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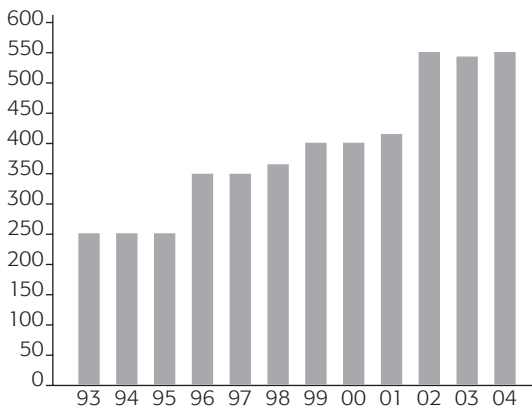
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FINANCIAL PERFORMANCE

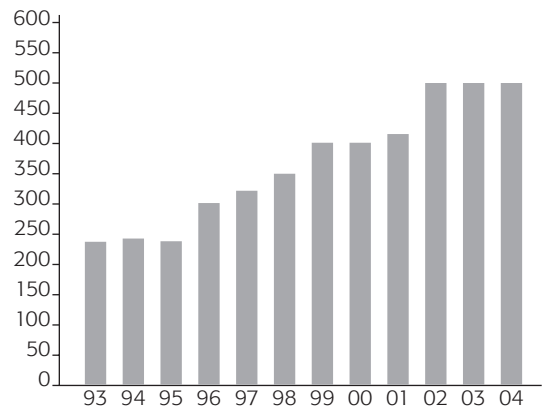


FINANCIAL STATISTICS

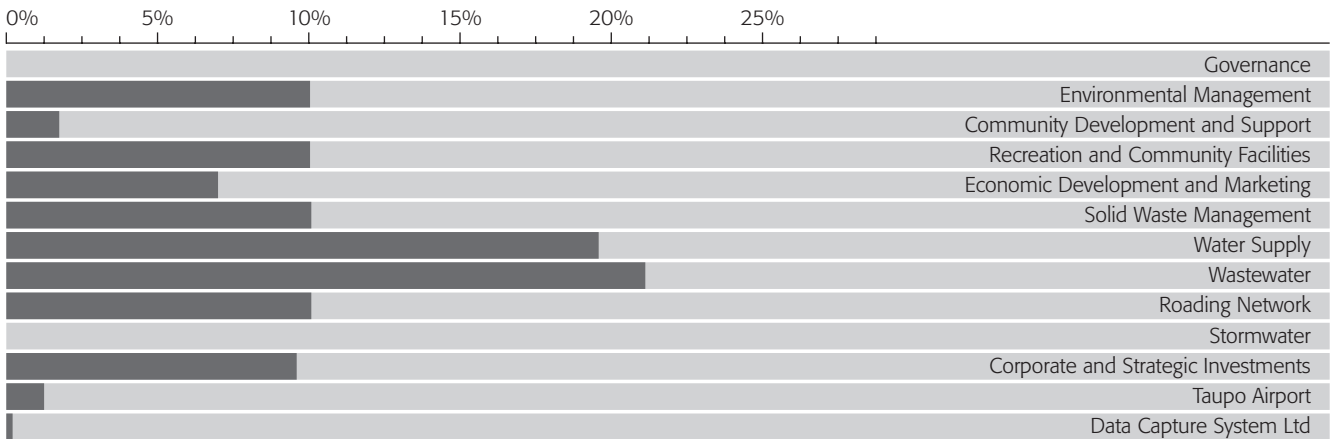
Total Assets



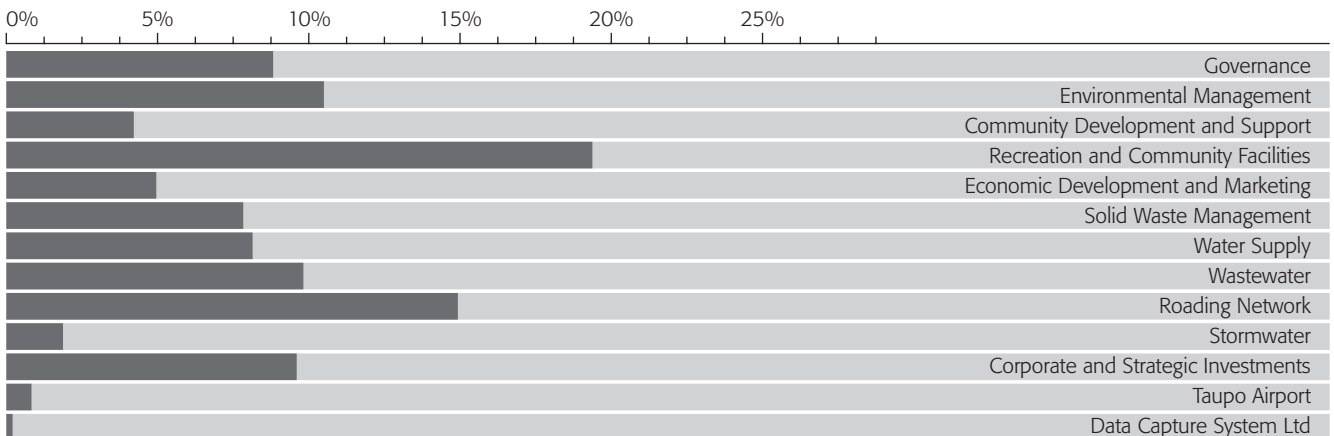
Net Assets



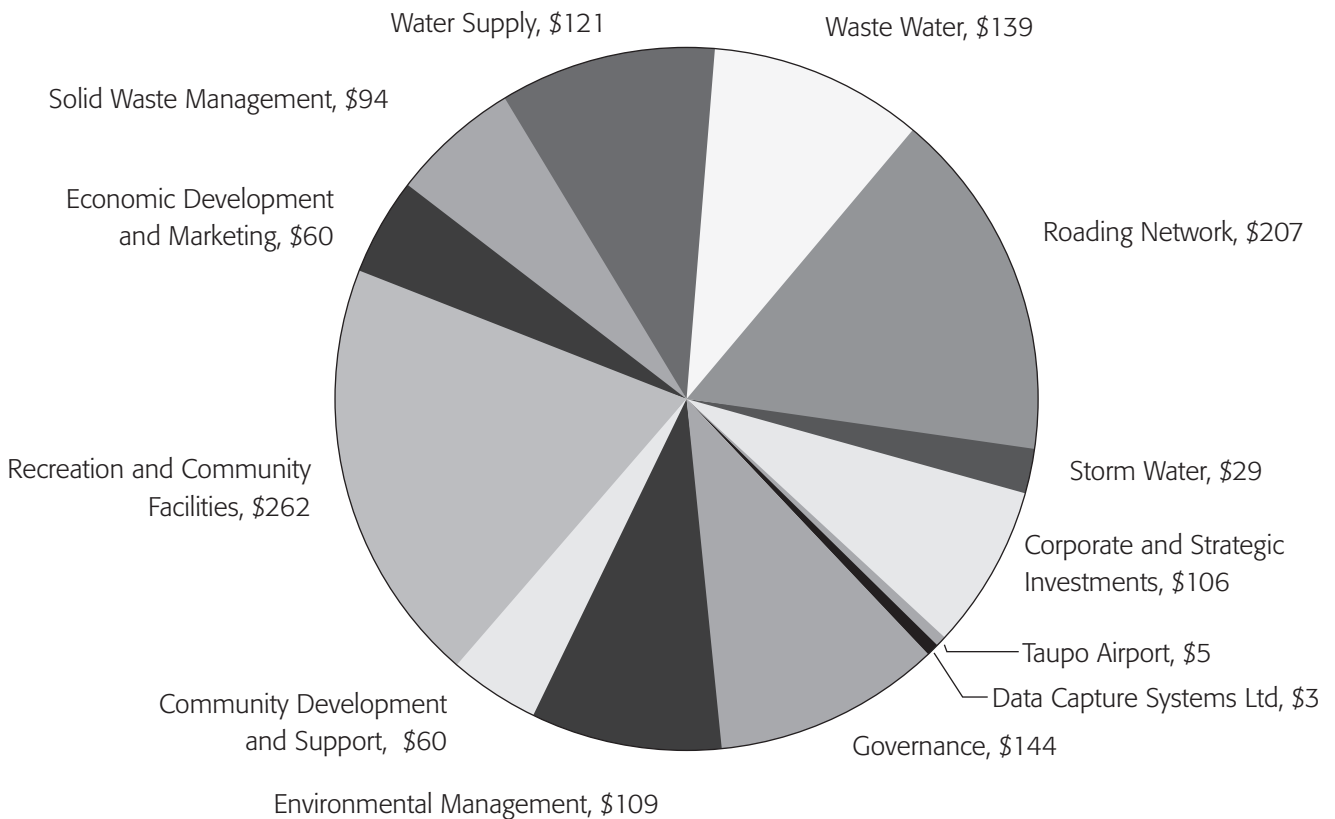
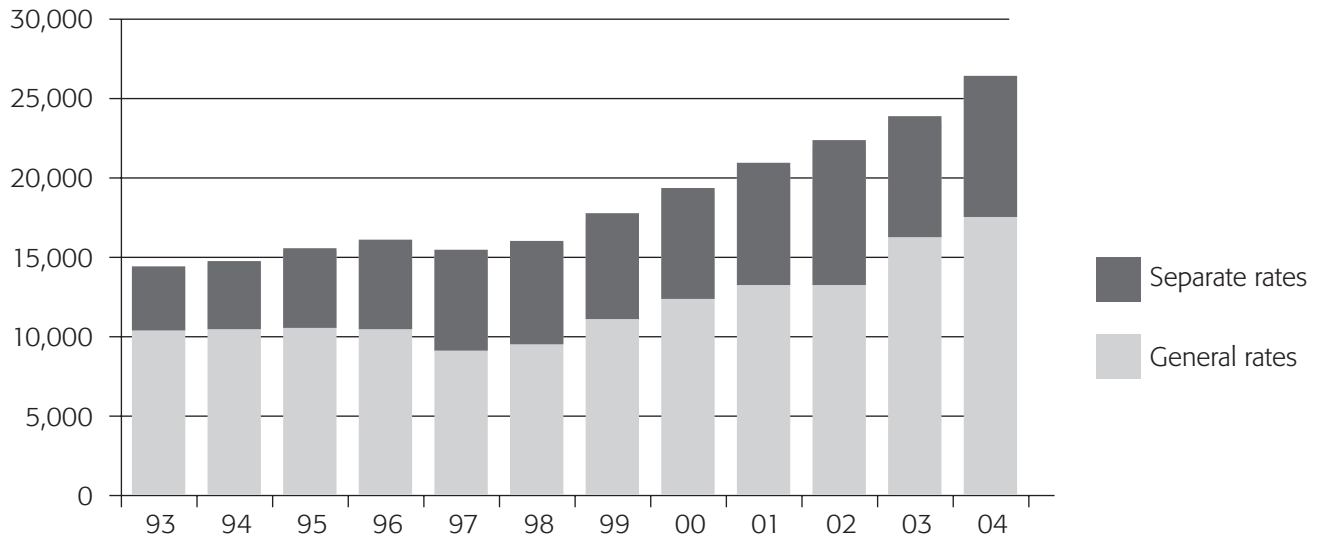
Operating Revenue



