

FINANCIAL STATEMENTS

The following pages present the financial projections of the Council for 2011/2012. In particular, the following information is presented:

- the practices and assumptions used in preparing the financial information
- the sources of income and where it is planned to be spent
- the effect of the planned income and expenditure on the overall net worth of the Council
- what the Council owes and owns
- the forecast cash payments and receipts for each year
- additional supporting information.

The *Statement of Financial Position* includes the estimated financial position as at 1 July 2011. These figures differ from the estimated financial position as at 30 June 2011 included in the *2009/2019 Long-Term Council Community Plan*.

The forecast prospective financial information presented is based upon best-estimate assumptions. Whilst every care has been taken in the preparation of the forecast prospective financial information, the actual results are likely to differ. These differences may be material.

The forecasts are based upon assumptions and information available to the Taranaki Regional Council as at May 2011. Actual financial results have been incorporated to the extent that they affect the opening forecast prospective financial position as at 1 July 2011. There is no intention to update the forecast prospective financial information prior to the finalisation of this *Annual Plan*.

The forecast financial information on pages 35 to 42 has been prepared in accordance with the Council's current accounting policies as specified on pages 44 to 48.

The forecast financial information presented in this *Plan* has been prepared in compliance with *Financial Reporting Standard No. 42: Prospective Financial Statements*.

The summing of each *Indicative costs and sources of funds* statement with each group of activities equates to the figures included in the *Statement of comprehensive income*.

The Council is required to ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses.

Prior to 1996/1997, the Council used dividends received from Port Taranaki Ltd to repay debt that the Council inherited upon the corporatisation of the new port company. Since then the Council has used the dividend returns to reduce the general rate requirement. In most years, the Council has received more dividend returns than it budgeted for. These extra dividends have accumulated in the Dividend Equalisation Reserve and contributed to a substantial unbudgeted improvement in the Council's financial situation. In some years the Council has received less dividends than it budgeted for. In these cases the Council has used the Dividend Equalisation Reserve to smooth the impact on the general rate requirement.

The returns from Port Taranaki Ltd have the potential to fluctuate significantly. The Council uses the Dividend Equalisation Reserve to smooth fluctuations in dividend returns from Port Taranaki Ltd and, consequently, smooth the impact on general rate changes. Technically the use of the

Dividend Equalisation Reserve results in unbalanced budgets where in some years the Council has surpluses and in others deficits.

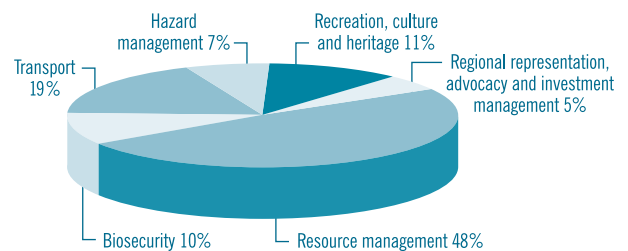
The Council is required to ensure that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses. For 2011/2012, the Council's projected operating revenues are not sufficient to cover projected operating expenses. The estimated deficit is as follows:

Operating surplus	\$752,146
Less interest transfers to reserves	\$54,755
Less Yarrows Stadium rates (combination of targeted rates and UAGC)	\$876,000
Plus transport reserve transfers	<u>\$100,000</u>
Deficit	<u>\$78,609</u>

As a result of this decision:

- the operating deficit will have the effect of reducing the Dividend Equalisation Reserve and cash balances by a similar amount
- there will be no adverse effect on the levels of service provided by the Council or the service capacity and integrity of the Council's assets
- there is sufficient revenue to fund the maintenance of service levels and the capacity and integrity of the Council's assets
- there is no impact on the equitable allocation of responsibility for funding the provision and maintenance of assets and facilities throughout their useful life
- there is consistency with the Council's funding and financial policies
- there will be negligible impact on the current and future social, economic, environmental and cultural well-being of the community.

Proposed Expenditure 2011/2012



Proposed Revenue 2011/2012

