

Finances

The Financial Statements on pages 17 to 21 are to be read in conjunction with the Accounting Policies and Notes to the Financial Statements on pages 22 to 47.

Statement of Financial Performance

Year Ended 30 June 2003

The statement of financial performance details income and expenditure relating to all activities of the Council. The supporting operating statements for each significant activity provide further details as to the costs and revenues of each activity.

	Notes	Parent			Consolidated	
		Annual Plan \$000	Actual \$000	Last Year \$000	Actual \$000	Last Year \$000
Revenue						
Revenue from Significant Activities	1	10,677	14,585	9,378	14,714	-
Rates	2	9,879	9,885	9,253	9,885	-
Other Revenue	3	498	465	486	465	-
Total Operating Revenue		21,054	24,935	19,117	25,064	-
Expenditure						
Expenditure on activities	1	20,730	22,904	17,703	23,027	-
Other Costs	4	15	-	67	-	-
Total Operating Expenditure		20,745	22,904	17,770	23,027	-
Net Operating Surplus		309	2,031	1,347	2,037	-
Less write-down of Forestry Investment		-	1,689	-	1,689	-
Net Surplus for the year		309	342	1,347	348	-

Statement of Movements in Equity

Year Ended 30 June 2003

The Statement of Movements in Equity explains the changes that have taken place in the ratepayers' equity over the year under review.

	Notes	Parent			Consolidated	
		Annual Plan \$000	Actual \$000	Last Year \$000	Actual \$000	Last Year \$000
Public Equity as at 1 July		236,678	242,164	239,018	242,164	-
Net Surplus for the year		309	342	1,347	348	-
Infrastructural Assets Revaluation	7,11	-	-	1,799	-	-
Property Revaluation		-	12,504	-	12,504	-
Forestry Revaluation		-	(995)	-	(995)	-
Total Recognised Revenue and Expenses		309	11,851	3,146	11,857	-
Public Equity as at 30 June		236,987	254,015	242,164	254,021	-

Statement of Financial Position

As At 30 June 2003

The Statement of Financial Position outlines the resources of the Council and its liabilities. The difference between the assets and liabilities is the ratepayers' equity.

	Notes	Parent			Consolidated	
		Annual Plan \$000	Actual \$000	Last Year \$000	Actual \$000	Last Year \$000
Equity						
Accumulated Funds	11	225,967	228,549	228,658	228,555	-
Restricted Reserves	11	3,200	4,119	3,518	4,119	-
Council Created Reserves	11	800	816	966	816	-
Asset Revaluation Reserves	11	7,020	20,531	9,022	20,531	-
		<u>236,987</u>	<u>254,015</u>	<u>242,164</u>	<u>254,021</u>	<u>-</u>
Current Assets						
Cash and Bank		3,670	4,581	3,827	4,595	-
Short Term Investments	9	24	18	21	18	-
Prepayments and Receivables	10	2,117	2,812	2,518	2,851	-
Accrued Revenue	10	1,710	3,388	1,110	3,388	-
Pensioner Housing for Sale	10	2,568	2,386	2,568	2,386	-
		<u>10,089</u>	<u>13,185</u>	<u>10,044</u>	<u>13,238</u>	<u>-</u>
Non Current Assets						
Investments	9	5,501	2,444	5,013	2,424	-
Fixed and Infrastructural Assets	7	233,158	252,923	238,568	252,945	-
		<u>238,659</u>	<u>255,367</u>	<u>243,581</u>	<u>255,369</u>	<u>-</u>
Total Assets		<u>248,748</u>	<u>268,552</u>	<u>253,625</u>	<u>268,607</u>	<u>-</u>
Current Liabilities						
Payables	13	3,070	6,160	4,283	6,209	-
Employee Entitlements	13	165	165	163	165	-
Public Debt – Current Portion	12	777	303	304	303	-
	13	<u>4,012</u>	<u>6,628</u>	<u>4,750</u>	<u>6,677</u>	<u>-</u>
Non Current Liabilities						
Public Debt – Term Portion	12	7,749	7,909	6,711	7,909	-
Total Liabilities		<u>11,761</u>	<u>14,537</u>	<u>11,461</u>	<u>14,586</u>	<u>-</u>
Net Assets		<u>236,987</u>	<u>254,015</u>	<u>242,164</u>	<u>254,021</u>	<u>-</u>

Statement of Cash Flows

Year Ended 30 June 2003

The Statement of Cash Flows summarises the cash movements in and out of the Council through the year. It takes no account of monies owed or owing but not paid, and therefore differs from the Statement of Financial Performance.