Operating Expenditure



Rates Received Total



On average it cost each ratepayer \$1,339 to operate these services:

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2004

	Notes	Council Actual 2004 \$000	Group Actual 2004 \$000	Council Estimate 2004 \$000	Group Actual 2003 \$000
Revenue					
Revenue from activities	1	18,108	18,389	19,141	16,750
General rates	2	17,252	17,252	17,609	15,848
Other revenue	3	10,205	10,189	10,378	4,094
Total operating revenue		45,565	45,830	47,128	36,692
Expenditure					
Expenditure on activities	1	42,264	42,740	41,085	37,201
Total operating expenditure	4	42,264	42,740	41,085	37,201
Surplus (deficit) before unrealised gains/losses in equities		3,301	3,090	6,043	(509)
Unrealised gain/(loss) on equities	3	3,183	3,183	0	(1,740)
Surplus (deficit) after unrealised gains/losses in equities		6,484	6,273	6,043	(2,249)
Other adjustments					
Correction of misstatement in prior year equity		578	578	0	0
Asset Adjustment - first time recognition		27	27	0	17
Total other adjustments		605	605	0	17
Operating surplus (deficit) before taxation		7,089	6,878	6,043	(2,232)
Less Taxation Expense	5	0	0	0	0
Net surplus (deficit) for the year		7,089	6,878	6,043	(2,232)

Explanation of Council net surplus:

The Council made a net surplus this year of \$7m in comparison with a budget of \$6m. Explanations for the variance between the actual and estimated net surplus are provided in note 23.

It should be noted that much of this years surplus has been derived from non-cash revenue items such as the \$4.6m of assets vested in Council by developers and the \$3.2m unrealised gain on Council's managed equities.

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

CONSOLIDATED STATEMENT OF MOVEMENT IN EQUITY

For the year ended 30 June 2004

	Council Actual 2004 \$000	Group Actual 2004 \$000	Council Estimate 2004 \$000	Group Actual 2003 \$000
Equity at start of the year	507,932	508,924	510,000	511,156
Net surplus (deficit) for the year	7,089	6,878	6,043	(2,232)
Total recognised revenues and expenses for the year	7,089	6,878	6,043	(2,232)
Equity at end of the year	515,021	515,802	516,043	508,924

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2004

	Notes	Council Actual 2004 \$000	Group Actual 2004 \$000	Council Estimate 2004 \$000	Group Actual 2003 \$000
Equity					
Accumulated Funds	6	215,244	214,789	216,284	212,731
Council Created Reserves	6	74,049	74,167	70,268	67,523
Restricted Reserves	6	213	213	0	198
Asset Revaluation Reserves	6	225,515	226,633	229,491	228,472
Total Equity		515,021	515,802	516,043	508,924
Current Assets					
Cash & Bank		170	180	100	142
Investments	8	26,105	26,105	40,000	23,124
Accounts Receivable & Prepayments	7	4,645	4,099	3,000	4,104
Inventories		457	457	400	522
Forestry intended for sale	9(b)	0	0	0	2,353
Properties Intended for Resale	10	377	377	0	773
		31,754	31,218	43,500	31,018
Non-Current Assets					
Investments	8	39,350	37,754	24,083	31,740
Other non-current assets	9(a)	476,602	479,423	488,447	474,566
		515,952	517,177	512,530	506,306
Total Assets		547,706	548,395	556,030	537,324
Current Liabilities					
Accounts Payable	11	8,569	8,631	6,000	6,757
Employee Entitlements	12	1,247	1,259	1,150	1,227
Public Debt	13	15,170	14,670	1,664	7,212
		24,986	24,560	8,814	15,196
Non-Current Liabilities					
Public Debt	13	7,116	7,450	30,673	12,671
Employee Entitlements	12	583	583	500	533
		7,699	8,033	31,173	13,204
Total Liabilities		32,685	32,593	39,987	28,400
Total Net Assets		515,021	515,802	516,043	508,924



S F Rowbotham
Chief Executive Officer, Taupo District Council
Date 25 November 2004



C T A Stent
Mayor, Taupo District Council

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

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 30 June 2004

	Notes	Council Actual 2004 \$000	Group Actual 2004 \$000	Council Estimate 2004 \$000	Group Actual 2003 \$000
Cash Flows from operating activities					
Cash was provided from :					
Rates		25,691	25,691	25,928	23,165
Interest Income		2,335	2,335	4,474	3,512
Fees, Charges & Other Income		9,574	9,855	11,218	8,294
Regional Council rates		101	101	0	2,394
		37,701	37,982	41,620	37,365
Cash was applied to :					
Payments to Suppliers & Employees		29,432	29,573	29,994	28,989
GST Paid		(224)	(242)	65	83
Levies Paid to other authorities		105	105	0	2,394
Interest on Public Debt		1,378	1,385	1,655	999
		30,691	30,821	31,714	32,465
Net cash inflow (outflow) from operating activities	14	7,010	7,161	9,906	4,900
Cash Flows from investing activities					
Cash was provided from :					
Proceeds from sale of fixed assets		7,110	7,110	5,505	3,613
Net Decrease in investments		0	0	0	13,469
Release of sinking funds		0	0	0	1,135
		7,110	7,110	5,505	18,217
Cash was applied to :					
Purchase & Development of Fixed Assets		9,101	9,121	16,344	14,535
Net Increase in investments		9,053	9,039	4,383	0
Payment into sinking funds		0	0	0	0
		18,154	18,160	20,727	14,535
Net cash inflow (outflow) from investing activities		(11,044)	(11,050)	(15,222)	3,682
Cash Flows from financing activities					
Cash was provided from :					
Loans Raised		4,701	4,536	6,987	1,845
		4,701	4,536	6,987	1,845
Cash was applied to:					
Repayment of public debt		2,269	2,269	1,671	10,014
		2,269	2,269	1,671	10,014
Net cash inflow (outflow) from financing activities		2,432	2,267	5,316	(8,169)
Net increase (decrease) in cash held		(1,602)	(1,622)	0	413
Add cash at start of year		4,560	4,590	300	4,177
Cash at end of period		2,958	2,968	300	4,590
Made up of:					
Cash and bank		170	180	100	142
Call Deposits	8	2,788	2,788	200	4,448
		2,958	2,968	300	4,590

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

STATEMENT OF ACCOUNTING POLICIES

For the year ended 30 June 2004

1. REPORTING ENTITY

Taupo District Council is a Local Authority governed by the Local Government Act 2002.

