

Taupo District Council
Annual Report Summary 2007/08



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The Summary Annual Report

This document provides an overview of Taupo District Council's operational and financial performance for the 2007/08 financial year. It is prepared in accordance with section 98(4) of the Local Government Act 2002, and in line with section 98(5) of that same Act, it represents fairly and consistently the information regarding the major matters dealt with in the Annual Report.

The specific disclosures included in this summary report have been extracted from the full Annual Report, which was adopted by Council with an unqualified audit opinion dated 28 October 2008. The summary has been examined by the auditor for consistency with the full financial report, and audited by Audit New Zealand on behalf of the Auditor-General. This summary was authorised for issue by the Chief Executive Officer and the Group Manager Finance and Corporate Services on 28 October 2008.

The summary report cannot be expected to provide as complete an understanding of Council's financial and service performance, financial position and cashflows as the full Annual Report. The full Annual Report is our key accountability document, and is available on request from Council offices or on-line at **www.taupo.govt.nz**.

Mayor's Report



Well it has been a whirlwind of activity since I have joined Council ranks and it has been a huge learning curve. I have quickly come to admire the level of dedication shown by my fellow Councillors and Council Officers. The sheer diversity and complexity of Council business is really difficult to comprehend when you are 'on the outside looking in', and I take my hat off to the team here.

I am impressed with the amount of progress taking place which covers a whole range of outcomes from facilities we are building, to good planning outcomes and assets we have secured during the last twelve months. We are all but ready to begin constructing the ETA (East Taupo Arterial) – a much anticipated and vital section of roading for the district.

In addition to these tangible things, I feel that we have made great progress in letting people know what we are doing and getting out and talking to people and encouraging them to engage with us.

This year has also had some difficult moments and many people will be aware of my personal commitment to making the district a safer more caring place. Taupo District is wonderful, but like many other places, we have a small group of people who can do such damage. I passionately believe that if we work together, we can once again make our streets a place where everyone can feel safe and able to enjoy all the pleasures that Taupo has to offer.

Council is working closely with like-minded agencies and community groups, and has been involved in pulling together a group of passionate and dedicated locals to work together on the Safer Community Trust. Their brief is to provide better co-ordination of existing community services and outcomes for people who can benefit from expert guidance and support when it's needed.

In closing I would like to say thank you to Council staff for implementing the plans and actions resolved by Council. Yes it has been hard work – but it's just incredible how much can be achieved when we all work as a team.

So far it has been a rush and I look forward to adrenalin charged year ahead.

A handwritten signature in black ink, appearing to read 'Rick Cooper'. The signature is stylized and fluid, with a long, sweeping underline.

Rick Cooper
MAYOR

Chief Executive Officer's Report



Looking back over the year gone by I have a real feeling of pride in the progress the organisation has made both internally and externally.

I have asked all staff to have a thorough look at the way we work as an organisation and the organisation is now well positioned to move into a very busy phase. This will see many of the significant projects and activities which have been in their planning phases gather momentum and come on stream.

Some of the key projects and activities we have completed or began during the last financial year include the ETA which is getting very close to construction. The contract has now been let and significant planned construction is on track to begin in early 2009. We have also completed the Wakeman Road extension and attained designation for the West Kinloch Arterial (WeKA) route.

A key strategic piece of land has been purchased at View Road and construction of the View Road Land Disposal System has commenced.

We have completed a Water Supply Strategy and we have continued to gather the Taupo District share of the rate for the Protecting Lake Taupo Fund. The goal is to cut overall levels of nitrogen entering the Lake from both pastoral land and urban sources by 20%. With the commissioning of the Turangi Plant, Council has already exceeded its 20% target for the reduction of nitrogen from waste water treatment plants within the catchment. The Lake Taupo Protection Trust will continue its work toward reducing nitrogen levels from pastoral land.

Taupo District Council was amongst the first few in the country to achieve accreditation as a Building Consent Authority and our consents processing teams are really performing. We were very close to reaching our 100% timeliness targets for both Building (99.79%) and Resource Consents (93%) processing.

There has been a huge increase in the number of events held at the Great Lake Centre, with 318 events held – a whopping 22.7% increase from 2006/07. The Taupo Museum and Art Gallery has gone from strength to strength with exceptional growth for the second year in a row. This year has seen a 7.5% increase in visitors – that is an extra 1764 people through the doors.

Both the Taupo Library and the Turangi Library have undergone major upgrades and renovations and have been transformed into modern facilities with modern and spacious areas for visitors to enjoy.

Council continues to support community groups and initiatives with a total of \$280,720 distributed through this year's community grants programme.

The State of the District Report which outlines the progress toward achieving the community outcomes was prepared. Another milestone for Council is that Taupo's District Plan finally became operative which is a huge achievement. Council has also made good progress on a number of plan changes.

Council's balance sheet presents a very healthy picture, reflecting a growing District investing in its infrastructure. An operating surplus of \$13.5 million was achieved this year. This compares with

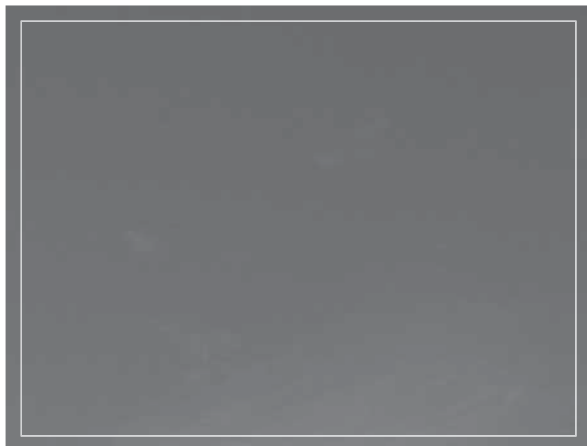
a budgeted surplus of \$9.9 million, and last year's \$14.4 million surplus. The balance sheet shows ratepayer equity in excess of \$1 billion.

All in all it has been a very positive year with many achievements and some very significant projects like the ETA and the implementation of the Water Strategy poised to begin over the next 12 months.

I can't wait.



Rob Williams
Chief Executive Officer



Report of the Auditor-General

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

AUDIT REPORT

TO THE READERS OF TAUPO DISTRICT COUNCIL AND GROUP'S SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

We have audited the summary annual report.