	Notes	Parent			Consolidated	
		Annual Plan \$000	Actual \$000	Last Year \$000	Actual \$000	Last Year \$000
Operating Activities						
<i>Cash was provided from:</i>						
Rates		11,315	9,775	9,198	9,775	-
Water Rates and Charges		1,283	1,162	1,047	1,162	-
Grants and Subsidies		7,470	7,224	5,024	7,224	-
Interest Received		219	90	165	90	-
Other Revenue		2,355	3,972	2,925	4,118	-
		<u>22,642</u>	<u>22,223</u>	<u>18,359</u>	<u>22,369</u>	<u>-</u>
<i>Cash was applied to:</i>						
Suppliers and Employees		(14,409)	(12,235)	(9,681)	(12,358)	-
Taxes (including the net effect of GST)		(150)	(262)	(143)	(262)	-
Interest Expense		(331)	(484)	(407)	(484)	-
		<u>(14,890)</u>	<u>(12,981)</u>	<u>(10,231)</u>	<u>(13,104)</u>	<u>-</u>
Net Cash from Operating Activities	8	<u>7,752</u>	<u>9,242</u>	<u>8,128</u>	<u>9,265</u>	<u>-</u>
Investing Activities						
<i>Cash was provided from:</i>						
Sale of Fixed Assets		10	446	411	446	-
Sale of Investments		-	-	-	-	-
Mortgage Repayments Received		-	-	-	-	-
Sinking Fund Withdrawal		66	-	-	-	-
		<u>76</u>	<u>446</u>	<u>411</u>	<u>446</u>	<u>-</u>
<i>Cash was applied to:</i>						
Fixed Asset Purchases		8,592	(9,809)	(9,162)	(9,818)	-
Loans and Advances		-	2	(72)	2	-
Sinking Fund Instalments		134	(264)	(78)	(264)	-
		<u>8,726</u>	<u>(10,071)</u>	<u>(9,312)</u>	<u>(10,080)</u>	<u>-</u>
Net Cash From/(To) Investing Activities		<u>(8,650)</u>	<u>(9,625)</u>	<u>(8,901)</u>	<u>(9,634)</u>	<u>-</u>
Financing Activities						
Loans Raised		1,445	1,445	1,572	1,445	-
Loan Repayments		(300)	(308)	(1,156)	(308)	-
Net Cash From/(To) Financing Activities		<u>1,145</u>	<u>1,137</u>	<u>416</u>	<u>1,137</u>	<u>-</u>
Net Increase (Decrease) in Cash Held		<u>247</u>	<u>754</u>	<u>(357)</u>	<u>768</u>	<u>-</u>
Cash as at 1 July 2002		<u>3,423</u>	<u>3,827</u>	<u>4,184</u>	<u>3,827</u>	<u>-</u>
Cash and Bank Balances at 30 June 2003		<u>3,670</u>	<u>4,581</u>	<u>3,827</u>	<u>4,595</u>	<u>-</u>

Statement of Commitments

As At 30 June 2003

	Parent		Consolidated	
	This Year \$000	Last Year \$000	This Year \$000	Last Year \$000
Capital Commitments Approved	3,006	1,483	3,006	-
<p>Council has entered into non-cancellable contracts for routine roading maintenance and operational services (Wastewater, Water, Parks and Reserves, Stormwater etc.) as well as a number of maintenance contracts nearing completion as at 30 June 2003. Details of these commitments are as follows:</p>				
Not Later than One Year	7,163	4,527	7,163	-
Later than One but Not Later than Two Years	6,506	1,383	6,506	-
Later than Two but Not Later than Five Years	3,519	1,599	3,519	-
More than Five Years	-	-	-	-
	<u>17,188</u>	<u>7,509</u>	<u>17,188</u>	<u>-</u>
	<u>20,194</u>	<u>8,992</u>	<u>20,194</u>	<u>-</u>

Statement of Accounting Policies

Year Ended 30 June 2003

1 Reporting Entity

The Kaipara District Council is a territorial local authority established under the Local Government Act 1974.

The Kaipara District Council group consists of Kaipara District Council and its subsidiary, Kaipara District Economic Development Trust.

The financial statements of Kaipara District Council and group have been prepared in accordance with the requirements of the Local Government Act 1974 which includes the requirement to comply with generally accepted accounting practise issued by the Institute of Chartered Accountants of New Zealand.

2 Measurement Base

The measurement base is that of historical cost modified by the revaluation of certain assets.

3 Accounting Policies

i Basis of Consolidation

The consolidated financial statements include Kaipara District Council and its subsidiary. The subsidiary is accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenues and expenses on a line-by-line basis. All significant inter-entity transactions are eliminated on consolidation.

ii General Revenues

- Rates and levies are recognised when assessments are issued.
- Government grants are recognised when eligibility has been established by the grantor agency. Transfund roading subsidies are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.
- Dividends are recognised on an accrual basis net of imputation credits.
- Water billing revenue is recognised on an accrual basis with unread meters at year end accrued on an average usage basis.

iii Accounts Receivable

Accounts receivable are stated at expected realisable value after providing for doubtful debts.

iv Investments

Investments are stated at the lower of cost and net realisable value. Council's forestry investment is independently revalued every three years. Revaluation movements are debited/credited to an asset revaluation reserve. Where this results in a debit balance in the investment portion of the asset revaluation reserve, this balance is expensed in the Statement of Financial Performance.

Statement of Accounting Policies

v Sinking Funds

Funds are set aside each year to help meet future repayments of loans. The funds are included in the Statement of Financial Position at cost plus accumulated interest.

vi Fixed Assets

Fixed assets have been valued on the following bases:

- (a) Land and Buildings have been valued at fair value. Under the Transitional Provisions of FRS-3 : Accounting for Property, Plant and Equipment, Council was required to revalue its assets in accordance with FRS-3 when it was next due to undertake a revaluation. That revaluation was due as at 30 June 2003, and has been conducted on a fair value basis. Future revaluations will be carried out at least five yearly. 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.
- (b) Plant, Equipment, Motor Vehicles and Other Plant are accounted for at cost less accumulated depreciation.
- (c) Computer Equipment is accounted for at depreciated replacement cost at 1 July 1996. This is deemed to be cost.
- (d) Infrastructural assets are the fixed utility systems owned by the Council. They are valued at their depreciated replacement cost at 1 July 2001.
- (e) Roothing land has been valued as at 1 July 2001 on the basis of the open market value of land in an undeveloped state on the basis of a willing buyer/willing seller.