The Taupo District Council group consists of the Taupo District Council and its subsidiaries, Data Capture Systems Limited and Destination Lake Taupo Limited. The Council has a 50% joint venture arrangement with the Crown in the Taupo Airport Authority.

The financial statements of Taupo District Council and Group have been prepared in accordance with the transitional provisions of section 283 of the Local Government Act 2002, which requires preparation in accordance with section 223E and Part VIIA of the Local Government Act 1974. The financial statements comply with generally accepted accounting practice.

2. MEASUREMENT BASE

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain fixed assets.

3. ACCOUNTING POLICIES

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

3.1 General Revenues

Rates revenue is recognised when levied.

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.

Transfund 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.

General rates are not allocated to significant activities and are included as general rate revenue in the Statement of Financial Performance.

3.2 Accounts Receivable

Accounts receivable are valued at expected realisable value after providing for doubtful and uncollectible debtors.

3.3 Investments

Council's managed equity investments are valued at 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 also valued at current market value based on the 30 June closing stock exchange sale price.

The investment in the New Zealand Local Government Insurance Corporation Limited shares has no market price listing so it is valued at the net equity value of council's investment according to the most recent audited financial statements of the Corporation.

All other investments, including those in subsidiaries, are stated at the lower of cost or net realisable value. Any write-downs are recognised in the statement of financial performance.

3.4 Inventories

Inventory is valued at the lower of cost and net realisable value.

3.5 Properties intended for resale

Properties intended for resale are stated at the lower of cost and net realisable value.

3.6 Fixed Assets and other non-current assets

Fixed assets 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.

- ▶ 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 statement of financial performance 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.

3.6.1 Valuation

All assets are valued at historical cost, except the following:

- ▶ Operational land and buildings have been valued at fair value by Quotable Value New Zealand as at 30 June 2002. Additions since that date are recorded at cost.
- ▶ Restricted land and buildings have been valued at fair value by Quotable Value New Zealand as at 30 June 2002. Additions since that date are recorded at cost.
- ▶ Infrastructure assets have been valued at depreciated replacement cost by Beca Valuations Ltd as at 30 June 2002, except for the land under roads. Additions since that date are recorded at cost.
- ▶ Land under roads has been valued by QV Valuations Ltd as at 30 June 2002. Urban land was valued at 45% of the surrounding land market value. Rural land was valued based on the surrounding land value. Additions since that date are recorded at cost.
- ▶ Forestry is valued on the estimated worth of the net present value based on the age and condition of the trees. The valuation was carried out by Forest & Woodlot Consultants (NZ) Ltd as at 30 June 1999. Any new plantings since that date are recorded at cost.

All valuations are carried out or reviewed by independent qualified valuers and are carried out at least 3 yearly, except for forestry valuations which were previously determined every 3 years by an independent valuer however pending implementation of Exposure Draft 90 (Agriculture) forestry assets remain valued as at 30 June 1999 until such time as the new accounting standard is implemented.

Valuations will be undertaken more regularly if necessary to ensure that no individual item of property, plant and equipment within a class is included at a valuation that is materially different from its fair value.

The results of revaluing are credited or debited to an asset revaluation reserve, for that class of asset. Where this

results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of financial performance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the statement of financial performance will be recognised first in the statement of financial performance up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

3.6.2 Additions

Additions between valuations are shown at cost, except vested assets. Certain infrastructural assets and land have been vested in Council as part of the subdivisional 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.

3.6.3 Depreciation

Depreciation has been provided on a straight line basis on all fixed assets other than land, at rates which will write-off the cost (or valuation) of the assets to their estimated residual value over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Operational assets:

Land	Nil	Nil
Buildings	40-75 yrs	1.3%-2.5%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 yrs	20%DV
Vehicles	5 yrs	20%DV
Library Books	6.5 yrs	15.5%SL

Infrastructural assets:

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

Water Reticulation

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

Sewerage Reticulation

pipes	15 – 80 yrs	1.3%-6.7%SL
manholes	80 yrs	1.3%SL
Treatment Plant	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 ys	Nil - 2.5%SL

Forest Assets are not depreciated.

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 disclosed in Note 9.

Amortisation

Amortisation of Data Capture Systems Limited's development expenditure has been provided for on a straight-line basis. Amortisation is provided at rates calculated to allocate the asset cost over the years that related economic benefits are expected to be received. The useful life and associated depreciation rate for development expenditure has been estimated as follows:

Development expenditure	5 Years	(20%)
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3.7 GST

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated inclusive of GST. Where GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

3.8 Taxation

Income tax expense is charged in the statement of financial performance in respect of the current year's results, after allowing for permanent differences.

3.9 Joint Venture and Consolidation

The Council has a 50% interest in the Taupo Airport Authority. The Council's investment interest is reflected:

- ▶ at cost, as one line item, in the parent financial statements, and using the 'line by line' (proportionate) method of consolidation in the group financial statements.

3.10 Subsidiaries and Consolidation

The consolidated financial statements include Taupo District Council, it's 100% owned subsidiaries Data Capture Systems Limited and Destination Lake Taupo Limited, and it's 50%

interest in the Taupo Airport Authority. Council's interest in all three of these subsidiary entities is accounted for using the 'line by line' (proportionate) method of consolidation.

3.11 Employee Entitlements

Provision is made in respect of Taupo District Council's liability for annual leave, long service leave, and gratuities. Annual leave has been calculated on an actual entitlement basis at current rates of pay while long service leave and gratuities have been calculated on an actuarial basis at current rates of pay by Council staff.

3.12 Landfill post-closure costs

The Council, as operator of the district landfill, has a legal obligation under the resource consent to provide ongoing maintenance and monitoring services at the landfill site after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure.

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

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

3.13 Leases

Finance Leases

Leases which effectively transfer to the lessee substantially all the risks and benefits incident to ownership of the leased item are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the statement of financial position. The leased assets are depreciated over the period the Council is expected to benefit from their use.

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are charged as an expense in the periods in which they are incurred.

3.14 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.

3.15 Interest Income

Interest income is not allocated to significant activities and is included as other income in the Statement of Financial Performance.

3.16 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 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.

3.17 Financial Instruments

The group are party to financial instruments as part of their normal operations. These financial instruments include bank accounts, investments, debtors, creditors and loans. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to the financial instruments are recognised in the statement of financial performance. Except for loans, which are recorded at cost, and those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value

Council has various financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in interest rates. While these financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

Council has entered into interest rate and currency risk management instruments to manage the risks that it is exposed to. On maturity of the risk management instrument, the realised revenues and expenses are recognised in the statement of financial performance.

3.18 Statement of Cash flows

Cash means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the Council or group invests as part of its day to day cash operations.

Operating activities include cash received from all income sources and the cash payments made for the supply of goods and services. Agency transactions (the collection of regional council rates) are recognised as receipts and payments in the Statement of Cash Flows given that they flow through the Council's main bank account.

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

Financing activities comprise activities that change the equity and debt capital structure of the Council.

3.19 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
- Asset Revaluation Reserves

3.20 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

Certain asset classes have been revalued, with these classes including land, buildings, infrastructural assets, restricted assets, forestry assets and shares. The treatment of revaluation movements is detailed in item 3.6.1 of the policies.

