

## Financial statements

2002/2003 DRAFT ANNUAL PLAN

The following pages present the financial projections of the Council for 2002/2003 and, in indicative terms, for the two following years. 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 during the year
- additional supporting information.

The allocation of costs between significant activities and functions has been refined for this *Draft Annual Plan*. The 2001/2002 estimates have been restated to allow consistency of comparison. As required by section 223D(4)(a) of the Local Government Act 1974, the *Statement of Financial Position* includes the estimated financial position as at 1 July 2002. These figures differ from the estimated financial position as at 30 June 2002 included in the *2001/2002 Annual 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 February 2002. Actual financial results have been incorporated to the extent that they affect the opening forecast prospective financial position as at 1 July 2002. The forecast prospective financial information will be updated as part of the adoption of the final *2002/2003 Annual Plan*. There is no other intention to update the forecast prospective financial information prior to the preparation of the *2002/2003 Annual Report*.

# Statement of accounting policies

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## Reporting entity

The Taranaki Regional Council (the Council) is a regional local authority governed by the Local Government Act 1974. The group consists of the Council and its 100% owned subsidiary, Westgate Transport Ltd. The financial statements have been prepared in terms of section 223D of the Local Government Act 1974, which includes the requirement to comply with generally accepted accounting practice.

## Measurement base

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

## Accounting policies

### Budget figures

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.

### Consolidation

Consolidated financial results have not been prepared for the purposes of this plan.

### Goods and services tax

All items are exclusive of goods and services tax (GST), excluding accounts receivable and payable, which are recorded inclusive of GST in the *Statement of financial position*.

### Revenue

Rates and other revenue excluding grants are recognised when rates are struck and/or invoices have been issued. Grant revenue is recognised at the same time as the related expenditure is recognised and as the income is received from the grantor agency. Dividends are recognised in the period that they are authorised and approved.

### Overhead allocation

Overheads have been allocated against activity centres on the basis of staff numbers. However, in the case of Councillors (*Representation*), they have been allocated on a 0.5:1 ratio.

### Taxation

Income tax expense is charged in the *Statement of financial performance* in respect of the current year's surplus after allowing for permanent differences. The liability method of accounting for deferred taxation has been used and this has been applied on a comprehensive basis. Future taxation benefits attributable to tax losses or timing differences are recognised only when there is virtual certainty of realisation.

### Investment properties

Investment properties are valued annually by Telfer Young (Taranaki) Ltd, registered valuers, at net current value based on an existing use valuation basis. Any revaluation gain is taken to the investment property revaluation reserve. There is no depreciation on investment properties.

### Investments

Bank investments and shares in Westgate Transport Ltd and the New Zealand Local Government Insurance Corporation Ltd are stated at the lower of cost and net realisable value.

### Accounts receivable

Accounts receivable are stated at estimated realisable value after providing for debts where collection is doubtful.

# Statement of accounting policies

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## Fixed assets

Fixed assets are stated at historic cost except for the following:

- The Waitara River Flood Protection Scheme assets and the Waiwhakaiho River Flood Protection Scheme assets are independently valued annually at replacement cost, by Mr Gary Williams (registered Engineer and member of Institution of Professional Engineers New Zealand, B.E. (Hons), B.Sc., M Com. (Hons)) of G and E Williams Consultants Ltd.
- Infrastructure restricted asset Waitara – this land has been included in the financial statements at the government valuation as at 30 June 1995.

Increases in the value of assets are credited to the appropriate asset revaluation reserve. Decreases in the value of assets are debited to the appropriate asset revaluation reserve. Where this would have resulted in a debit balance in the asset revaluation reserve, this balance has been expensed in the statement of financial performance.

## Depreciation

Depreciation is fully funded on a straight-line basis, which writes off the value of the assets over their expected remaining lives after allowing for residual values where applicable. The depreciation rates are as follows:

Buildings	5 to 40 years	2.50% to 20%
Motor vehicles	5 years	20%
Plant and equipment	2.5 to 25 years	4% to 40%
Office furniture and fittings	5 to 10 years	10% to 20%
Computer equipment	3 to 5 years	20% to 33%

Flood scheme assets—the nature of these assets is equivalent to land improvements and, as such, they do not incur a loss of service potential over time. Land and flood scheme assets are not depreciated.

## Employee entitlements

Provision is made in respect of the Council's liability for annual leave, long service leave, gratuities and payroll accruals. Annual leave has been calculated on an actual entitlement basis at current rates of pay. Gratuities and long service leave have been calculated on an actuarial basis at current rates of pay.