All infrastructural and rooting land valuations are undertaken or reviewed by independent qualified valuers and are carried out on a three yearly cycle. 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.

Additions between valuations are recorded at cost.

Costs incurred in obtaining any resource consents are capitalised as part of the asset to which they relate. If a resource consent application is declined then all capitalised costs are written off.

vii Depreciation

Depreciation is provided on a straight line basis on all fixed assets other than land, at rates that will write-off their cost or valuation over their expected useful economic life. The useful lives and associated depreciation rates for major classes of assets have been estimated as follows:

Statement of Accounting Policies

	Expected Life Years	Depreciation Straight Line %
Roading		
Top Surface (seal)	9-8	10.2
Pavement (basecourse)		
- Urban Sealed	35	2.9
- Rural Sealed	35	2.9
- Unsealed	6	16.7
Foundation and Unsealed Subgrade	n/a ¹	-
Culverts	50	2.0
Kerb and Channel	50	2.0
Bridges	100	1.0
Signs	14	7.1
Lights	26	3.8
Water	60	1.7
Wastewater	60	1.7
Stormwater	60	1.7
Pensioner Housing	50	2
Halls	50	2
Swimming Baths	50	2
Plant, Equipment and Motor Vehicles	5 - 10	10 - 20
Buildings	50	2
Building Contents	10	10
Other Plant	5	20
Computer Equipment	5	20

viii Forests

Forests are independently valued every three years using the net present value method, based on the age and condition of the trees. Reference should also be made to Note 9.

In the years between revaluations, expenditure on forest establishment and silviculture that adds to the expected future value of the trees is capitalised and the carrying value of trees harvested is recorded as a cost of sale.

¹ Not depreciated

Statement of Accounting Policies

ix Cost of Service Statements

The cost of service statements, as provided in the Statement of Service Performance, report the net cost of the services for significant activities of the Council, and are represented by the costs of providing the service less all revenue that can be allocated to these activities.

Direct costs are charged directly to the significant activities. Indirect costs are charged to those activities based on the assessed usage by the significant activities.

Internal support costs are charged to other significant activities on the basis of assessed usage.

x Goods and Services Tax (GST)

The financial statements have been prepared exclusive of GST with the exception of receivables and payables that are stated with GST included. When GST is not recoverable as an input tax then it is recognised as part of the related asset or expense.

xi Public Equity

Public Equity was originally established when the Council changed from cash to accrual accounting and represents the community's interest in the Council as measured by the total assets less total liabilities. Public equity is disaggregated and classified into a number of reserves to enable clearer identification of the specified uses that the Council makes of its accumulated surpluses. The components of equity are:

- Accumulated funds
- Restricted reserves - special funds

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

- Council created reserves

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.

- Asset revaluation reserves.

xii Financial Instruments

The Council is party to financial instruments as part of its 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 financial instruments are recognised in the Statement of Financial

Statement of Accounting Policies

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.

(a) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument (usually a loan) will fluctuate due to changes in market interest rates. Exposure to interest rate risk increases with the raising of long term fixed rate debt instruments to fund activities or on the purchase of investment securities.

Council minimises this exposure by:

- maintaining a minimal reliance upon external financing
- maintaining a balanced investment portfolio.

(b) Currency Risk

Currency risk is the risk exposure to foreign currency financial instruments. The group has no currency risk exposure.

(c) Credit Risk

Credit risk is the risk that Council will lose through the failure of another party to complete their obligations. Council is exposed to credit risk in the normal course of business through accounts receivable, guarantees granted, and in transactions with financial institutions. Concentrations of credit risk are avoided by Council through the policy of spreading exposure over a wide base, and only dealing with solid, high credit quality financial institutions.

xiii Cash Flow Statement

The year end balance cash and bank figure in the Cash Flow Statement consists of cash on hand and bank account balances which form part of the day to day management of Council.

(a) Operating Activities

Includes cash received from all income sources of Council including rates and cash payments made for the supply of goods and services.

(b) Investing Activities

The sources and uses of cash in this category include the sale and purchase of long term investments, fixed assets, and the withdrawal and payment of sinking fund monies which have been established to provide for the repayment of term debt as it falls due.

Statement of Accounting Policies

(c) Financial Activities

Under this category the cash received from new loans raised and the repayment of maturing debt is recorded.

xiv Employee Entitlements

Provision is made in respect of Council's liability for salaries and wages due at balance date and for annual and long service leave calculated on the basis of actual entitlement at current rates of pay.

xv Landfill Post-Closure Costs

As owners of three closed landfills at Ruawai, Parawanui and Omamari, Council has a legal obligation to provide ongoing maintenance. The capping at all three sites was completed in 2001/2002. Annual maintenance is expected to be minimal. Therefore, no provision has been recognised for post-closure costs.

xvi Leases

(a) 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.

(b) 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 expenses in the periods in which they are incurred.

xvii Properties Intended for Re-sale

Properties intended for re-sale are valued at the lower of carrying value and net realisable value.

4 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 Council for the preparation of the financial statements.

Statement of Accounting Policies

5 Comparative Figures for Consolidated Accounts

As the consolidated accounts are prepared for the first time this year, no comparative figures are presented for the consolidated figures.

6 Changes in Accounting Policies

The Council and group has changed its accounting policy for the valuation of land and buildings in order to comply with FRS-3. *Property, Plant and Equipment*. This new standard requires assets to be revalued at fair value which has been determined by reference to their highest and best use. The previous policy had been to determine the fair value of those items by reference to their existing use.