4. Changes in accounting policies

There have been no changes from the accounting policies adopted in the last audited financial statements. All policies have been applied on a basis consistent with the previous period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	Actual 2004 \$000 Revenue	Actual 2004 \$000 Expenses	Actual 2004 \$000 Net	Estimate 2004 \$000 Net	Actual 2003 \$000 Net
1 Summary Cost of Services					
Governance	2	3,632	3,630	3,683	2,992
Environmental Services	1,895	4,638	2,743	2,649	2,313
Community Development and Support	272	1,781	1,509	1,529	1,764
Recreation and Community Facilities	1,878	8,487	6,609	5,530	6,425
Economic Development and Marketing	1,269	2,146	877	968	692
Solid Waste Management	1,872	3,257	1,385	604	701
Water Supply	3,654	3,393	(261)	34	(495)
Wastewater	4,189	4,280	91	19	82
Roading Network	1,977	7,013	5,036	3,091	4,248
Stormwater	0	732	732	669	1,286
Corporate and Strategic Investments	1,818	4,485	2,667	2,749	939
	18,826	43,844	25,018	21,525	20,947
Internal transactions	(718)	(1,580)	(862)	0	(676)
Total Council	18,108	42,264	24,156	21,525	20,271
Total Group	18,389	42,740	24,351	21,581	20,451

Internal transactions

Each significant activity is stated gross of internal costs and revenues, and includes separate rates (refer note 2). In order to fairly reflect the total external operations for the Council in the Statement of Financial Performance, these transactions are eliminated as shown above, except for internal rates paid which have been eliminated against general rates (refer note 2).

	Actual 2004 \$000	Estimate 2004 \$000	Actual 2003 \$000
2 Rates Revenue - Council only			
General Rates (excluding internal rates)	17,663	18,024	16,190
Less rates remissions	411	415	342
	17,252	17,609	15,848
Targeted Rates attributable to activities:			
Water	3,321	3,153	3,482
Wastewater	3,420	3,393	3,280
Solid Waste Management	977	970	909
Economic Development and Marketing	626	626	643
Turangi Mainstreet Rate	153	177	148
Turangi Security Rate	26	0	29
<i>Total Targeted Rates</i>	8,523	8,319	8,491
Total Rates Revenue	25,775	25,928	24,339

Notes to the Financial Statements:

For the year ended 30 June 2004

	Council Actual 2004 \$000	Group Actual 2004 \$000	Council Estimate 2004 \$000	Group Actual 2003 \$000
3 Other Revenue				
Petroleum Tax	348	348	350	329
Interest and Dividend income	2,999	2,999	4,474	2,956
Vested assets	4,605	4,605	0	783
Forestry	1,962	1,962	4,904	0
Other income	291	275	650	26
Total Other Revenue	10,205	10,189	10,378	4,094

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.

The vested assets comprise:

	Actual 2004 \$000	Actual 2003 \$000
Roads	3,036	753
Wastewater	671	12
Water	241	0
Stormwater	657	18
Reserves - land	0	0
	4,605	783

Unrealised Gain/(Loss) on equities

Equities held are shown in the financial statements at fair value (market value). The unrealised gain represents the increase in the market value of the equities for the year.

Notes to the Financial Statements:

For the year ended 30 June 2004

	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
4 Operating Expenditure			
<i>Includes:</i>			
Audit fees			
- fees paid to Audit NZ for Council and Group entity audits	80	87	85
- other services provided by Audit NZ	12	12	18
Councillor remuneration	330	330	346
Community Board remuneration	30	30	36
Directors fees	0	7	0
Depreciation			
- Roading network	2,688	2,694	2,642
- Wastewater	1,239	1,239	1,166
- Water	975	975	994
- Stormwater	1,368	1,371	387
- Reserves (restricted)	0	0	1
- Flood control (restricted)	0	0	37
- Buildings (operational)	866	870	744
- Machinery, vehicles and plant	625	628	432
- Furniture and office equipment	155	155	323
- Library books	234	234	205
- Leased computers	179	179	76
- Taupo Airport - Fencing	0	4	7
- Taupo Airport - Services & streetlighting	0	1	3
- Taupo Airport - Runway	0	69	138
- Development expenditure amortised	0	27	13
Total depreciation and amortisation for the year	8,329	8,446	7,168
Bad debts written off	77	77	101
Change in provision for doubtful debts	(10)	(10)	7
Donations	1,051	1,051	1,274
Interest expense	1,331	1,340	1,328
Rental expense on operating leases	209	211	212
Finance charges on leased assets	23	23	15
In terms of Sections 223E(12), 223J and 223K of the Local Government Act 1974:			
Insurance premiums	392	409	336
Ex Gratia payments	0	0	0
Ceremonies	0	0	0
Insignia and Robes of Office and Civic Insignia	0	0	0
Entertainment	11	11	18
Subscriptions	87	89	76
Unauthorised expenditure	0	0	0
Severance payments exceeding \$50,000	0	0	0
	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
5 Taxation			
Operating surplus before taxation	7,090	6,879	(2,232)
Prima facie tax expense @ 33%	2,340	2,270	(737)
Less tax effect of:			
Non assessable income	(2,340)	(2,270)	737
Timing differences	0	0	0
Taxation expense	0	0	0

Data Capture Systems Ltd, a subsidiary of Council, has tax losses as at 31 March 2004 of \$12,350 to carry forward (2003 \$356,313). The tax effect of these losses is \$4,075 (2003 \$117,583). The diminishment in the losses this year has resulted from these losses being 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 2004

	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
6 Equity			
<i>(a) Accumulated Funds</i>			
Opening balance	212,989	212,731	202,565
Net Surplus/(Deficit)	7,089	6,878	(2,232)
	220,078	219,609	200,333
Transfers from reserves:			
- restricted reserves	0	0	1,111
- council created reserves	10,011	10,025	25,850
- revaluation reserves	1,839	1,839	1,546
Transfers to reserves:			
- restricted reserves	(15)	(15)	0
- council created reserves	(16,669)	(16,669)	(16,109)
Total Accumulated Funds	215,244	214,789	212,731
	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
<i>(b) Council Created Reserves</i>			
Opening balance	67,391	67,523	77,264
Transfer from accumulated funds	16,669	16,669	16,109
Transfer to accumulated funds	(10,011)	(10,025)	(25,850)
Total Council Created Reserves	74,049	74,167	67,523
	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
<i>(c) Restricted Reserves</i>			
Opening balance	198	198	1,309
Transfer to (from) Accumulated Funds	15	15	(1,111)
Total Restricted Reserves	213	213	198
These reserves are sinking funds put aside for the repayment of loans.			
	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
<i>(d) Asset Revaluation Reserves</i>			
General Assets			
Opening balance	225,431	226,549	226,509
Change in asset value			0
Add/(Less) Revaluation attributable to assets sold	(210)	(210)	40
Closing balance	225,221	226,339	226,549
Roading network and land	100,876	100,876	100,876
Wastewater	13,489	13,489	13,489
Water	6,968	6,968	6,968
Stormwater	24,845	24,845	24,845
Reserves (restricted)	66,365	66,365	63,693
Land (operational)	4,852	4,852	7,780
Buildings (operational)	7,703	7,703	7,780
Shares	123	123	0
Taupo Airport	0	1,118	1,118
Closing balance	225,221	226,339	226,549
Forest			
Opening balance	1,923	1,923	3,509
Add/(Less) Revaluation attributable to assets sold	(1,629)	(1,629)	(1,586)
Closing balance	294	294	1,923
Total Asset Revaluation Reserve	225,515	226,633	228,472

Notes to the Financial Statements:

For the year ended 30 June 2004

	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
7 Accounts Receivable			
Rates Arrears	1,071	1,071	980
General Debtors	760	827	1,439
Accruals	1,893	1,885	1,341
Sundry Debtors	1,193	582	680
Prepayments	100	106	46
	5,017	4,471	4,486
Less Provision for Doubtful Debts	372	372	382
	4,645	4,099	4,104

	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
8 Investments			
<i>(a) Current</i>			
Call deposits	2,788	2,788	4,448
Short term deposits	23,317	23,317	18,676
Total Current Investments	26,105	26,105	23,124
<i>(b) Non-Current</i>			
Long term deposits	16,385	16,385	13,808
Sinking Funds	213	213	198
Managed Equity Investments	20,973	20,973	17,675
Interest in Taupo Airport Authority Joint Venture	1,596	0	0
Other Shares in Companies	183	183	59
Total Non-Current Investments	39,350	37,754	31,740

Sinking funds are invested with National Provident Fund. Equity Investments are invested by State Street Global Advisors, Fund Managers.

<i>(c) Interest Rates</i>	Council 2004	Group 2004	Group 2003
Weighted Average Effective Interest Rates were:			
Short and Long term deposits	6.33%	6.33%	6.54%
Sinking Funds	6.85%	6.85%	7.50%

<i>(d) Maturities</i>	2004 \$000 <6 mths	2004 \$000 6-12 mths	2004 \$000 1-2 yrs	2004 \$000 2-5 yrs	2004 \$000 >5 yrs
Short and Long term deposits	17,105	9,000	6,884	9,501	0
Sinking Funds	0	0	0	55	158
	17,105	9,000	6,884	9,556	158

(e) Joint Venture

Taupo District Council has 50% ownership of the joint venture Taupo Airport Authority. The Crown is the owner of the other 50%. The Taupo Airport Authority balance date is 30 June.