Unqualified Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the information reported in the summary financial statements complies with FRS-43: Summary Financial Statements and is consistent with the full financial statements from which it is derived.

We expressed an unqualified audit opinion, in our report dated 28 October 2008, on:

- the full financial statements; and
- the Council and group's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report.

Basis of Opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. In addition to the audit we have carried out assignments in the areas of, the audit of the Long Term Council Community Plan and the audit of the amendment to the 2006-2016 Long Term Council Community Plan. Other than the audit and these assignments, we have no relationship with or interests in Taupo District Council or any of its subsidiaries.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report and we are responsible for expressing an opinion on that report. These responsibilities arise from the Local Government Act 2002.



B H Halford, Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
13 September 2008

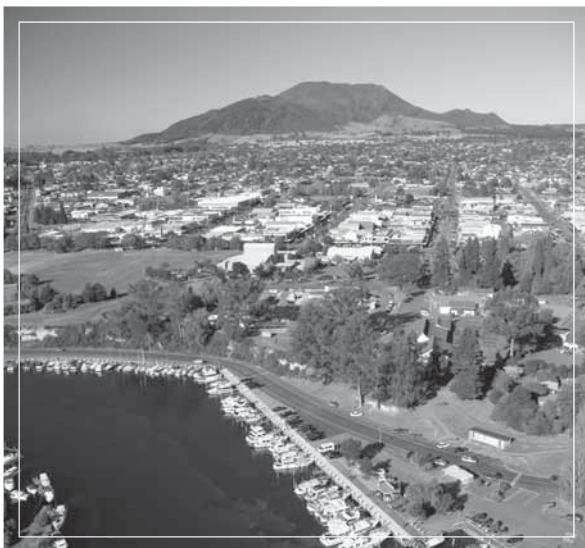
Service Performance

Overview

Council's service performance reporting is centred on the five groups of activities arranged in "Strategic Themes" – presented in the 2006-16 Long Term Council Community Plan (LTCCP). For each theme there are a number of key actions and performance targets that Council intended to achieve. The Annual Report outlines our achievements against those targets and key actions.

Each strategic theme includes a background to the theme and highlights of our achievements, particularly in relation to the key actions set out in the LTCCP. The presentation is balanced showing both what we achieved - and also what we set out to achieve but could not accomplish this year.

In this Summary document we do not report on specific performance targets. The full Annual Report should be referred to if the reader wishes to see these results.



Managing Growth

We need to provide for growth in a planned, structured way within the constraints of the natural environment, land availability, cost-effective infrastructure provision and socio-economic issues. Managing growth will help to ensure a sustainable quality of life for residents. An integrated approach will also ensure that our long term plans for service provision are consistent with growth options and solutions.

Key Activities – Development Planning, Urban Land Development

What we did

Development Planning

- Completed the Mapara Valley Structure Plan in March 2008 and notified the associated changes to the District Plan (Plan Change 23) in early April 2008.
- Provided advice to Environment Waikato on the scope of the proposed Sustainable Development Strategy (formally called Regional Growth Management Strategy).
- Developed the inception report for the Taupo Urban Commercial and Industrial Structure Plan in consultation with a number of stakeholder groups before it was adopted by Council.
- Implemented the Taupo District 2050 Growth Management Strategy with preparation, notification and decisions on District Plan changes 19 to 21. These plan changes relate to rural lot sizes, residential rezoning, future growth areas and roading hierarchy.

Urban Land Development

- Completed the Lot 60 design competition and continued to progress the winning design towards consent.
- Completed the Taupo East Urban Lands master plan and lodged for Land Use Consent.
- Obtained Subdivision Consent variation for Stage 2 of Victoria Street.
- Sold a further seven lots in the Botanical Heights residential subdivision.

What we planned, but couldn't complete:

Preliminary design and investigation for industrial subdivision and construction in the Mahoe Street area has been completed and progress with plans and Resource Consent for the extension and creation of lots will continue in 2008 / 09.

Strong Communities

A key component of Council's role in building strong communities is providing effective and efficient infrastructure and services such as roads, recreation facilities and water supplies.

However, strong communities are not just about bricks and mortar – they are about people and helping communities to help themselves. Council has a role in supporting community initiatives, encouraging creativity and honouring community heritage and ensuring community values and individual rights are respected.

Key Activities – Emergency Management, Roothing, Water Supply, Regulatory Services, Community Support, Community Facilities, Recreation and Leisure Services

What we did

Emergency Management

- Reviewed and updated emergency management plans.
- Carried out ongoing emergency management training programmes.
- Met ongoing training requirements for Co-ordinated Incident Management System, Urban Search and Rescue and general emergency management training requirements.
- Carried out ongoing monitoring of the Waihi (Hipaua) landslide threat.

Roothing

- Called for and closed tenders for design and build of the East Taupo Arterial.
- Completed construction of the Wakeman Road extension.
- Completed planned seal extension work in rural areas.
- Completed planned new footpaths in urban areas.
- Constructed new on-street car parking areas (this work is continuing).
- Obtained Designation for the Western Kinloch Arterial route.
- Implemented asset renewals, asset maintenance and minor safety works.

Water Supply

- Drafted the Water Supply Strategy for adoption by Council.
- Carried out asset renewal and maintenance works.
- Constructed the Centennial Drive – Waikato River pump station.
- Completed the preliminary design for the Kinloch reticulation expansion.

Regulatory Services

- Obtained accreditation as a Building Consent Authority.

Community Support

- Community groups were assisted, grants were made, community events were run or supported.

Community Facilities

- Carried out the asset renewals and maintenance programme.
- Extended and upgraded Taupo Library.

Strong Communities

- Completed the Taupo Urban Housing Strategy, which Council adopted in July 2007. Key projects underway are the development of a community land trust (funded by Housing NZ Corporation) and a partnership (in-kind support) with local, regional and national organisations to address healthy homes issues. Council is a stakeholder in the Taupo District Healthy Homes Steering Group.