## Financial instruments

The Council is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, debtors and creditors. All of these are recognised in the *Statement of financial position* at fair value unless otherwise stated. Revenues and expenses in relation to financial instruments are recognised in the *Statement of financial performance*.

## Statement of cash flows

The following is the definition of terms used in the *Statement of cash flows*:

- Cash means deposits with banks
- Investing activities comprise the purchase and sale of fixed assets, investment properties and investments
- Financing activities comprise the change in equity and debt structures
- Operating activities include all transactions and events that are not investing or financial activities.

## Changes in accounting policies

There have been no changes in accounting policies. Policies have been applied on basis consistent with prior years.

## Forecast statement of financial performance

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2001/02 \$		2002/03 \$	2003/04 \$	2004/05 \$
	<b>Cost of services</b>			
783,243	Policy and planning	794,554	807,539	820,912
452,612	Emergency management	438,218	488,759	495,496
1,899,724	Resource consents	2,036,662	2,074,218	2,112,901
1,080,633	Land management	1,321,508	1,339,757	1,358,552
451,547	River control and flood protection	311,364	313,762	316,231
452,233	Land transport and harbour management	576,071	578,632	581,269
1,051,877	Resource investigations and monitoring	1,103,368	1,121,969	1,141,127
1,376,149	Pest animal management	1,275,394	1,294,702	1,314,590
470,405	Pest plant management	486,826	495,519	504,473
90,000	Investments	15,000	15,000	15,000
9,850,000	Recreation, culture and heritage	250,000	250,000	250,000
575,660	Representation	604,933	617,329	630,097
<b>18,534,082</b>	<b>Total expenditure</b>	<b>9,213,900</b>	<b>9,397,186</b>	<b>9,540,649</b>
	<b>Revenue</b>			
3,119,812	General rates	3,167,032	3,167,032	3,167,032
1,104,500	Separate rates	1,104,500	1,104,500	1,104,500
1,425,800	Direct charges	1,697,635	1,697,635	1,697,635
262,320	Government grants	313,230	313,230	313,230
2,550,000	Dividends	2,650,000	2,750,000	2,850,000
1,243,150	Other investment revenue	1,171,779	1,222,450	1,266,250
<b>9,705,582</b>	<b>Total revenue</b>	<b>10,104,176</b>	<b>10,254,847</b>	<b>10,398,647</b>
<b>(8,828,500)</b>	<b>Operating surplus/(deficit)</b>	<b>890,276</b>	<b>857,661</b>	<b>857,998</b>
	<b>Funded by:</b>			
123,500	Transfer from reserves	4,724	5,444	6,184
(19,000)	Transfer to reserves	(19,000)	(19,000)	(19,000)
<b>(8,724,000)</b>	<b>Net operating surplus/(deficit)</b>	<b>876,000</b>	<b>844,104</b>	<b>845,183</b>

## Forecast statement of movements in equity

2001/02 \$		2002/03 \$	2003/04 \$	2004/05 \$
<b>60,786,874</b>	<b>Equity at the start of the period</b>	<b>51,963,124</b>	<b>52,858,190</b>	<b>53,720,646</b>
(8,828,500)	Operating surplus/(deficit)	890,276	857,661	857,998
4,750	Increase in asset revaluation reserve	4,790	4,795	4,800
<b>(8,823,750)</b>	<b>Comprehensive income/expenditure</b>	<b>895,066</b>	<b>862,456</b>	<b>862,798</b>
<b>51,963,124</b>	<b>Equity at the end of the period</b>	<b>52,858,190</b>	<b>53,720,646</b>	<b>54,583,443</b>

These statements should be read in conjunction with the *Statement of accounting policies* and the *Explanatory notes*.

