over time" figure.

During 2002/03, Council resolved to use \$10 million of the TEL fund capital to repay Taupo/Kaingaroa and Mangakino/Pouakani general rate debt. In addition to that amount, approximately \$40 million has been generated by the fund (or met by the fluctuation reserve) over the years of the TEL Fund's existence, and utilised for rates subsidy or for contribution to the funding of various capital projects, which would otherwise have required rates funding.

The principal value of the fund at 30 June 2007 was \$56,545,970 (2006 \$57,246,263). The cumulative sale proceeds and the other significant items impacting the TEL Fund principal value over the course of its history, are shown below:

	\$
Initial proceeds on sale September 1995	61,273,557
Inflation-proofing (temporarily suspended at 1 July 2006)	14,867,291
Less: Establishment of fluctuation reserve	(4,500,000)
Less: Repayment of public debt in 2002/03 year	(10,000,000)
Fund value after capital adjustments	\$61,640,848
Cumulative capital losses on investments over time	(5,094,878)
<b>Value of TEL Fund at 30 June 2007</b>	<b>\$56,545,970</b>
Comparative: Value of TEL Fund at 30 June 2006	\$57,246,263