Recreation and Leisure Services

- Worked on development, planting and paths in Turangi and Mangakino reserves and developed parks infrastructure.
- Renewed Taupo, Turangi and Mangakino assets.
- Undertook Great Lake Centre, Taupo Events Centre and AC Baths building renewals.
- Installed additional seating and litter bins in the Taupo Central Business District.
- Further developed Riverside Park. This project will be completed over several years. Park furniture will be provided and landscaping development will take place in the 2008/09 year including a retaining wall near the riverbank which is awaiting consent before construction can begin.
- Upgraded Mangakino town centre.
- Reviewed Taupo Venues direction.
- Completed Qualmark rating of Taupo Events Centre.
- Built a new netball court in partnership with Taupo Netball Centre Inc.

What we planned, but couldn't complete

Roading

- Poihipi Road straightening investigation work – Cost Benefit analysis did not warrant proceeding with this project.
- Designation, design and consenting for the second Taupo town river crossing - a travel demand study was commenced to determine whether more cost-effective options could be used to improve traffic flows in and around the Taupo Central Business District.
- Consent and tendering for the shared footpath beside the East Taupo Arterial.
- Designation and design of the Acacia Bay to Mapara Road Collector - catchment issues in the vicinity of the road are being investigated first.

Water Supply

- Resource consent for the Taupo Water Treatment Plant.

Regulatory Services

- Implementation of outcomes from the Taupo Town Centre Parking Study. Council resolved to defer any decision to implement pay parking.

Community Support

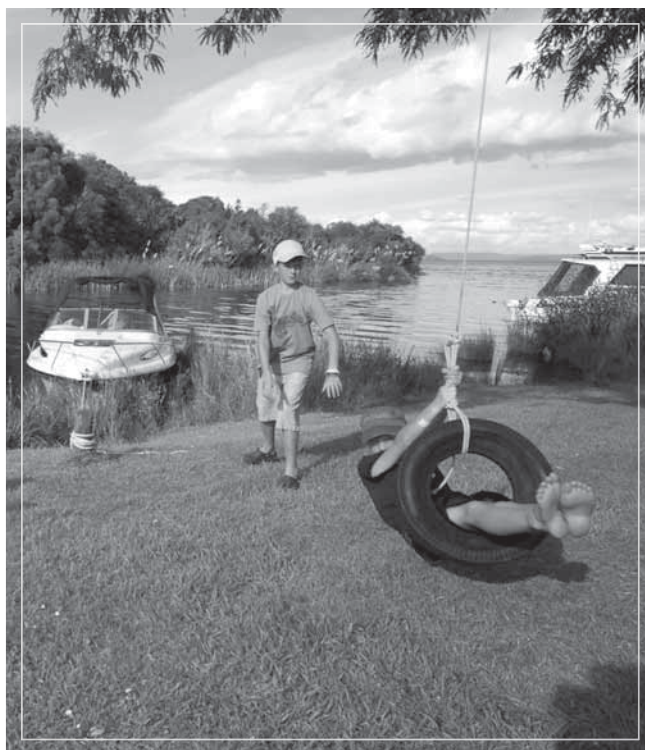
- The conversion of the basement of Waiora House into office space - this was delayed as the proposed tenant required more time to raise their share of the costs. Further investigation of the Waiora House basement area has revealed some issues with the relocation of pipes, which will result in increased costs if the conversion is to proceed.

Strong Communities

- The Community Development Strategy - this has been prepared to draft form and will be developed in conjunction with the Long Term Council Community Plan. The proposed adoption date is December 2008.

Recreation and Leisure Services

- Development of landscaped gardens and surrounds in Taupo Central Business District – further consultation was required.
- Genesis Energy Turangi Aquatic Centre heating and upgrade – this project is due for completion in September 2008.
- Development of Turangi Neighbourhood Reserves Management Plan – Council is seeking input from Ngati Turangitukua.
- Formulation of leases licences and permits policy – currently under review in a document to be called the Concessions Policy.
- Development of a fees and charges policy for recreation and leisure services – this will be part of the document to be called the Concessions Policy.
- Preparation of a Sports Grounds Management Plan – deferred to the 2008/09 year.
- Qualmark rating of AC Baths – there is no Qualmark rating available for aquatic facilities at present.
- The Community Facilities Strategy – this project will have priority in the 2008/09 year. We expect to complete the strategy by February 2009.



Sustainable Environment

A sustainable environment - natural and built - is essential for the economic, social and cultural wellbeing of the Taupo District. Currently we are faced with significant pressures that threaten the quality of the environment we and our visitors enjoy. Council makes policies and rules for managing land and mitigating the effects of human activities on the environment and provide infrastructure and services to manage waste. Council also has an advocacy role.

Environment Waikato, Government agencies such as the Department of Conservation and the Ministry for the Environment, Ngati Tuwharetoa and the community also have responsibility in caring for the Taupo District environment. By working together we can develop better, integrated solutions.

Key Activities - Environmental Planning, 2020 Taupo-nui-a-Tia, Protecting Lake Taupo, Lakes and River Systems, Stormwater and Land Drainage, Wastewater, Solid Waste

What we did

Environmental Planning

- Consulted on Natural Values, Landscape Values and Cultural Values plan changes.
- Took part in hearings and decisions on the Taupo District 2050 Growth Management Strategy suite of plan changes.
- Taupo District Plan became operative 11th October 2007. Resolved all appeals on the District Plan out of Court, notified and adopted as operative Plan Change 22 (road hierarchy), initiated the District Plan monitoring process and notified Plan Change 23 (Mapara Valley Structure Plan).

2020 Taupo-nui-a-Tia

- Participated regularly in joint management group communication and meetings.
- Carried out a range of actions that contribute to the sustainable management of the lake in the areas of: stormwater management; education of users including boaties, fishermen and swimmers; foreshore management; litter control; and water quality education.
- Worked with other organisations as part of their projects to address issues including pest control and the protection of fish habitats.
- Co-ordinated Council's response to the Annual Report.
- Developed a plan for monitoring the effectiveness of the 2020 Taupo-nui-a-Tia Action Plan.

Protecting Lake Taupo

- Collected Council's share of the funding for the Lake Taupo Protection Project via a targeted rate.
- Supported establishment of the Lake Taupo Protection Trust and assisted the trust with preparation of its strategic plan. The Trust's Statement of Intent was received by the Joint Committee responsible for overseeing the work of the Trust in accordance with the requirements for Council Controlled Organisations.

Sustainable Environment

- Continued our community advocacy role in the processes relating to the Proposed Variation to the Waikato Regional Plan (Variation 5 – Lake Taupo Catchment). The focus this year was on appeals to the Environment Court. Environment Waikato called Council as a witness.