There have been no other changes in accounting policies since the date of the last annual report. All other policies have been applied on a basis consistent with prior years.

Notes to the Financial Statements

Year Ended 30 June 2003

1 Operating Result for the Year

- (a) In describing the group operating result for the year, all revenue and expenditure directly related to a significant activity has been included in the statement of operating costs and revenue for that activity. All other income and expenditure has been included separately in the Statement of Financial Performance.
- (b) Internal recoveries within the group include rentals, interest, the allocation of the Corporate Services activity, the allocation of regulatory services management within the Regulatory activity, and the allocation of asset management costs, each on the basis of usage of those resources and services.

Summary of Cost of Services

Revenue	Parent			Consolidated	
	Annual Plan \$000	Actual \$000	Last Year \$000	Actual \$000	Last Year \$000
Economic Growth	-	1	4	1	-
Social Development	154	165	159	165	-
Roading	6,631	9,606	5,602	9,606	-
Wastewater	4	32	62	32	-
Stormwater	1	1	1	1	-
Land Drainage	8	8	8	8	-
Water Supply	1,397	1,221	1,034	1,221	-
Refuse	92	89	77	89	-
Community Amenities	51	56	44	56	-
Recreation	294	306	329	306	-
Policy and Planning	-	-	-	-	-
Regulatory	726	825	840	825	-
Democracy	-	-	-	-	-
Forestry	1,779	1,611	1,546	1,611	-
Property	312	1,572	835	1,572	-
Corporate Services	2,466	2,515	2,227	2,515	-
Miscellaneous	579	-	284	129	-
	<u>14,494</u>	<u>18,008</u>	<u>13,052</u>	<u>18,137</u>	<u>-</u>
Less Internal Revenue	(3,817)	(3,423)	(3,674)	(3,423)	-
Total External Revenue	<u>10,677</u>	<u>14,585</u>	<u>9,378</u>	<u>14,714</u>	<u>-</u>

Notes to the Financial Statements

Expenditure	Parent			Consolidated	
	Annual Plan \$000	Actual \$000	Last Year \$000	Actual \$000	Last Year \$000
Economic Growth	190	190	155	190	-
Social Development	220	171	305	171	-
Roading	11,775	12,950	9,282	12,950	-
Wastewater	676	778	711	778	-
Stormwater	508	407	439	407	-
Land Drainage	524	594	421	594	-
Water Supply	1,451	1,332	1,352	1,332	-
Refuse	603	492	626	492	-
Community Amenities	712	610	638	610	-
Recreation	1,168	1,020	1,155	1,020	-
Policy and Planning	450	443	205	443	-
Regulatory	1,353	1,447	1,299	1,447	-
Democracy	775	799	768	799	-
Forestry	1,297	1,213	1,119	1,213	-
Property	379	1,316	496	1,316	-
Corporate Services	2,466	2,515	2,227	2,515	-
Miscellaneous	-	50	179	173	-
	<u>24,547</u>	<u>26,327</u>	<u>21,377</u>	<u>26,450</u>	<u>-</u>
Less Internal Expenditure	<u>(3,817)</u>	<u>(3,423)</u>	<u>(3,674)</u>	<u>(3,423)</u>	<u>-</u>
Total External Expenditure	<u>20,730</u>	<u>22,904</u>	<u>17,703</u>	<u>23,027</u>	<u>-</u>

Each significant activity is stated gross of internal costs and revenues, but excludes separate rates (refer Note 2). In order to fairly reflect the external operations of the group in the Statement of Financial Performance, the internal transactions are eliminated as shown above.

Notes to the Financial Statements

2 Rates Income

	Parent			Consolidated	
	Annual Plan \$000	Actual \$000	Last Year \$000	Actual \$000	Last Year \$000
General Rates	7,931	7,965	7,417	7,965	-
Separate Rates Attributable to Activities					
- Northland Regional Council	553	561	522	561	-
- Water	68	70	71	70	-
- Wastewater	682	679	641	679	-
- Stormwater	508	479	433	479	-
- Land Drainage	509	509	509	509	-
- Mangawhai Harbour Restoration	65	71	66	71	-
- Dargaville Development	90	90	90	90	-
- Dargaville Town Hall	26	22	26	22	-
	<u>2,501</u>	<u>2,481</u>	<u>2,358</u>	<u>2,481</u>	<u>-</u>
Total Rates Levied	10,432	10,446	9,775	10,446	-
Less Northland Regional Council	<u>(553)</u>	<u>(561)</u>	<u>(522)</u>	<u>(561)</u>	<u>-</u>
Total Council Rates	<u><u>9,879</u></u>	<u><u>9,885</u></u>	<u><u>9,253</u></u>	<u><u>9,885</u></u>	<u><u>-</u></u>

Annual rates of \$30,509 were paid by Council on behalf of the ratepayers. Those remissions were in respect of the rate liabilities of a number of community, sporting, and other non-profit making organisations within the District. The remissions complied with both the Rating Powers Act 1988, and Council's own rates remission policies.