(f) Subsidiaries

Taupo District Council has 100% ownership of the subsidiary Data Capture Systems Limited. The Data Capture Systems Limited balance date is 30 June.

Council also owns 100% of Destination Lake Taupo Limited which is currently not trading, and has no assets or liabilities.

(g) Shares in Companies

NZ Local Government Insurance Corporation Ltd 83,971 shares at fair value of \$1.98 (2003 83,971 at \$0.56) each.
King Country Energy Limited 6,129 shares at fair value of \$2.71 (2003 \$2.00) each.
Destination Lake Taupo 100 shares no par value and Data Capture Systems Ltd 100 shares at par value of \$1.00.

Notes to the Financial Statements:

For the year ended 30 June 2004

9a) Other Non-Current Assets

	Cost or Valuation 2004 \$000	Accum depn/ amortisation 2004 \$000	Net Book Value 2004 \$000	Cost or Valuation 2003 \$000	Accum depn/ amortisation 2003 \$000	Net Book Value 2003 \$000
Infrastructural Assets						
<i>At valuation</i>						
Roading network and land	216,524	5,197	211,327	217,636	2,640	214,996
Wastewater	38,360	2,190	36,170	39,389	1,020	38,369
Water	28,270	1,897	26,373	28,294	965	27,329
Stormwater	26,078	772	25,306	26,083	380	25,703
<i>At cost</i>						
Roading network and land	10,133	86	10,047	4,313	26	4,287
Wastewater	5,050	92	4,958	1,758	22	1,736
Water	2,685	73	2,612	1,789	30	1,759
Stormwater	1,094	7	1,087	106	0	106
Solid Waste	1,591	969	622	1,558	1	1,557
Items under construction	9,813	0	9,813	10,302	0	10,302
	339,598	11,283	328,315	331,228	5,084	326,144
Restricted Assets						
<i>At valuation</i>						
Reserves	79,835	4	79,831	75,830	6	75,824
Other	680	0	680	680	0	680
<i>At cost</i>						
Reserves	505	2	503	2	0	2
	81,020	6	81,014	76,512	6	76,506
Operational Assets						
<i>At valuation</i>						
Land	16,248	0	16,248	19,579	0	19,579
Buildings	25,705	1,035	24,670	33,335	667	32,668
<i>At cost</i>						
Land	710	0	710	710	0	710
Buildings	14,180	556	13,624	7,771	70	7,701
Machinery, vehicles and plant	8,067	4,090	3,977	6,606	3,719	2,887
Furniture and office equipment	5,463	4,227	1,236	5,011	3,918	1,093
Library books	2,405	2,191	214	2,405	1,957	448
Heritage assets	42	12	30	42	12	30
Items under construction	3,845	0	3,845	1,211	0	1,211
	76,665	12,111	64,554	76,670	10,343	66,327
Capitalised Finance Leased Assets						
<i>At cost</i>						
Computers at cost	536	247	289	484	167	317
	536	247	289	484	167	317
Forestry						
<i>At valuation</i>						
Items under construction	2,414	0	2,414	2,415	0	2,415
	16	0	16	0	0	0
	2,430	0	2,430	2,415	0	2,415
Total Council	500,249	23,647	476,602	487,309	15,600	471,709
Taupo Airport Authority						
<i>At valuation</i>						
Airport assets	1,422	153	1,269	1,522	180	1,342
	1,422	153	1,269	1,522	180	1,342
<i>At cost</i>						
Airport assets	1,593	157	1,436	1,429	58	1,371
Items under construction	20	0	20	20	0	20
	1,613	157	1,456	1,449	58	1,391
Data Capture Systems Ltd						
<i>At cost</i>						
Office equipment	2	0	2	3	0	3
Development expenditure	135	40	94	135	14	121
	137	40	96	138	14	124
Total Group	503,421	23,997	479,423	490,418	15,852	474,566

Notes to the Financial Statements:

For the year ended 30 June 2004

Infrastructural assets - 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.

Restrictions - Restricted assets cannot be disposed of because of legal or other restrictions.

Fair Value - Council consider the fair value of land and buildings to be the book value of these assets.

	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
9b) Forestry Assets intended for sale			
Forest asset	0	0	2,353

As at 30 June 2004, 100% of the Rangitaiki Forest radiata crop had been harvested. The remainder of the Rangitaiki Forest is Douglas Fir with a current valuation of \$1,401,268 and is included in the Statement of Financial Position under Other non-current assets.

	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
10 Properties intended for resale			
Land	90	90	312
Buildings	287	287	461
	<u>377</u>	<u>377</u>	<u>773</u>

	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
11 Accounts Payable			
Creditors	3,074	3,095	2,737
Deposits/Bonds/Provisions	2,268	2,268	818
Accruals - General	1,911	1,932	1,867
Accruals - Interest payable	62	64	109
Landfill aftercare provision	26	26	24
Income in Advance	1,207	1,225	1,167
Councillors' fees payable	21	21	35
	<u>8,569</u>	<u>8,631</u>	<u>6,757</u>

A liability of \$531,260 has been recognised for rates payable to forest land owners in the district due to a decision by the Land Valuation Tribunal. The decision determined a decrease of 8.8% in the land valuation for a forest land owner. The decision was appealed by the forest land owners. The outcome of this appeal was a decrease of between 14% to 80% of the land valuation. This liability is recognised in the financial statements as at 30 June 2004 (30/06/03 \$1,206,565).

	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
12 Employee Entitlements			
Accrued pay	89	89	178
Annual leave	1,087	1,098	875
Retirement gratuities & long service leave	654	654	707
	<u>1,830</u>	<u>1,841</u>	<u>1,760</u>
Made up of:			
Current	1,247	1,259	1,227
Non-current	583	583	533
	<u>1,830</u>	<u>1,842</u>	<u>1,760</u>

Notes to the Financial Statements:

For the year ended 30 June 2004

	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
13 Public Debt			
(a) Current			
Loans	15,021	14,521	7,067
Lease Liabilities	149	149	145
	15,170	14,670	7,212
Non-current			
Loans	6,944	7,278	12,465
Lease Liabilities	172	172	206
	7,116	7,450	12,671
Gross Public Debt	22,286	22,120	19,883

(b) Security

All loans are secured over the rates of the district or Council assets. New loans are secured by Deed of Charge in favour of the ANZ Banking Group (New Zealand) Limited.

	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
(c) Repayment terms			
Payable no later than one year	15,170	14,670	7,212
Later than one, not later than two years	5,591	5,925	6,612
Later than two, not later than five years	200	200	4,585
Later than five years	1,325	1,325	1,474
	22,286	22,120	19,883

(d) Interest rates

Weighted average effective interest rates on borrowing's (current & non current) were:

	Council 2004	Group 2004	Group 2003
Loans	7.05%	7.05%	6.93%
Lease Liabilities	15.00%	15.00%	14.04%
Overall weighted average	7.47%	7.47%	7.47%

(e) Analysis of Finance Lease Liabilities

	Council Actual 2004 \$000	Group Actual 2004 \$000	Group Actual 2003 \$000
Payable no later than one year	170	170	165
Later than one, not later than two years	117	117	127
Later than two, not later than five years	83	83	110
	370	370	402
Future Finance Charges	(49)	(49)	(51)
Recognised as a liability	321	321	351
Representing Lease Liabilities:			
Current	149	149	145
Non-current	172	172	206
	321	321	351

There have been no significant amendments to or departures from the Investment Policy or the Liability Management Policy during the year ended 30 June 2004.

Notes to the Financial Statements:

For the year ended 30 June 2004

	Council Actual 2004	Group Actual 2004	Group Actual 2003
14 Reconciliation of Net Surplus to Net Cash			
Inflow from Operating Activities	\$000	\$000	\$000
Net surplus (deficit)	7,089	6,878	(2,232)
<i>Add (less) Non Cash Items:</i>			
Depreciation & amortisation	8,329	8,446	7,168
Vested Assets & first time recognition of assets	(4,632)	(4,632)	(800)
Unrealised (Gain)/Loss on equities	(3,183)	(3,183)	1,740
Correction of misstatement in prior year equity	(578)	(578)	0
(Decrease) increase in doubtful debts	(10)	(10)	7
	(74)	43	8,115
<i>Add (less) Movements in Working Capital:</i>			
(Increase) decrease in accounts receivable	(156)	65	(499)
(Increase) decrease in Prepayments	(54)	(60)	(24)
(Increase) decrease in stock	65	65	(98)
Increase (decrease) in accounts payable and employee entitlements	1,926	1,956	(1,015)
	1,781	2,026	(1,636)
<i>Add (less) item classified as investing activity</i>			
Net (Gain) Loss on sale / write-offs	(1,278)	(1,278)	54
Decrease / (increase) in creditors for capital expenditure	243	243	(152)
Increase / (decrease) in debtors for capital revenue	(751)	(751)	751
	(1,786)	(1,786)	653
Per statement of cashflows	7,010	7,161	4,900

15 Related Party Transactions

During 2003/2004 the following related party transactions occurred:

Taupo Airport Authority (see Note 8 for details of the nature of the relationship between the related parties)

Taupo Airport Authority operates its own bank account.