Lakes and River Systems

- Completed technical reports on erosion and flooding around Lake Taupo and undertook subsequent public consultation.

Stormwater and Land Drainage

- Began construction of the Centennial Drive detention pond.
- Acquired the comprehensive stormwater discharge consents.
- Undertook the Taupo Stormwater Facilities Planting Programme.

Wastewater

- Carried out asset renewal and maintenance works.
- Constructed the Mangakino Wastewater Treatment Plant upgrades.
- Completed requirements for the purchase of land for the Kinloch Wastewater Treatment Plant
- Undertook interim design and construction work to address a sewer overflow in Kinloch.
- Purchased land, acquired resource consent, approved design work and commenced construction works for the View Road Land Disposal System.
- Undertook preliminary design work for upgrade of the Taupo Wastewater Treatment Plant (formerly known as the Taupo Pollution Control Plant).
- Investigated the Taupo main trunk sewer network and completed a modelling study for future upgrade.
- Rehabilitated the Whareroa pond.
- Obtained resource consent for Waitahanui/Five Mile Bay Wastewater Treatment Plant.

Solid Waste

- Carried out asset renewal and maintenance.
- Completed construction of the resource recovery transfer station (recycling centre) at Broadlands Road.
- Constructed Cell 2C Broadlands Road Landfill.
- Provided a District household battery deposit service.
- Undertook consultation (ongoing) about land acquisition for the stage one landfill subdivision.

Sustainable Environment

What we planned, but couldn't complete

Lakes and River Systems

- Development of the Lake Taupo Foreshore Risk Management Strategy, Policy and District Plan Changes – these have not been finalised due to constraints on the availability of technical information and the need to allow sufficient time for community consultation.
- Physical works along the Kuratau foreshore to address erosion - an initial investigation identified a number of potential future options, but it was decided that Council and Environment Waikato would wait for the completion of the Lake Taupo Erosion and Flood Strategy before proceeding. The strategy will identify priorities for expenditure and provide guidance on suitable options at high-risk sites.

Stormwater and Land Drainage

- Taupo Central Business District pipe upgrade.



Economic Development

Our vision is for Taupo District to be seen as a vibrant, exciting and fresh visitor destination, with our community enjoying diverse and sustainable economic and lifestyle benefits.

Key Activities - Destination Marketing and Management, Visitor Centres, Economic Development Strategy Implementation, Economic Development Projects

What we did

Destination Marketing and Management

Through Destination Lake Taupo, and in conjunction with the Lake Taupo Tourism Advisory Board, Council:

- carried out domestic and international tourism marketing
- undertook convention and incentive marketing
- marketed events
- encouraged more national and international media to visit our region and experience our activities
- worked across departments to ensure that Council's planning initiatives and decisions take tourism into account
- maintained a close working relationship with the regional Maori tourism organisation to ensure that Maori businesses are encouraged and Maori culture is promoted and protected
- Initiated a tourism sustainability charter to ensure the long-term viability of our tourism industry.

Visitor Centres

- Extended the Turangi Visitor Centre on time and on budget, increasing retail space and security and providing better working conditions for staff.
- Moved the bus stop which increased bus operator bookings by 10 per cent and achieved a more user-friendly environment for travellers.

Economic Development Strategy Implementation

- Assisted Taupo District Economic Development Advisory Board (TDEDAB) with the establishment of Enterprise Lake Taupo – a trust established to deliver economic development services for the District.
- Assisted TDEDAB and Enterprise Lake Taupo to: begin preparing an economic development action plan; prepare statements of intent and annual and half-yearly reports.
- Participated in the Bay of Plenty and Waikato processes for establishing regional economic transformation strategies.
- Developed and monitored contracts to progress the NZ Clean Energy Centre and deliver economic development services through the newly-formed Enterprise Lake Taupo.

Economic Development

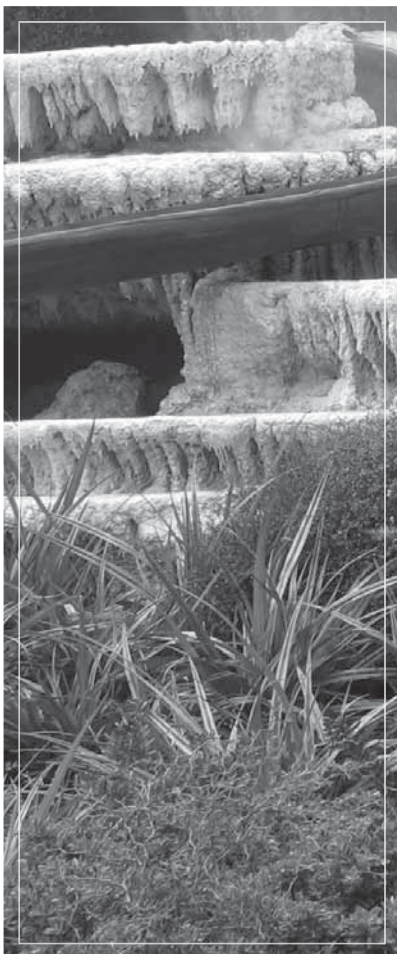
Economic Development Projects

- Made a \$1.8 million contribution, jointly with the Crown, towards the cost of a major runway and taxiway reseal at Taupo Airport.
- Maintained the lease of the Centennial Park Motor Racing Circuit to MIT Limited.

What we planned, but couldn't complete

Economic Development Strategy Implementation

- Review of the Economic Development Strategy. The strategy is being extended through work on the new economic development action plan.



Good Governance & Strategic Alliances

The Local Government Act 2002 provides the framework within which all local authorities must operate. Central to the Act are a number of principles about good governance. These principles encourage councils to make decisions openly, in consultation with their communities. The Act also requires councils to work collaboratively with other agencies to achieve community outcomes and make better use of resources.

Good governance and strategic alliances are a key component of sustainable development. Councils and other agencies are challenged to think beyond their traditional boundaries, and to take an integrated approach to achieving what the community identifies as being important for its future.

Key Activities – Governance Advocacy and Leadership, Community Planning and Partnerships, Strategic Planning.

What we did

Governance, Advocacy and Leadership

- Continued to act as an advocate on behalf of the community in a number of matters such as water allocation, foreshore erosion and flooding, sustainable land management and climate change, the Regional Growth Management Strategy, and the Local Government Rates Enquiry.