## Forecast statement of financial position

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2001/02 \$		2002/03 \$	2003/04 \$	2004/05 \$
	<b>Current assets</b>			
1,901,563	Bank and call deposits	594,191	454,022	487,890
570,000	Accounts receivable	570,000	570,000	570,000
80,000	Prepayments	80,000	80,000	80,000
<b>2,551,563</b>	<b>Total current assets</b>	<b>1,244,191</b>	<b>1,104,022</b>	<b>1,137,890</b>
	<b>Non current assets</b>			
40,051,000	Investments	42,201,000	43,077,000	43,953,000
4,790,000	Investment properties	4,794,790	4,799,585	4,804,384
6,590,561	Fixed assets	6,638,209	6,760,039	6,708,169
<b>51,431,561</b>	<b>Total non current assets</b>	<b>53,633,999</b>	<b>54,636,624</b>	<b>55,465,553</b>
<b>53,983,124</b>	<b>Total assets</b>	<b>54,878,190</b>	<b>55,740,646</b>	<b>56,603,433</b>
	<b>Current liabilities</b>			
1,200,000	Accounts payable	1,200,000	1,200,000	1,200,000
410,000	Employee entitlements	410,000	410,000	410,000
<b>1,610,000</b>	<b>Total current liabilities</b>	<b>1,610,000</b>	<b>1,610,000</b>	<b>1,610,000</b>
	<b>Non current liabilities</b>			
0	Public debt	0	0	0
410,000	Employee entitlements	410,000	410,000	410,000
<b>410,000</b>	<b>Total non current liabilities</b>	<b>410,000</b>	<b>410,000</b>	<b>410,000</b>
<b>2,020,000</b>	<b>Total liabilities</b>	<b>2,020,000</b>	<b>2,020,000</b>	<b>2,020,000</b>
	<b>Public equity</b>			
49,951,738	Retained earnings	50,827,738	51,671,843	52,517,025
1,280,130	Reserves	1,294,406	1,307,962	1,320,778
731,256	Asset revaluation reserves	736,046	740,841	745,640
<b>51,963,124</b>	<b>Total public equity</b>	<b>52,858,190</b>	<b>53,720,646</b>	<b>54,583,443</b>
<b>53,983,124</b>	<b>Total liabilities and equity</b>	<b>54,878,190</b>	<b>55,740,646</b>	<b>56,603,443</b>

This statement should be read in conjunction with the *Statement of accounting policies* and the *Explanatory notes*. The 2001/02 figures are the updated forecasted opening balances as at 1 July 2002 rather than the forecast balances included in the *2001/02 Annual Plan*.

## Forecast statement of cash flows

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2001/02 \$		2002/03 \$	2003/04 \$	2004/05 \$
	<b>Cash flows from operating activities</b>			
	Cash was provided from:			
2,052,770	Customers	2,375,515	2,375,515	2,375,515
4,224,312	Rates	4,271,532	4,271,532	4,271,532
878,500	Interest	807,129	857,800	901,600
2,550,000	Dividends	2,650,000	2,750,000	2,850,000
9,705,582		10,104,176	10,254,847	10,398,647
	Cash was applied to:			
17,560,803	Employees and suppliers	8,218,332	8,401,616	8,545,079
320,000	Goods and services tax	320,000	320,000	320,000
17,880,803		8,538,332	8,721,616	8,865,079
<b>(8,175,221)</b>	<b>Net cash flows from operating activities</b>	<b>1,565,844</b>	<b>1,533,231</b>	<b>1,533,568</b>
	<b>Cash flows from investing activities</b>			
	Cash was provided from:			
8,100,000	Investments	0	0	0
100,500	Fixed assets	100,500	81,000	69,000
8,200,500		100,500	81,000	69,000
	Cash was applied to:			
0	Investments	2,150,000	876,000	876,000
823,716	Fixed assets	823,716	878,400	692,700
823,716		2,973,716	1,754,400	1,568,700
<b>7,376,784</b>	<b>Net cash flows from investing activities</b>	<b>(2,873,216)</b>	<b>(1,673,400)</b>	<b>(1,499,700)</b>
<b>(798,437)</b>	<b>Net increase/(decrease) in cash</b>	<b>(1,307,372)</b>	<b>(140,169)</b>	<b>33,868</b>
2,700,000	Opening cash balance	1,901,563	594,191	454,022
<b>1,901,563</b>	<b>Closing cash balance</b>	<b>594,191</b>	<b>454,022</b>	<b>487,890</b>

This statement should be read in conjunction with the *Statement of accounting policies* and the *Explanatory notes*. The 2001/02 closing cash balance is the forecasted actual closing balance as at 30 June 2002 rather than the forecast closing cash balance in the *2001/02 Annual Plan*.