3 Other Revenue

	Parent			Consolidated	
	Annual Plan \$000	Actual \$000	Last Year \$000	Actual \$000	Last Year \$000
Commissions Received	-	11	10	11	-
Petrol Tax	125	169	135	169	-
Rates Penalty	230	190	159	190	-
Investment Income	128	83	162	83	-
Sundry Revenue	15	12	20	12	-
	<u>498</u>	<u>465</u>	<u>486</u>	<u>465</u>	<u>-</u>

Notes to the Financial Statements

Investment Income	Parent			Consolidated	
	Annual Plan \$000	Actual \$000	Last Year \$000	Actual \$000	Last Year \$000
Interest - Call and Short Term Investment Accounts	104	56	124	56	-
Interest - Mortgages and Advances	8	9	27	9	-
Interest - Internal	-	-	-	-	-
Interest - Sinking Funds	16	18	11	18	-
Dividends Received	-	-	-	-	-
	<u>128</u>	<u>83</u>	<u>162</u>	<u>83</u>	<u>-</u>
Less Internal Interest	-	-	-	-	-
Total Investment Income	<u>128</u>	<u>83</u>	<u>162</u>	<u>83</u>	<u>-</u>
Reported in Council Activities	-	-	-	-	-
Reported as Other Revenue	<u>128</u>	<u>83</u>	<u>162</u>	<u>83</u>	<u>-</u>

4 Other Costs

	Parent			Consolidated	
	Annual Plan \$000	Actual \$000	Last Year \$000	Actual \$000	Last Year \$000
Discount on Rates	-	-	67	-	-
Bad Debts Written-off	15	-	-	-	-
Sundry Expenses	-	-	-	-	-
	<u>15</u>	<u>-</u>	<u>67</u>	<u>-</u>	<u>-</u>
Less Internal Charges	-	-	-	-	-
	<u>15</u>	<u>-</u>	<u>67</u>	<u>-</u>	<u>-</u>

5 Statutory Disclosure

(a) Remuneration of Chief Executive

The Chief Executive of the Kaipara District Council, appointed under Section 119C(1)(a) of the Local Government Act 1974, received a salary of \$124,741 (2001/02 \$124,125). In terms of his contract he also received the benefit of a motor vehicle costing \$16,000 (2001/02: \$16,000).

Notes to the Financial Statements

For the year ended 30 June 2003 the total annual cost, including fringe benefit tax, to the Kaipara District Council of the remuneration package being received by the Chief Executive is calculated at \$151,436 (Salary \$124,741, Bonus \$10,695, Vehicle \$16,000) (2001/02 \$145,791).

Notes to the Financial Statements

(b) Miscellaneous Expenditure

The following items of expenditure are included in the Statement of Financial Performance, and are required to be shown separately by Section 223J of the Local Government Act 1974.

	Parent		Consolidated	
	This Year \$000	Last Year \$000	This Year \$000	Last Year \$000
Insurance Premiums	118	108	120	-
Ex Gratia Payments	-	-	-	-
Civic Functions	-	-	-	-
Purchase of Civic Insignia or Robes of Office	-	-	-	-
Entertainment	-	-	-	-
Subscriptions, Levies and Contributions	42	35	43	-

(c) Other Expenditure

The following items of expenditure are included in the Statement of Financial Performance:

	Parent		Consolidated	
	This Year \$000	Last Year \$000	This Year \$000	Last Year \$000
Audit Fees:				
- Fees Paid to Principal Auditor	59	57	61	-
- Other Services	-	3	-	-
Valuation Fees	119	120	119	-
Depreciation Expense –				
- Roothing	6,251	5,077	6,251	-
- Stormwater	170	168	170	-
- Wastewater	265	259	265	-
- Water	445	438	445	-
- Landfills/Transfer Stations	12	11	12	-
- Pensioner Housing	-	-	-	-
- Halls	92	92	92	-
- Swimming Baths	5	4	5	-
- Mobile Plant and Equipment	60	31	60	-
- Buildings	56	58	56	-
- Building Contents	120	120	120	-
- Computer and Office Equipment	212	197	214	-
Total Depreciation	7,688	6,455	7,690	-

Notes to the Financial Statements

	Parent		Consolidated	
	This Year \$000	Last Year \$000	This Year \$000	Last Year \$000
Interest Expense on Public Debt	476	400	476	-
Mayor and Councillors' Salaries and Meeting Allowances	134	136	134	-
Bad Debts Written-off	-	-	-	-
Changes to Provision for Doubtful Debts	-	-	-	-
Net Loss on Disposal of Assets	256	374	256	-
Donations	-	-	-	-
Finance charges on Leased Assets	-	-	-	-
Rental expenses on Operating Leases	-	-	-	-

(d) Unauthorised Expenditure

Section 223K of the Local Government Act, authorises the expenditure of up to \$20,000 of a nature that is not expressly allowed by other statutory provisions. These amounts are as follows:

	Parent		Consolidated	
	This Year \$000	Last Year \$000	This Year \$000	Last Year \$000
Expenditure Not Authorised by Other Statutes	4	4	4	-

(e) Severance Payments

No severance payments were made under Section 223E(12)(a) of the Local Government Act 1974.

6 Contingent Liabilities

	Parent		Consolidated	
	This Year \$000	Last Year \$000	This Year \$000	Last Year \$000
Guarantees to other organisations	538	612	538	-

The Council has given a guarantee on loan advances to the Mangawhai Harbour Restoration Society for funding of the restoration project. Funding of the loan repayment is by way of a Special Rate over the catchment area of the Mangawhai Harbour. The Society controls all of the activities of the restoration project and received from the Council the proceeds of the rate for the purposes of loan repayments and is required to report to Council on their activities and financial position each year.

Notes to the Financial Statements

In 1998 a \$108,000 letter of credit was issued in favour of the Northland Regional Council, being a performance bond in respect of the future capping of District landfills.

7 Fixed and Infrastructural Assets

Duffill Watts and Hanna Limited, an independent qualified valuer, carried out the required 3-yearly revaluation of the Infrastructural Assets as at 1 July 2001 using depreciated replacement costs. The revaluation increment of \$1.799 million was recognised in the financial statements last year.