Community Planning and Partnerships

- Prepared and released the State of the District Report in November 2007. This report outlines the progress that has been made toward achieving our Community Outcomes.
- Actively participated in teragency and intersectoral collaboration forums in both the Waikato and Bay of Plenty.
- Identified emerging strategic issues for the District and, where appropriate, actively advocated on behalf of the District's residents and ratepayers.

Strategic Planning

- Prepared the 2006/07 Annual Report and the 2008/09 Annual Plan.
- Prepared a Long-Term Council Community Plan amendment relating to changes to Council's Investment and Liability Management policies.

Summary Financial Statements

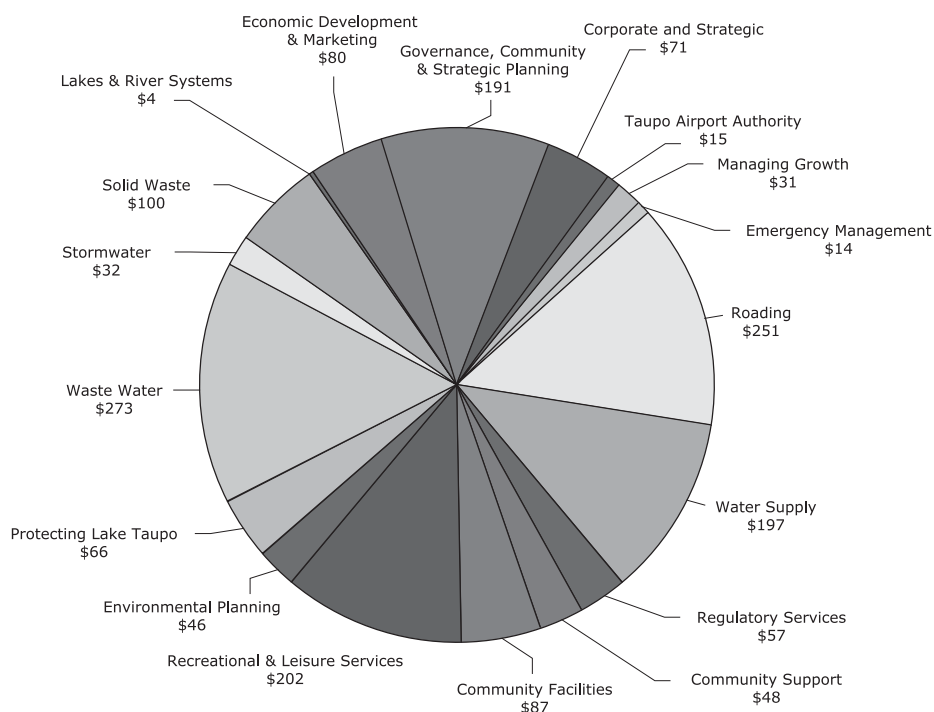
Overview

An operating surplus of \$13.5 million was achieved this year. This compares with a budgeted surplus of \$9.9 million, and last years \$14.4 million surplus. This year much of the surplus related to the recognition of Land Transport NZ subsidy (\$9m), for costs already incurred on East Taupo Arterial; non-cash revenue items such as infrastructure vested by developers (\$2m); recognition of the share of surplus/net assets of associate, the Lake Taupo Protection Trust (\$2m). Offsetting these items are Development Contributions below budget (\$4.6m); gain on sale of property due to timing (\$2m); interest income below budget (\$1m); and council expenditure over budget (\$1.2m).

Council's Balance Sheet presents a very healthy picture, reflecting a growing District investing in its infrastructure. The Balance Sheet shows ratepayer equity in excess of \$1 billion.

These financial statements are extracted from the full Annual Report. That report was prepared in accordance with generally accepted accounting practice in New Zealand and therefore also complies with International Financial Reporting Standards (NZ IFRS). The information in this summary financial report has been prepared in accordance with FRS-43: Summary Financial Statements. Taupo District Council is a public benefit entity as defined in NZ IFRS. The financial statements are presented in New Zealand dollars and values are rounded to the nearest thousand dollars. The functional currency of Taupo District Council is New Zealand dollars.

On average it costs each ratepayer \$1,765 to operate these services:



Consolidated Income Statement

	Council Actual 2008 \$000	Council Estimate 2008 \$000	Council Actual 2007 \$000	Group Actual 2008 \$000	Group Actual 2007 \$000
for the year ended 30 June 2008					
Operating revenue	71,976	69,119	68,042	72,409	68,586
Expenditure other than finance costs	56,920	54,917	53,522	58,713	53,725
Finance costs	3,568	4,236	3,230	3,595	3,254
Operating surplus	11,488	9,966	11,290	10,101	11,607
Share of associate surplus/(deficit)	2,097	-	3,141	2,097	3,141
Net Surplus before tax	13,585	9,966	14,431	12,198	14,748
Tax (expense)/credit	-	-	-	522	36
Net Surplus after tax	13,585	9,966	14,431	12,720	14,784
Attributable to:					
Taupo District Council	13,585	9,966	14,431	13,153	14,778
Minority Interest	-	-	-	(433)	6
Net surplus for the year	13,585	9,966	14,431	12,720	14,784

Consolidated Statement of Changes in Equity

	Council Actual 2008 \$000	Council Estimate 2008 \$000	Council Actual 2007 \$000	Group Actual 2008 \$000	Group Actual 2007 \$000
for the year ended 30 June 2008					
Equity at start of the year	1,036,638	959,356	887,067	1,041,417	890,756
Capital introduced	-	-	-	1,193	-
Property, plant and equipment					
Revaluations gains/(losses) through equity	32,884	-	134,470	34,967	135,223
Financial assets fair value through equity					
Revaluation gains/(losses) through equity	(18)	-	27	(18)	27
Cash flow hedges taken to equity	(546)	-	643	(546)	643
Tax on equity items	-	-	-	(593)	(16)
Surplus(deficit) for the year	13,585	9,966	14,431	12,720	14,784
Total recognised income and expenses	45,905	9,966	149,571	46,530	150,661
Attributable to:					
Taupo District Council	45,905	9,966	149,571	46,217	150,637
Minority Interest	-	-	-	1,506	24
Total recognised income and expenses	45,905	9,966	149,571	47,723	150,661
Equity at end of the year	1,082,543	969,322	1,036,638	1,089,140	1,041,417