The balance of a loan provided by the Council to the Airport at 30 June 2004 was \$25,000 (2003: \$239,077)

The Airport paid the Council a management fee of \$20,016 (2003: \$24,000)

The Airport has accounts payable to Council as at 30 June 2004 of \$3,483 (2003: \$34,431)

Data Capture Systems Limited (see Note 8 for details of the nature of the relationship between the related parties)

Data Capture Systems operates its own bank account. The balance of a loan provided by the Council to Data Capture Systems Limited at 30 June 2004 was \$59,343 (2003 \$258,000). The interest rate on the loan balances varies according to current interest rates prevailing.

Data Capture Systems Limited has accounts payable to Taupo Airport Authority as at 30 June 2004 of \$0 (2003 \$6,703).

Data Capture Systems Limited has accounts receivable from Taupo Airport Authority as at 30 June 2004 of \$542 (2003 \$6,600).

Data Capture Systems Limited is administered by Taupo District Council and all costs associated with the administration are absorbed by Council.

Lake Taupo Development Trust

Of the seven trustees on the Lake Taupo Development Trust, three are Taupo District Council appointees. The Lake Taupo Development Trust owns 100% of the Lake Taupo Development Company Ltd. A payment of \$250,400 was made to the Company by Council during the year ended 30 June 2004 for the delivery of Economic Development Services.

Waiora Community Trust Taupo Inc.

Taupo District Council has one councillor as an observer / advisor to the Waiora Community Trust. A \$111,500 grant was paid to the Trust by Council during the year ended 30 June 2004. Of this \$71,500 was for reallocation to the community in accordance with Councils Grants Policy.

Taupo Employment Support Trust

Taupo District Council has one councillor as an observer / advisor to the Taupo Employment Support Trust.

A \$35,000 grant was paid to the Trust by Council during the year ended 30 June 2004.

Lake Taupo Arts Festival Trust

Taupo District Council has one councillor as an observer / advisor to the Lake Taupo Arts Festival Trust.

A grant of \$30,000 was paid to the Trust by Council during the year ended 30 June 2004. The grant is a contribution towards the running of the Bi-Annual Taupo Arts Festival.

Councillors

During the year Councillors and key management, as part of a normal customer relationship were involved in minor transactions with the Council (such as accomodation, entertainment, furnishings, painting supplies, flights and commissions.)

16 Financial Instruments - Council only

Council is risk adverse and seeks to minimise exposure from its treasury activities. Council provides risk management for 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 to be entered into.

Interest Rate Risk

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.

Note 8 provides information on investment interest rates and maturity profile.

Note 13 provides information on term loan interest rates and maturity profile.

Council's current policy enables it to hedge up to 100% of its financial investments and borrowings. Council can hold up to 35% of total debt with a floating rate. At 30 June 2004 Council had the following interest rate risk management instruments in place:

Synthetic Contracts Held

Instrument	Maturity Date	Interest Rate	Amount \$,000
Interest Rate Swaps	30 June 2006	6.50%	3,500
	30 June 2007	6.60%	2,500

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Council has exposure to currency fluctuation on its international equity investments (note 8). As at 30 June 2004 Council hedged 50% of this exposure.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the 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. The maximum exposures to credit risk for each class is the carrying amount in the statement of financial position. The group reduces counterparty risk by spreading its investments over approved institutions.

Notes to the Financial Statements:

For the year ended 30 June 2004

Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties, in an arm's length transaction. Other than disclosed below, the fair value of financial instruments is approximately equivalent to the carrying amount disclosed in the Statement of Financial Position. The figure disclosed as the fair value of Council's Bank Bonds and Corporate Papers has been determined by Council's investment brokers using 30 June 2004 market yield rates.

	Carrying amount	Fair Value	Carrying amount	Fair Value
	2004	2004	2003	2003
	\$000	\$000	\$000	\$000
Equity Investments (note 8)	20,973	20,973	17,675	17,675
Bank Bonds and Corporate Papers (note 8)	16,615	16,817	15,962	15,962
Bank Deposits (note 8)	25,875	25,875	20,970	20,970

17 Chief Executive Officer's Remuneration - Council only

The Chief Executive Officer of the Taupo District Council appointed under Section 119C[1][a] of the Local Government Act 1974 receives a salary of \$140,000 (2003: \$120,000)

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

Additional Benefit

Cost during the financial year

	2004	2003
Vehicle (market value plus FBT)	15,506	10,338
Medical Insurance Subsidy	3,000	750
Superannuation Contribution	7,000	1,500
Subscriptions	625	1,107
Chief Executive Officer Designate payment	0	5,000

For the year to 30 June 2004, the total cost including fringe benefit tax to the Council of the remuneration package being received by the Chief Executive Officer is calculated at \$166,131.

18 Commitments

Major capital contracts which Council was committed to:

	Council Actual	Group Actual	Group Actual
	2004	2004	2003
	\$000	\$000	\$000
Waste water	1,439	1,439	135
Water Supply	565	565	28
District Roothing	2,879	2,879	3,884
Refuse	897	897	1,493
AC Baths	100	100	100
Property Purchase	340	340	540
	6,220	6,220	6,180
Non-cancellable operating leases	209	211	212
	6,429	6,431	6,392

Notes to the Financial Statements:

For the year ended 30 June 2004

19 Contingencies

Loan Guarantees - Council only	Year of guarantee	Term in years	Amount of original guarantee	Current level of guarantee outstanding
The following Loan Guarantees have been given by Council:				
Taupo Squash Rackets Club	1982	25	57,400	8,392
Taupo Association Football Club	1992	25	53,000	41,152
Lakeland Bowling Club Inc	1991	10	230,000	14,487
Taupo Netball Association	1995	10	20,500	12,354
Mount Tauhara Gymnastics Club Inc	1996	10	50,000	8,524
Life Education Trust (not drawn down yet)	1997	3	35,000	
Totals for the year ended 30 June 2004			445,900	84,909
Totals for the year ended 30 June 2003			445,900	117,746

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 (2003: 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 (2003: Same contingency disclosure made).

Council owns 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 (2003: No disclosure of this contingency).

There are three unresolved legal claims against Council at 30 June 2004. In one case the claim relates to a contractual dispute, while the others seek compensation related to resource consent or building consent decisions made by Council. Council's maximum financial exposure for these claims is \$790,000 (2003: \$825,000). However, Council will vigorously defend all three claims and expects its actual liability to be for a much lesser amount, if found to be liable at all.

Contingencies

Group

There are no contingent liabilities relating to the subsidiary entities (2003: nil).

20 Segmental Reporting

Taupo District Council provides local authority services to ratepayers and other residents of the Taupo, Kaingaroa, Mangakino/Pouakani, Turangi/Tongariro wards.

Notes to the Financial Statements:

For the year ended 30 June 2004

21 Landfill Aftercare

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 such as 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 remaining capacity of the site is approximately 665,000 cubic metres (refuse, cleanfill and cover).
- The estimated remaining life is 26 years.

Estimates of the 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%.

	Council 2004 \$000	Group 2004 \$000	Group 2003 \$000
Landfill liability	26	26	24
		2004 \$000	2003 \$000
Opening balance		24	22
Adjustment for adoption of FRS-15		0	0
Additional provisions		2	2
Amounts used		0	0
Unused provision reversed		0	0
Discounting changes		0	0
Closing balance		26	24

Notes to the Financial Statements:

For the year ended 30 June 2004

22 Transit NZ Act Disclosure - Council only	Actual 2004 \$000	Actual 2003 \$000
Business Unit - Engineering		
Operating Costs	405	407
Less recoveries		
Subsidised roading	279	236
Other	203	203
	482	439
Net cost of service	(77)	(32)

Note: The surplus on operation of the business unit is transferred to the general fund.
The above information is presented in accordance with section 31 of the Transit New Zealand Act.