Restricted assets are held by the Council for the benefit of the community, and are not, because of their nature or the title to their ownership, generally available for disposal by the Council.

Urban Portions of the State Highway Network

The ownership of urban portions of the State Highway Network is unclear although there is legal opinion indicating that the ownership rests with local authorities. Transit New Zealand maintains these highways in their entirety without any costs accruing to local authorities. Kaipara District contains 17.7 kilometres of urban State Highway.

As a consequence, even if ownership resides with local authorities, in practice Transit New Zealand controls the economic resources. Pending clarification of ownership and further consideration of the accounting issue which may arise, Kaipara District Council has not recognised the urban portion of the State Highway Network as an asset in these financial statements.

Notes to the Financial Statements

This Year - Parent	Cost/ Valuation 30 June 2003 \$000	Accumulated Depreciation 30 June 2003 \$000	Net Book Value 30 June 2003 \$000
Infrastructural Assets			
<i>At Valuation</i>			
Roading Systems	184,451	(10,136)	174,315
Stormwater System	10,037	(290)	9,747
Wastewater System	8,296	(498)	7,798
Water System	10,802	(856)	9,946
Landfills/Transfer Stations	-	-	-
<i>At Cost</i>			
Roading Systems	14,412	(1,192)	13,220
Stormwater System	1,434	(48)	1,386
Wastewater System	1,507	(26)	1,481
Water System	998	(28)	970
Landfills/Transfer Stations	551	(55)	496
	<u>232,488</u>	<u>(13,129)</u>	<u>219,359</u>
Restricted Assets			
<i>At Valuation</i>			
Reserves	15,206	-	15,206
Pensioner Housing	2,386	-	2,386
Reclassify as Current Assets	(2,386)	-	(2,386)
Halls	4,034	-	4,034
Swimming Baths	184	-	184
MEF Property	672	-	672
<i>At Cost</i>			
Reserves	-	-	-
Pensioner Housing	-	-	-
Reclassify as Current Assets	-	-	-
Halls	-	-	-
Swimming Baths	-	-	-
MEF Property	-	-	-
	<u>20,096</u>	<u>-</u>	<u>20,096</u>
Operational Assets			
<i>At Valuation</i>			
Land	7,446	-	7,446
Buildings	5,022	-	5,022
<i>At Cost</i>			
Mobile Plant and Equipment	458	(271)	187
Land	-	-	-
Buildings	-	-	-
Building Contents	1,198	(1,067)	131
Static Plant	106	(106)	-
Computer and Office Equipment	1,671	(989)	682
	<u>15,901</u>	<u>(2,433)</u>	<u>13,468</u>
	<u>268,485</u>	<u>(15,562)</u>	<u>252,923</u>

The net book value of the fixed assets of the Council subsidiary is \$22,000, represented by office equipment and signage.

Notes to the Financial Statements

Last Year – Parent	Cost/ Valuation 30 June 2002 \$000	Accumulated Depreciation 30 June 2002 \$000	Net Book Value 30 June 2002 \$000
Infrastructural Assets			
<i>At Valuation</i>			
Roading Systems	184,451	(5,068)	179,383
Stormwater System	10,037	(145)	9,892
Wastewater System	8,296	(249)	8,047
Water System	10,802	(428)	10,374
Landfills/Transfer Stations	-	-	-
<i>At Cost</i>			
Roading Systems	6,106	(9)	6,097
Stormwater System	1,301	(24)	1,277
Wastewater System	1,020	(10)	1,010
Water System	531	(9)	522
Landfills/Transfer Stations	528	(43)	485
	<u>223,072</u>	<u>(5,985)</u>	<u>217,087</u>
Restricted Assets			
<i>At Valuation</i>			
Reserves	1,360	-	1,360
Pensioner Housing	210	(22)	188
Reclassify as Current Assets	(210)	22	(188)
Swimming Baths	60	-	60
MEF Property	500	-	500
<i>At Cost</i>			
Reserves	6,924	-	6,924
Pensioner Housing	2,600	(220)	2,380
Reclassify as Current Assets	(2,600)	220	(2,380)
Halls	4,134	(494)	3,640
Swimming Baths	192	(19)	173
MEF Property	259	-	259
	<u>13,429</u>	<u>(513)</u>	<u>12,916</u>
Operational Assets			
<i>At Valuation</i>			
Land	1,492	-	1,492
Buildings	501	-	501
<i>At Cost</i>			
Mobile Plant and Equipment	341	(229)	112
Land	3,156	-	3,156
Buildings	2,669	(301)	2,368
Building Contents	1,198	(947)	251
Static Plant	106	(106)	-
Computer and Office Equipment	1,468	(783)	685
	<u>10,931</u>	<u>(2,366)</u>	<u>8,565</u>
	<u>247,432</u>	<u>(8,864)</u>	<u>238,568</u>

Notes to the Financial Statements

8 Reconciliation of Operating Cash Flows to Reported Surplus (Deficit)

	Parent		Consolidated	
	This Year \$000	Last Year \$000	This Year \$000	Last Year \$000
Net Surplus/(Deficit) for the Year	342	1,347	348	-
<i>Non-cash Items</i>				
(Gain)/Loss on Sale of Assets	256	374	256	-
Assets vested to Council	15	17	15	-
Interest Capitalised	60	56	60	-
Depreciation	7,688	6,455	7,690	-
Forestry Investment write-down	1,689	-	1,689	-
Other	(115)	-	(110)	-
	<u>9,593</u>	<u>6,902</u>	<u>9,600</u>	<u>-</u>
<i>Add Movement in Working Items</i>				
Decrease (Increase) in Prepayments and Receivables	(294)	(504)	(333)	-
Decrease (Increase) in Accrued Revenue	(2,278)	(389)	(2,278)	-
Increase (Decrease) Employee Entitlements	2	2	2	-
Increase (Decrease) Payables	1,877	770	1,926	-
	<u>(693)</u>	<u>(121)</u>	<u>(683)</u>	<u>-</u>
Net Cash Inflow from Operating Activities	<u>9,242</u>	<u>8,128</u>	<u>9,265</u>	<u>-</u>