Consolidated Balance Sheet

	Council Actual 2008 \$000	Council Estimate 2008 \$000	Council Actual 2007 \$000	Group Actual 2008 \$000	Group Actual 2007 \$000
as at 30 June 2008					
Current Assets	42,797	43,621	56,643	42,026	56,321
Non-current Assets	1,123,467	998,590	1,032,281	1,132,250	1,038,694
Total Assets	1,166,264	1,042,211	1,088,924	1,174,276	1,095,015
Current Liabilities	52,519	35,673	10,040	52,619	10,108
Non-current Liabilities	31,202	37,216	42,246	32,517	43,490
Total Liabilities	83,721	72,889	52,286	85,136	53,598
Equity - Taupo District Council	1,082,543	969,322	1,036,638	1,086,097	1,039,880
Equity - Minority Interests	-	-	-	3,043	1,537
Total Equity	1,082,543	969,322	1,036,638	1,089,140	1,041,417

Consolidated Cashflow Statement

for the year ended 30 June 2008	Council Actual 2008 \$000	Council Estimate 2008 \$000	Council Actual 2007 \$000	Group Actual 2008 \$000	Group Actual 2007 \$000
Net cash from operating activities	22,691	19,659	10,733	22,574	10,679
Net cash from investing activities	(38,926)	(36,878)	(16,061)	(39,041)	(15,791)
Net cash from financing activities	29,046	17,219	(2,023)	29,282	(2,242)
Net increase (decrease) in cash held	12,811	-	(7,351)	12,815	(7,354)

Explanation of major variances against budget

Explanations for major variations from the Council estimate figures against Annual Plan are as follows:

Statement of Financial Performance

Council's actual surplus of \$13.5m is \$3.5m greater than the \$10m budgeted. The major variations are due to:

- Revenue from activities being \$2m higher than budgeted. The major factor in this is the recognition of Land Transport NZ Subsidy for costs relating to the East Taupo Arterial (\$9m). This gain is offset by a shortfall in Development Contribution and Financial Contribution revenue against budget expectations and a shortfall in the gain on sale from various subdivision projects due to current market conditions.
- Unbudgeted infrastructure vested in Council of \$2m. Offset by a shortfall in Finance income of \$1m.
- An unbudgeted \$2.1m recognition of the surplus of Council's associate - the Lake Taupo Protection Trust.
- Partially offsetting these items of unbudgeted revenue is Council's expenditure being \$1.2m in excess of budget. Major factors in this are \$1.6m of unbudgeted losses on the disposal of assets offset by small savings and shortfalls in other areas.

Statement of Movements in Equity

The major variations are due to:

- The opening equity position being \$77.3m higher than anticipated in the budget, primarily due to the effects of IFRS restatements and corrections and land and building revaluations at 30 June 2007.
- The 30 June 2008 revaluations of land and buildings being \$32.8m higher than anticipated in the Annual Plan.
- Other unbudgeted revaluation losses of \$0.56m being taken directly to equity.
- The net surplus for the year being \$3.8m higher than budgeted (see explanation under 'Statement of Financial Performance' heading above)

Statement of Financial Position

The major variations are due to:

- Total investments \$3.3m higher than budgeted.
- Trade and other receivables being \$2.8m lower than budgeted.
- Non-Current Assets Held for sale being \$1.4m lower than budgeted with changes in the timing of Council's subdivision programme impacting on this.
- Derivative financial instruments being \$0.4m higher than budgeted, due to the nature of this asset year end balances are not budgeted.

With changes in interest rates over the year the value of the interest rate swaps that Council has entered into has decreased from last year.

- The recognition of an unbudgeted \$5.2 million interest in the net assets of Council's associate - the Lake Taupo Protection Trust.
- Property, plant and equipment being \$107.2m higher than budgeted, the result of 30 June 2008 revaluations, corrections and revaluations at 30 June 07, and changes in Council's capital spending programmes.
- Trade and Other payables \$1m higher than budgeted.
- Employee Benefits \$0.7m higher than budgeted.
- Borrowings being \$9.5m more than budgeted, the result of changes in Council's capital expenditure programme.
- Equity position varying as described under the heading of 'Statement of Movements in Equity' elsewhere in this note.



Additional Disclosures

as at 30 June 2008

Related Party Transactions

Taupo District Council has a number of group and associated entities.

During 2007/08 the following related party transactions occurred:

Taupo Airport Authority

The balance of a loan provided by the Council to the Airport at 30 June 2008 was \$0 (2007: \$201,500).

The Airport paid interest of \$17,640 (2007: \$12,783) to Council on these borrowings.

The Airport paid the Council administration and management fees of \$22,500 (2007: \$21,458).

The Airport has accounts payable to Council as at 30 June 2008 of \$896,920 (2007: \$202,622).

Bank Borrowing Arrangements:

The Airport Authority's term liabilities include bank-sourced lending of \$308,017 borrowed by way of distinct drawdown in the name of Taupo District Council, but on-lent to the Authority. This borrowing is subject to a 5 year evergreen arrangement requiring no principal repayments for 5 years. It is subject to quarterly re-pricing with the cost of this borrowing ranging between 8.612% and 9.160% over the 2007/08 year. Interest expense on this borrowing is fully charged in the Authority's financial statements.

Data Capture Systems Limited

Data Capture Systems Limited is now dormant. The bank balance of \$4,877 was transferred to Council during the year.

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

Data Capture Systems Limited has amounts payable to Council as at 30 June 2008 of \$0 (2007 \$433). Data Capture Systems Limited has accounts receivable from Council as at 30 June 2008 of \$0 (2007 \$4693).

Lake Taupo Protection Trust

Council paid the Lake Taupo Protection Trust \$1,126,000 during the 2007/08 year, this amount fully meeting Council's responsibilities for targeted rate contributions for the 2007/08 years under the agreed funding arrangements (2007 \$1,991,000). In addition, a further \$0 of interest was paid over to the Trust being interest accrued on these monies while they were held by Taupo District Council pending the Trust's formal establishment in February 2007 (2007 \$157,823). The Lake Taupo Protection Trust has amounts payable to Council as at 30 June 2008 of \$818 (2007 \$0) for provision of support services.