23 Major Budget Variations - Council only

Explanations for major variations from the Council estimate figures in the 2003/2004 annual plan are as follows:

Statement of Financial Performance

The major variations are due to:

- An unbudgeted \$3.2m write up of international equities to reflect fair value.
- Correction of a \$0.5m misstatement in equity arising from a prior period.
- Infrastructural assets vested in council increased other income by \$4.6m, however this gain was offset by interest and dividend income being below budget by \$1.5m and gains on harvesting of forestry being \$3m lower than originally anticipated.
- Activity revenue was \$1m below budget while activity expenditure was \$1.2m higher than anticipated.

Statement of Movements in Equity

The major variations are due to:

- The opening equity position being \$2.1m lower than anticipated in the budget and the surplus being \$1m higher.

Statement of Financial Position

The major variations are due to:

- The current versus non-current mix of investments held at year end varying from that reflected in the budget.
- Accounts receivable being \$1.6m higher than budgeted.
- Other non current assets are \$11.8m lower than budgeted as a result of some capital projects not proceeding at the planned timing and depreciation on some assets being higher than expected.
- Accounts payable being \$2.6m higher than budgeted.
- Public debt is \$10m lower than budgeted, again as a result of some planned capital projects not proceeding at the planned timing. There is also a variation in the actual current versus non-current mix as compared to budget.

Notes to the Financial Statements:

For the year ended 30 June 2004

24 Statement of Financial Involvement in CCO's and other Companies

The Council has 100% control over the following entities:
Data Capture Systems Limited (previously Taupo Information Centre)
Destination Lake Taupo Limited (currently dormant shelf company)

The Council also has a joint venture in the Taupo Airport Authority.

Details of financial interests in these entities are detailed in notes 8 and 15. Advances to subsidiaries and joint ventures are: \$59,343 advance to Data Capture Systems Limited and \$25,000 advance to Taupo Airport Authority, both on normal commercial terms.

The cost to each of the above enterprises for the financial interests, finance or financial assistance of the Council is as follows:

	Dividends 2004 \$000	Interest 2004 \$000	Total 2004 \$000
Subsidiary			
Data Capture Systems Limited	0	11	11
Joint Venture			
Taupo Airport Authority	0	5	5
Total Cost	0	16	16

The provision of financial assistance by Taupo District Council to both of these entities is through loans and in the case of the Taupo Airport Authority also through share capital. It does not include any guarantee over loans made by them.

25 Comparative Figures

This is the first year in which separate parent (Council only) and Group figures have been reported. In prior years only Group figures were reported.

For this reason there are no 2003 parent comparatives reported in these financial statements.

SCHEDULE OF CAPITAL EXPENDITURE

Area	Actual 2004 \$0	Budget 2004 \$0	
Community Development and Support			
Housing for the Elderly Taupo Refurbish [Internally] 40 Pensioner Units various	tkmp	82	80
Housing for the Elderly Turangi Repurchase Unit 3	tt	65	70
Housing for the Elderly Mangakino Upgrades Karamu Street	tkmp	10	12
Housing for the Elderly Taupo Woodward Street Drainage	tkmp	1	6
Housing for the Elderly Turangi Refurbish Units	tt	16	5
Total Community Development and Support		174	173
Recreation & Community Facilities			
Halls Mangakino Hall - Replace Mko Hall	tkmp	8	330
Parks & Reserves Taupo Town Centre Structure Plan Enhancements	tkmp	0	200
Parks & Reserves Taupo Plant & Equipment & Operational Vehicles	tkmp	80	150
Library Book Purchases - Taupo	tkmp	145	140
Sportsgrounds Owen Delany Park - Irrigation -	tkmp	4	120
Parks & Reserves Taupo P7232 Toro Mower	tkmp	89	110
Parks & Reserves Taupo Lake Access/Boat Servicing	tkmp	0	100
Great Lake Centre Building Renewals	tkmp	84	80
Parks & Reserves Mangakino Town Centre Upgrade	tkmp	196	75
Taupo Events Centre Plant Replacement	tkmp	56	66
Sanitation Vehicles & Plant	tkmp	0	64
Sanitation Public Toilet Facilities - Lakefront Reserve	tkmp	0	50
Halls Mangakino Hall - Furnishings/Equipment	tkmp	-9	50
Great Lake Centre Plant Replacement	tkmp	46	46
Library Book Purchases - Turangi	tt	41	41
AC Baths AC Baths Water Features	tkmp	43	40
Sportsgrounds Tennis Court - Whareroa	tt	0	40
Parks & Reserves Taupo Community Park In conjunction with Primary School	tkmp	0	40
Halls Waipahihi Hall - Paint exterior of building	tkmp	0	35
Sanitation Upgrade Wharewaka Public Toilets	tkmp	0	30
Amenity Planting Taupo CBD Development - Landscape Gardens	tkmp	25	30
Halls Wairakei Hall - Upgrade exterior	tkmp	0	25
Parks & Reserves Taupo Taupo Reserves Hot Water Beach	tkmp	0	25
Amenity Planting Taupo Rose Gardens - Fence - renewals	tkmp	0	25
Taupo Events Centre Vehicle - Operations	tkmp	25	25
Library Extension Design - Turangi	tt	0	20
Parks & Reserves Mangakino Play Equip - Whakamaru/Atiamuri	tkmp	6	20
Sportsgrounds Owen Delany Park - Velodrome Warm up path	tkmp	20	20
Parks & Reserves Taupo Riverbank Reserve - Reserve Landscaping - Renewals	tkmp	19	20
Library Building Renewals - Taupo	tkmp	22	19
Parks & Reserves Taupo Secombe Park - Reserve Development	tkmp	0	17
Library Microprinter - Taupo	tkmp	16	16
Parks & Reserves Turangi Play Equip - Taupehi Reserve	tt	3	15
Parks & Reserves Taupo Wharewaka Point - Reserve Development	tkmp	7	15
Parks & Reserves Taupo Misc Reserves	tkmp	0	15
Halls Turangi Gym - Repaint	tt	9	13
Halls Waipahihi Hall - Security System	tkmp	4	12
Halls Acacia Bay Hall - Paint interior of building	tkmp	10	10
Sanitation Turangi Toilet Block Refurbish- Design Proposal Town Centre	tt	8	10
Great Lake Centre Surveillance Camera Stage 1	tkmp	0	10
Library Heating/AirCon - Turangi	tt	0	10
Library Book Purchases - Mangakino	tkmp	2	10
Parks & Reserves Taupo Parks - Signs	tkmp	1	10
Parks & Reserves Taupo Lakefront Reserves - Reserve development & Landscaping	tkmp	4	10
Halls Wairakei Hall - Upgrade kitchen	tkmp	8	9
Parks & Reserves Turangi Turangi Parks Play Equip	tt	0	8
Parks & Reserves Taupo Tongariro Domain-Resv. Landscaping & Planting-Renewal	tkmp	0	8
Halls Mangakino Hall - Replace curtains	tkmp	6	6

Halls Acacia Bay Hall - Furniture	tkmp	2	2
Halls Waipahihi Hall - Condition Assessment	tkmp	1	2
Halls Acacia Bay Hall - Condition Assessment	tkmp	2	2
Halls Kinloch Hall - Condition Assessment	tkmp	0	2
Halls River Road Hall - Condition Assessment	tkmp	0	2
Library Shelving - Mangakino	tkmp	1	1
Total Recreation & Community Facilities		980	2,251

Marketing

Taupo Visitor Centre New Visitor Centre	tkmp	1	420
Turangi Visitor Centre Renewals	tt	26	20
Marketing Services Vehicle Replacement	dist	20	30
Total Marketing		47	470

Solid Waste Management

Solid Waste Collection 2nd Cell Broadlands Rd	dist	854	500
Solid Waste Collection Eastern Lakeshore RTS	dist	0	175
Total Solid Waste Management		854	675

Water Supply

Water Taupo Renewals	tkmp	297	590
Water Taupo 300mm Upgrade Taharepa to Shepard Road	tkmp	0	360
Water Centennial Drive Main ext to AC Baths	tkmp	0	90
Water Motuopa New Reservoir	tt	0	60
Water Taupo Pump Upgrade + pipe	tkmp	12	50
Water Centennial Drive Extend Intake	tkmp	6	50
Water Turangi Renewals	tt	0	22
Water Tirohanga Reservoir Upgrade	tkmp	11	18
Water Waitahanui Magflow Meter	tkmp	0	8
Total Water Supply		325	1,248