9 Investments

	Parent		Consolidated	
	This Year \$000	Last Year \$000	This Year \$000	Last Year \$000
Sinking Funds	555	291	555	-
Mortgages (Rural, Community, Property)	206	214	206	-
	<u>761</u>	<u>505</u>	<u>761</u>	<u>-</u>
Less Current Portion of Mortgages and Advances	(18)	(21)	(18)	-
	<u>743</u>	<u>484</u>	<u>743</u>	<u>-</u>
Investment in subsidiary	20	-	-	-
Shares	14	14	14	-
Forestry	1,667	4,515	1,667	-
Non Current Portion of Investments	<u>2,444</u>	<u>5,013</u>	<u>2,424</u>	<u>-</u>

Notes to the Financial Statements

Investments are valued at the lower of cost and net realisable value, with forestry investments independently revalued every three years. Refer B. for details.

A Interest Rates

The weighted average effective interest rates on monetary investments (current and non-current) and the associated repricing maturities were:

Weighted Average Effective Interest Rate	Parent		Consolidated	
	This Year %	Last Year %	This Year %	Last Year %
Sinking Funds	4.20	5.80	4.20	-
Mortgages (Rural, Community, Property)	8.10	8.41	8.10	-

Repricing Maturities

	< 1 Year	1-2 Years	2-5 Years	> 5 Years	Total
Sinking Funds	-	-	-	555	555
Mortgages	18	19	54	115	206
	<u>18</u>	<u>19</u>	<u>54</u>	<u>670</u>	<u>761</u>

B Forestry

In accordance with Council's policy that a revaluation be undertaken every three years, Chandler, Fraser and Keating (forestry consultants) performed an independent valuation of the forests as at 30 June 2003. The new valuation showed a \$2,684,000 decrease in value over the book value of the investment at 30 June 2003; as a net result of the following changes over the 2000 valuation:

- Natural Growth Increase in Value
- Harvest (significant quantities from the Catchment and Whatoro Blocks) Decrease in Value
- Log Pricing Decrease in Value
- Increase in Discount Rate from 11% (2000) to 12% (2003) Decrease in Value

The \$2,684,000 revaluation write-down reflects partly in the Statement of Financial Performance (\$1,689,000), and partly in the Statement of Movements in Equity (\$995,000). The latter sum represents the drawdown of amount previously held as a credit in the Asset Revaluation Reserve. That credit balance represented previous revaluation net write-ups.

C Shareholdings

New Zealand Local Government Insurance Corporation Limited:

- 13,629 shares of \$1 each. Council holds 0.21 percent of the issued shares.

Notes to the Financial Statements

	Parent		Consolidated	
	2003 Book Value	2002 Fair Book Value	2003 Book Value	2002 Fair Book Value
New Zealand Local Government Insurance Corporate Ltd (An estimate of the fair value is based on the Council's share of the net assets.)	14	21	14	21
	<u>14</u>	<u>21</u>	<u>14</u>	<u>21</u>

D Investment in Subsidiary

The Kaipara District Economic Development Trust (the Trust) is a fully owned subsidiary of Kaipara District Council. It became part of the Kaipara District Council group with the adoption of the new financial reporting standard FRS37 – Consolidating Investments in Subsidiaries. The Trust's principal activities include the development and implementation of economic development strategies, and information centre management. The Trust has a 30 June balance date.

10 Current Assets

	Parent		Consolidated	
	This Year \$000	Last Year \$000	This Year \$000	Last Year \$000
(a) Receivables				
Sundry Debtors	1,121	1,021	1,160	-
Land Rates	1,330	1,206	1,330	-
Water Rates and Charges	201	173	201	-
Prepayments	409	367	409	-
	<u>3,061</u>	<u>2,767</u>	<u>3,100</u>	<u>-</u>
Less provision for Doubtful Debts	(249)	(249)	(249)	-
	<u>2,812</u>	<u>2,518</u>	<u>2,851</u>	<u>-</u>
(b) Accrued Revenue				
Water Charges	255	221	255	-
Interest	7	14	7	-
Petrol Tax	25	21	25	-
Transfund Subsidies	3,019	842	3,019	-
Other	82	12	82	-
	<u>3,388</u>	<u>1,110</u>	<u>3,388</u>	<u>-</u>
(c) Pensioner Housing				
Net book values of five properties	<u>2,386</u>	<u>2,568</u>	<u>2,386</u>	<u>-</u>

Notes to the Financial Statements

Council has resolved to cease its involvement with pensioner housing and has publicly notified that intention. However, any such sale will only proceed upon the negotiation of satisfactory terms and conditions.