Additional Disclosures

Councillors and Key Management Personnel

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

There are two Taupo District Council appointees to the seven trustees of the Lake Taupo Development Trust. The Lake Taupo Development Trust owns 100% of the Lake Taupo Development Company Limited. Payments totalling \$120,000 (2007 \$203,156) were made by Council to the Company during the year ended 30 June 2008, for the delivery of Economic Development Services.

Councillors McElwee and Blyth are the Council observers / advisors to the Waiora Community Trust. Grants totalling \$105,000 were paid by Council to the Trust during the year ended 30 June 2008 (2007 \$111,500), with \$55,000 of this amount for reallocation to the community in accordance with Councils Grants Policy (2007 \$71,500).

Councillor Welch is an observer / advisor trustee to the Lake Taupo Arts Festival Trust. During the 2007/08 year grants of \$30,000 (2007 \$33,200) were made by Council to the Trust. Council's funding of the Trust is a contribution towards the running of the bi-annual Taupo Arts Festival. A further \$11,364 (2007 \$2,711) was paid to the Trust for merchandise purchases or for artwork sold on behalf of the Trust. There was a \$2,142 creditor balance owing at 30 June 2008 (2007 \$0).

Councillor Welch is the Chairman of the Taupo Youth Arts Trust. During the 2007/08 year expenditure of \$4,635 (2007 \$40) was made by Council to the Trust for services provided. Included in this was a \$700 donation (2007 \$0). There was a \$550 creditor balance owing at 30 June 2008.

Councillor Welch is the Chairman of Creative Taupo (The Taupo Community Arts Council) & Councillor Uvhagen is a committee member. During the 2007/08 year grants of \$14,333 (2007 \$16,000) were made by Council to that organisation.

Councillor Uvhagen is a committee member of the Acacia Bay Residents Association. During the 2007/08 year Council hired the Association hall at a cost of \$1,323 (2007 \$1,305) Council also purchased tables and newsletter advertising \$1,213 (2007 \$0). There was a \$68 creditor balance owing at 30 June 2008 (2007 \$60). The Association made purchases of \$81 from Council (2007 \$0).

Councillor McElwee is an observer/advisor and Councillor Hickling is a trustee to the Waipahihi Botanical Society. During the 2007/08 year expenditure of \$33,440 (2007 \$5,240) was incurred by Council in the form of grants and reservoir site rentals payable to that organisation.

Councillors Downard & Hickling are observers/advisors to the Taupo Sports Advisory Council. During the 2007/08 year a grant of \$30,250 was paid to the Sports Council. Taupo District Council received grants of \$8,463 and payment for services of \$5,385 from the Sports Council.

Councillor Uvhagen was the Chairman of the Taupo Therapy Centre until November 2007. Up to that date payments of \$0 (2007 \$196) were made by Council to the Centre.

Councillor Gathergood is the Chairperson of the Mangakino Area School BOT. During the 2007/08 year \$1,044 was paid to the school for hall hireage and rural travel grant. During the same period

Additional Disclosures

\$17,652 was received from the school for use of Council facilities and repayment of an unused grant. An amount of \$132 was outstanding as a debtor balance at 30 June 2008.

Turangi / Tongariro Community Board member Mrs J Lockyer, is a Trustee on the Southern Lake Taupo Health Trust. In the 2007/08 year Council made a community loan of \$300,000 to the Trust.

Turangi / Tongariro Community Board members Mr T O'Brien and Mrs S McCarthy, are observers/ advisors to the Turangi Tongariro Promotion Association. In the 2007/08 year Council made purchases of \$2,125 from the Association. There was a \$2,100 creditor balance owing at 30 June 2008 (2007 \$0).

Turangi / Tongariro Community Board members Mrs M Smallman and Mr T O'Brien, are observers/ advisors to the Turangi Tongariro Sports Foundation. In the 2007/08 year the Board made a grant of \$2,000 to the Foundation.

Turangi / Tongariro Community Board members Ms Stewart and Mr D Campbell, are observers/ advisors to the Turangi Citizens Advice Bureau. In the 2007/08 year the Board made a grant of \$1,500 to the Bureau.

Councillor Gathergood is a representative on two Lakes DHB committees. During the 2007/08 year \$26,652 was received from the DHB for share of costs in local government elections, council also received \$1,212 for services during the 2007/08 year, \$1204 of this was outstanding as a debtor balance at 30 June 2008.

Councillor Gathergood is a member of Child Youth & Family JP Association. Child Youth & Family has amounts payable to Council at 30 June 2008 of \$406 for venues charges.

Tina Jakes, Council's Community Manager Mangakino, is also a director of the Lake Taupo Primary Health Organisation (PHO). During the 2007/08 year Council received \$18,117 in programme funding and payments for other services from the PHO (2007 \$52,691). Of this \$585 was outstanding as a debtor balance at 30 June 2008. Council made payments to this organisation of \$10,243 for services (2007 \$0).

Mayor of Taupo District, Rick Cooper, is a director of Wings & Wheels Taupo Limited. Since 19 October 2007 Council made \$49,136 of purchases from this firm, on normal commercial terms. Of this amount \$986 was owing as a creditor balance at 30 June 08 (2007 \$0). Since 19 October 2007 Council received \$17,333 from Wings & Wheels Taupo for the sale of a vehicle.

Councillor Downard is a director of Senjo Securities. From the 13 October 2007 Council has purchased services from this firm of \$27,527. There was a \$1,221 creditor balance owing at 30 June 2008.

Councillor Downard is a director of M21 Meats. From the 13 October 2007 Council has purchased goods from this firm of \$464.

Past Councillor Trewavas has close family ownership and management interests in the Freedom / Levene home furnishings retail chain. Up to 13 October 2007 Council made \$1,236 of purchases from the Taupo Levene store (2007 \$37,840) on normal commercial terms. There was no creditor balance at 30 June 08 (2007 \$14,842).

Additional Disclosures

Former Mayor of Taupo District, Clayton Stent, is a director of fi360 (Australasia) Limited. Up to the 19 October 2007 Taupo District Council purchased \$1,445 of services from this organisation, on normal commercial terms, these services being attendance fees on fiduciary training programmes, member accreditation fees, and consulting fees (2007 \$48,687).