Wastewater

Wastewater Turangi Treatment Upgrade & Infiltration Survey	tt	493	1,800
Wastewater Taupo Spray irrigation land purchase (40ha)	dist	1	500
Wastewater Taupo CCTV	dist	24	200
Wastewater Turangi Renewals	dist	20	76
Wastewater Taupo Renewals	dist	207	33
Wastewater Taupo Laboratory upgrade	dist	191	30
Wastewater Turangi Telemetry	dist	47	28
Wastewater Waihi/Braxmere Treatment Investigation	dist	0	20
Wastewater Whareroa Telemetry Monitoring	dist	2	20
Wastewater Omori RENEWALS	dist	20	16
Wastewater Atiamuri Infiltration Testing	dist	0	10
Wastewater Whakamaru Infiltration Testing	dist	3	10
Total Wastewater		1,006	2,744

Roading

Roading TK/MP Eastern Taupo Arterial	tkmp	3	3,500
Roading TK/MP Renewal - from Asset Management plan	tkmp	969	1,010
Roading TK/MP Renewal - from Asset Management plan	tkmp	478	612
Roading TK/MP Seal Extension - General (approx 8 km pa)	tkmp	105	450
Roading TK/MP ETA - Internal borrowing - capitalise	tkmp	0	413
Roading TK/MP ETA - Capitalise Legal Fees and Internal Interest	tkmp	397	200
Roading TK/MP Footpath Construction	tkmp	28	150
Roading TK/MP New Kerb and Channel - Acacia Bay Road	tkmp	168	150
Roading TK/MP General Curve Realignment/Widening - Tutukau Rd	tkmp	133	100
Roading TT Renewal - from Asset Management plan	tt	151	74
Roading TT Renewal - from Asset Management plan	tt	5	69
Roading TK/MP New Kerb and Channel - Kinloch Road	tkmp	1	53
Roading TK/MP Acacia Bay Arterial	tkmp	0	50
Roading TK/MP Berm reinstatement	tkmp	7	50
Roading TK/MP On Street Parking	tkmp	1	50
Roading TT New Kerb and Channel - Rawhira St	tt	4	45
Roading TK/MP Cycle Strategy inc education	tkmp	0	40
Roading TT General Curve Realignment/Widening - Hatepe Lane	tt	0	35
Roading TT New Kerb and Channel - Omori Road	tt	17	35
Roading TK/MP Undergrounding - residential street prog	tkmp	44	30
Roading TT Footpath Construction	tt	4	30
Roading TT General Curve Realignment/Widening - Heu Heu Parade	tt	0	25
Roading TK/MP New Kerb and Channel - Waikato/Huka St	tkmp	4	22

Roading TK/MP General Curve Realignment/Widening - Cent Dr	tkmp	14	20
Roading TK/MP General Curve Realignment/Widening - Rural	tkmp	-1	20
Roading TK/MP Industrial Footpath/Berm Upgrade	tkmp	0	15
Roading TT Programmed Power/Telecom Lines	tt	0	15
Roading TT Berm reinstatement	tt	0	10
Total Roding		2,530	7,273
Stormwater / Land Drainage			
Stormwater CBD Pipe Renewals - Ruapehu St East	tkmp	0	100
Stormwater Taupo Town Renewals	tkmp	3	100
Lake & River Control Lake Taupo Foreshore Protection	tkmp	0	75
Stormwater Main Arterial Inlet Imprvs -Taupo	tkmp	31	75
Stormwater De Bretts Gully System Improvements	tkmp	0	50
Stormwater Taupo Ind Design Investigation	tkmp	0	40
Stormwater 2001 R/C Applications	tkmp	0	40
Stormwater Gully Planting program	tkmp	0	15
Total Stormwater / Land Drainage		34	495
Corporate & Strategic Investments			
Computer Services Network Development	dist	191	210
Turangi Operations Plant replacement and new plant	tt	184	187
Head Office Property Main Office Security and Stage 2	o/h	102	56
Computer Services Plio Plan Printer	dist	36	55
Draughting GIS Aerial Photography	o/h	50	51
Head Office Property Sth Section Aircon	dist	0	45
Management Services CE/MSM Vehicle Replacement	dist	0	45
Head Office Property Top Floor Office Ceiling	dist	0	44
Community Services Management Community Services manager vehicle replacement	dist	30	30
Works Mgmt & Admin Water Manager vehicle replacement	dist	26	25
Mangakino Operations Vehicle Replacement	tkmp	0	25
Management Services Pool Cars	dist	20	23
Community Services Management Pool car	dist	20	22
Head Office Property Beca Report Renewals	dist	0	20
Turangi Office Services Conference Room Renewals	tt	13	16
Head Office Property Security Gates - Depot	dist	0	15
Council Property Waiora House Renewals	dist	0	15
Council Property Bus Terminal Investigation	tkmp	0	10
Head Office Property Telephone System - PBX	dist	0	10
Head Office Property Office Equipment	dist	3	8
Head Office Property Management Suite Improvements	dist	0	7
Turangi Property Repaint Gibson Road Depot	tt	8	6
Turangi Office Services Heating	tt	0	4
Mangakino Operations Storage hut and tractor bay	tkmp	3	3
Turangi Office Services Shelving	tt	0	3
Parks & Reserves Taupo Radial Arm Saw	dist	0	2
Total Corporate & Strategic Investments		686	935
Environmental Services			
Rural Fire Toyota 4WD Smokechaser and Fire appliance - Omori	dist	0	45
Planning & Regulatory Vehicle	dist	20	23
Total Environmental Services		20	68
Governance			
Council Services Chairs	dist	15	13
Total		6,671	16,343

INVESTMENT INCOME

TEL/TGL 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:

- the investment income earned on the inflation proofed sale proceeds be available for distribution each year, with the distribution determined during the Annual Plan process. Income available for distribution in 2003/2004 net of the amount required to inflation proof the fund was \$1.291 million [budget \$2.915 million].
- a fluctuation reserve be set up to provide income in any year where income received from the fund does not meet the amount required for distribution by the Annual Plan. The reserve was set up at \$4.5 million and currently has a balance of \$4.2 million.

During 2002 Council resolved to use \$10,000,000 TEL funds to repay Taupo/Kaingaroa and Mangakino/Pouakani general rate debt.

The value of the fund at 30 June 2004 was \$53,996,626. The cumulating sale proceeds plus inflation proofing, fluctuation reserve and unrealised losses are shown below:

	\$
Initial investment September 1995	61,273,557
Inflation proofing	11,570,151
Less: establishment of fluctuation reserve	(4,500,000)
Balance of investment at 30 June 2004	<u>68,343,708</u>
Fluctuation reserve at 30 June 2004	4,228,184
Unrealised gains/(losses) on equities 30 June 2004	(8,575,266)
Repayment of public debt (general rate)	<u>(10,000,000)</u>
Value of fund at 30 June 2004	<u>\$53,996,626</u>

SCHEDULE OF BORROWING

The actual borrowing for the year ended 30 June 2004 and the external borrowing requirements of the Council for the next three years are as follows:

	2004 Actual	2004 Budget	2005 Budget	2006 Budget
Governance	0	0	0	45,000
Environmental Management	0	0	27,000	145,000
Community Development And Support	64,766	70,000	105,000	0
Recreation And Community Facilities	1,423,551	1,173,000	770,000	565,000
Economic Development And Marketing	0	420,000	0	0
Solid Waste Management	889,362	675,000	500,000	0
Water Supply	305,045	1,124,000	5,617,000	4,203,000
Wastewater	1,032,361	2,000,000	1,250,000	900,000
Roading Network	1,716,212	4,450,000	4,400,000	3,400,000
Stormwater	158,931	140,000	0	250,000
Corporate And Strategic Investments	1,201,803	435,000	376,000	303,000
Total Borrowing	6,792,031	10,487,000	13,045,000	9,811,000
less internally borrowed	1,932,563	3,500,000	4,000,000	3,000,000
Total external borrowing required for the year	\$4,859,468	\$6,987,000	\$9,045,000	\$6,811,000

The actual borrowing level was below budget due to capital projects either being deferred or in progress therefore lesser funding was required.

Total interest costs and loan repayments to be met from rating revenue are:

	2004 Actual	2004 Budget	2005 Budget	2006 Budget
Interest*	1,854,886	1,655,000	2,575,000	3,391,000
Loan repayments**	2,426,404	1,671,000	2,009,000	2,496,000

*2004 Actual interest includes internal interest paid on internal borrowing of \$523,849.

**Actual loan repayments were higher than budgeted due to the retirement of debt on assets transferred to Environment Waikato as part of Project Watershed amounting to \$807,685.

Borrowing is managed within the Council's Treasury Management Policy.