# Explanatory notes

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## Note 1—Apportionment of general rate requirement

The three Taranaki based district councils collect regional general rates on behalf of the Taranaki Regional Council. The projected apportionment of general rates between districts is as follows:

District	Capital value Equalised	Proportion %	Estimated rate revenue \$	GST \$	GST inclusive rate revenue \$	Rate in the \$ excluding GST
1996/97						
New Plymouth	5,097,756,000	50.58	1,906,703	238,338	2,145,041	
Stratford	944,250,000	9.40	354,350	44,294	398,644	
South Taranaki	4,019,805,000	40.02	1,508,625	188,578	1,697,203	
	<b>10,043,811,000</b>	<b>100.00</b>	<b>3,769,678</b>	<b>478,210</b>	<b>4,240,888</b>	<b>0.0375323</b>
1997/98						
New Plymouth	5,141,310,000	52.16	1,834,105	229,263	2,063,368	
Stratford	901,156,000	9.14	321,390	40,174	361,564	
South Taranaki	3,815,108,000	38.70	1,360,810	170,101	1,530,911	
	<b>9,857,574,000</b>	<b>100.00</b>	<b>3,516,305</b>	<b>439,538</b>	<b>3,955,843</b>	<b>0.0356711</b>
1998/99						
New Plymouth	4,908,698,000	54.83	1,845,725	230,716	2,076,441	
Stratford	834,138,000	9.32	313,736	39,217	352,953	
South Taranaki	3,209,657,000	35.85	1,206,807	150,851	1,357,658	
	<b>8,952,493,000</b>	<b>100.00</b>	<b>3,366,268</b>	<b>420,784</b>	<b>3,787,052</b>	<b>0.0376015</b>
1999/2000						
New Plymouth	4,872,820,000	54.60	1,819,604	227,450	2,047,054	
Stratford	792,825,000	8.88	295,936	36,992	332,928	
South Taranaki	3,259,198,000	36.52	1,217,068	152,134	1,369,202	
	<b>8,924,843,000</b>	<b>100.00</b>	<b>3,332,608</b>	<b>416,576</b>	<b>3,749,184</b>	<b>0.0373408</b>
2000/01						
New Plymouth	4,836,176,000	55.44	1,775,581	221,948	1,997,529	
Stratford	831,629,000	9.54	305,538	38,192	343,730	
South Taranaki	3,055,183,000	35.02	1,121,588	140,199	1,261,787	
	<b>8,722,988,000</b>	<b>100.00</b>	<b>3,202,707</b>	<b>400,339</b>	<b>3,603,046</b>	<b>0.0367157</b>
2001/02						
New Plymouth	4,780,929,466	54.35	1,695,618	211,952	1,907,570	
Stratford	816,755,275	9.29	289,831	36,229	326,060	
South Taranaki	3,198,394,600	36.36	1,134,363	141,795	1,276,158	
	<b>8,796,079,341</b>	<b>100.00</b>	<b>3,119,812</b>	<b>389,976</b>	<b>3,509,788</b>	<b>0.0354682</b>
2002/03						
New Plymouth	5,301,290,000	52.20	1,653,190	206,648	1,859,838	
Stratford	970,013,500	9.55	302,452	37,807	340,259	
South Taranaki	3,883,973,500	38.25	1,211,390	151,424	1,362,814	
	<b>10,155,277,000</b>	<b>100.00</b>	<b>3,167,032</b>	<b>395,879</b>	<b>3,562,911</b>	<b>0.0311860</b>

# Explanatory notes

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## Note 2—Capital expenditure

The estimated capital expenditure for 2002/2003 is:

	2002/2003	2001/2002	2000/01
	\$	\$	\$
General office	171,261	76,026	9,828
Plant and equipment	143,515	75,690	146,700
Computer	136,800	231,000	220,000
Building upgrade	335,000	0	0
Vehicles	499,500		
Less trade in	130,500	369,000	340,500
<b>Total</b>	<b>1,155,576</b>	<b>723,216</b>	<b>644,528</b>

## Note 3—Reserves

Reserve funds are utilised to provide a fund for expenditure on specific purposes. In some circumstances the reserves are a legal requirement. The Council holds the following reserve funds:

**Makuri River Control Scheme reserve.** The Council strikes a works and services rate, as and when required, based on land values in the Makuri Valley River catchment. Any surplus rates are transferred to this reserve. The reserve can only be spent on construction and maintenance of river control works on the Makuri Valley River.

**North Taranaki/Waitara River Control Scheme reserve.** The Council strikes a works and services rate, as and when required, based on capital values over the New Plymouth district. Any surplus rates are transferred to this reserve. The reserve can only be spent on the construction and maintenance of flood control or river control works required for flood protection in the New Plymouth district.

**Contingency/disaster reserve.** This reserve was created to meet the Council's share of the replacement cost of infrastructure assets affected by natural disasters. It also covers the Council's commitments under the National Civil Defence Plan in the event of emergencies. It is available for any other contingency or emergency response purposes, including oil spill response and flood response.