Former Mayor of Taupo District, Clayton Stent, is a director of Taupo Funeral Services Limited. Up to the 19 October 2007 Taupo District Council received \$11,877 for cemetery plots and burial fees from this company, on normal commercial terms.

Former Mayor of Taupo District, Clayton Stent, is a director of Stratum Estate Limited. Up to the 19 October 2007 Taupo District Council received \$133 for resource consent fees from this company, on normal commercial terms.

Turangi / Tongariro Community Board member Mrs J Lockyer, has an ownership interest in Lockyer's Retravisation and Furniture Limited. Council purchased \$5,363 of goods from this firm, on normal commercial terms, in the 2007/08 year (2007 \$503). There was a \$2,791 creditor balance owing at 30 June 2008 (2007 \$0).

Turangi / Tongariro Community Board member Mrs J Lockyer, has an ownership interest in Shapes (2004) Limited. Council purchased \$100 of goods from this firm, on normal commercial terms, in the 2007/08 year (2007 \$0).

Turangi / Tongariro Community Board member Mrs J Lockyer, also has an ownership interest in Tongariro Cabinetmakers & Joiners Limited. Council purchased \$925 of goods from this firm, on normal commercial terms, in the 2007/08 year (2007 \$0).

Turangi / Tongariro Community Board member Mr T O'Brien, has an ownership interest in Total Property Management Limited. Since the 15/2/08 Council has purchased \$44,769 of goods and services from this firm, on normal commercial terms. There was a \$16,040 creditor balance owing at 30 June 2008.

During the year Council purchased services from Key2knowledge, which is operated by the partner of Council's Group Manager - Environmental Services, Gareth Green. During the 2007/08 year Council made payments to this firm of \$1,680.

There are close family members of key management personnel employed by Taupo District Council. The terms and conditions of those arrangements are no more favourable than Taupo District Council would have adopted if there were no relationship to key management personnel.



Additional Disclosures

Key management personnel compensation	Actual 2008 \$000	Actual 2007 \$000
Salaries and other short term employee benefits	1,348	1,292
Other long term benefits	14	7

It should be noted that the definition of key management personnel for this disclosure includes the Chief Executive, members of the Senior Leadership Group, the Area Manager Turangi, and the Mangakino Community Manager. Details of remuneration paid to Councillors and Community Board members is provided in Note 24.

	Council Actual 2008 \$000	Council Actual 2007 \$000	Group Actual 2008 \$000	Group Actual 2007 \$000
Commitments				
Major contracts	21,226	26,449	21,226	26,449
Non-cancellable operating leases	538	686	541	698
Total Commitments	21,764	27,135	21,767	27,147

	Amount of original guarantee 2008 \$000	Current level of guarantee outstanding 2008 \$000	Amount of original guarantee 2007 \$000	Current level of guarantee outstanding 2007 \$000
Contingencies				
Sporting Club Loan Guarantees	203	62	193	87

Other Contingencies

Taupo District Council

Scientific advice has been received regarding the Hipaua Geothermal Landslide risk near Waihi at the southern end of Lake Taupo. In the event of a landslide any property damage and/or loss of life could potentially give rise to claim(s) against Council, currently unquantifiable (2007 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 (2007: Same contingency disclosure made).

Council controls and has brought to account certain reserve lands throughout the District which will return to Iwi ownership in the event that they are no longer required for reserve purposes. Council does not envisage that this situation will ever eventuate (2007 Same disclosure of this contingency).

Council may be subject to claims relating to weather tightness building defects. As at the date of

this report the Weathertight Home Resolution Service (WHRS) is investigating 4 claims relating to properties in the Taupo District and Council is aware of one other still to be lodged. These may or may not result in formal claims against Council. Two further weathertightness claims have been lodged directly with Council. The quantum of these claims cannot be accurately calculated at present, although any liability under this claim will be met by our insurers, subject to our usual excess requirements (2007: 5 WHRS claims plus one lodged directly).

In addition to the weathertightness building defect claims, there are a further 13 unresolved potential legal claims against Council as at 30 June 2008 (2007: 16 claims). All seek compensation related to resource consents, property damage, contractual disputes, or other aspects of Council's operations which the claimants believe have caused them loss. It is not possible for Council to quantify a maximum financial exposure for these claims. Council will vigorously defend all claims and expects its actual liability to be minimal, if indeed there is any liability at all.

A weathertightness issue has arisen at the AC Baths, however the costs likely to be incurred in rectifying the issue are undetermined at balance date, and therefore no provision has been made.

The potential for erosion and flooding risk has been identified through technical reports around the foreshore of Lake Taupo, 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 erosion and flooding. The issue of contingent liability however, currently unquantifiable, is under review.

A claim relating to costs owing on the Rakaunui Rd subdivision development of \$50K has been made by the contractor.

A variation claim on contract 674 (Landfill Cell 2b2) for \$140K has been made by the contractors for storm damage during the project, this claim will be subject to mediation.

Group

There are no contingent liabilities relating to the subsidiary entities (2007: nil).

Contingent Asset

Group

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

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

This policy change has resulted in the Taupo Airport Authority obtaining an equity injection from the Crown of \$236,252 in recognition of operating losses incurred in 2005 and 2006 which fit the Crown's policy criteria. We understand that a paper has gone to Cabinet in July 2008 to request a change in scope of the appropriation, which if approved will enable a further equity injection from the Crown in recognition of losses incurred in 2007.

The quantum, form, and timing of this compensating payment for 2007 is currently being determined, hence its disclosure as a contingent asset.

Events after balance date

On the 22nd July 2008 Taupo District Council accepted a tender from Fulton Hogan for Contract 678 East Taupo Arterial Design and Construction for \$97,414,668 (2007: nil).

On the 22nd July 2008 Taupo District Council approved the increase of bank counterparty limits from \$20m to \$35m per bank to enable greater flexibility in the investment of Council funds.

Directory

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Service Delivery Centres

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Fax:[07] 386-8449

Mangakino Town Centre
P O Box 9
MANGAKINO 3445
Telephone:[07] 882-8700
Fax:[07] 882-8330

Banker

Bank of New Zealand – Taupo [transactional]
ANZ Bank – Hamilton [funding]

Auditor

Audit New Zealand on behalf of
The Auditor-General

Insurance Broker

Jardine Lloyd Thompson Limited - Auckland