Notes to the Financial Statements

11 Ratepayers' Equity

	Parent		Consolidated	
	This Year \$000	Last Year \$000	This Year \$000	Last Year \$000
(a) Accumulated Funds				
Opening Balance	228,658	227,199	228,658	-
Surplus (Deficit)	342	1,347	348	-
	<u>229,000</u>	<u>228,546</u>	<u>229,006</u>	<u>-</u>
Transfers to:				
- Restricted Reserve	(658)	(400)	(658)	-
- Council Created Reserves	(459)	(339)	(459)	-
	<u>(1,117)</u>	<u>(739)</u>	<u>(1,117)</u>	<u>-</u>
Transfers from:				
- Restricted Reserve	57	13	57	-
- Council Created Reserves	609	838	609	-
	<u>666</u>	<u>851</u>	<u>666</u>	<u>-</u>
Closing Balance	<u>228,549</u>	<u>228,658</u>	<u>228,555</u>	<u>-</u>
(b) Restricted Reserves				
Opening Balance	3,518	3,131	3,518	-
Transfers to: Accumulated Funds	(57)	(13)	(57)	-
Transfers from: Accumulated Funds	658	400	658	-
Transfers from: Revaluation Reserve	-	-	-	-
Closing Balance	<u>4,119</u>	<u>3,518</u>	<u>4,119</u>	<u>-</u>
<p>Restricted Reserves relate to funds vested to the Council from the Mangawhai Harbour Board lands. These reserves are held for "county purposes that benefit or tend to benefit the Mangawhai district".</p>				
(c) Council Created Reserves				
Opening Balance	966	1,445	966	-
Transfers to: Accumulated Funds	(609)	(838)	(609)	-
Transfers from: Accumulated Funds	459	339	459	-
Closing Balance	<u>816</u>	<u>966</u>	<u>816</u>	<u>-</u>

Notes to the Financial Statements

	Parent		Consolidated	
	This Year \$000	Last Year \$000	This Year \$000	Last Year \$000
Council created reserves consist of:				
Asset Replacement Reserve	168	429	168	-
Land Subdivision Reserve	553	275	553	-
Hillary Commission Loans Reserve	76	72	76	-
Dargaville Wharf Reserve	3	114	3	-
Soil and Climate Project Reserve	16	76	16	-
	<u>816</u>	<u>966</u>	<u>816</u>	<u>-</u>
(d) Revaluation Reserve				
Opening Balance	9,022	7,223	9,022	-
Revaluation of Forestry	(995)	-	(995)	-
Revaluation of Property	12,504	-	12,504	-
Revaluation of Infrastructure	-	1,799	-	-
Closing Balance	<u>20,531</u>	<u>9,022</u>	<u>20,531</u>	<u>-</u>
The Revaluation Reserve consists of:				
Forestry investment	-	995	-	-
Land and buildings	18,733	6,229	18,733	-
Infrastructure	1,798	1,798	1,798	-
	<u>20,531</u>	<u>9,022</u>	<u>20,531</u>	<u>-</u>

12 Non-Current Liabilities

Public Debt - Movements	Parent		Consolidated	
	This Year \$000	Last Year \$000	This Year \$000	Last Year \$000
Balance 1 July	7,015	6,543	7,015	-
Add Funds Raised	1,445	1,572	1,445	-
Add Capitalised Interest on Forestry Loans	60	56	60	-
	<u>8,520</u>	<u>8,171</u>	<u>8,520</u>	<u>-</u>
Less Repayments	(308)	(1,156)	(308)	-
Balance 30 June	8,212	7,015	8,212	-
Less Current Portion	(303)	(304)	(303)	-
Total Non-Current Liabilities	<u>7,909</u>	<u>6,711</u>	<u>7,909</u>	<u>-</u>

Balances are represented by:

Notes to the Financial Statements

Public Debt - Movements	Parent		Consolidated	
	This Year	Last Year	This Year	Last Year
	\$000	\$000	\$000	\$000
Bank Loans	1,445	-	1,445	-
Rural Housing Loans	6	12	6	-
Elderly Housing Loans	7	9	7	-
Forestry Loans Repayable	946	886	946	-
Local Government Stock	5,808	6,108	5,808	-
Other	-	-	-	-
	<u>8,212</u>	<u>7,015</u>	<u>8,212</u>	<u>-</u>

Loans Repaid were financed from:

Revenue	(308)	(318)	(308)	-
Principal Repayments Received	-	-	-	-
Sinking Fund Repayments	-	-	-	-
Renewal Loans	-	(838)	-	-
	<u>(308)</u>	<u>(1,156)</u>	<u>(308)</u>	<u>-</u>

Term Liabilities include Local Authority Stock with maturity dates from 2003 to 2008 and interest rates ranging from 5.72 to 7.5 percent. All term liabilities are secured by either rates levied by Council, property rentals or future harvesting of trees from Council's forests.

Maturity Dates and Interest Rates for Term Debt	Parent		Consolidated	
	This Year	Last Year	This Year	Last Year
	\$000	\$000	\$000	\$000
Current Portion (2003/04) at 3.5% to 7.5%	303	304	303	-
2 to 5 years (2005 to 2008) at 3.5% to 6.75%	6,963	5,825	6,963	-
6 to 10 years (2009 to 2013)	-	-	-	-
10 and over (2013 and Over) at 5% to 7%	946	886	946	-
	<u>8,212</u>	<u>7,015</u>	<u>8,212</u>	<u>-</u>

Weighted Average Effective Interest Rate

The weighted average effective interest rates on all borrowings (current and non-current) were:

- This Year: 6.76%
- Last Year: 7.0%

Notes to the Financial Statements

13 Current Liabilities

	Parent		Consolidated	
	This Year \$000	Last Year \$000	This Year \$000	Last Year \$000
(a) Current Portion of Term Liabilities				
Table Mortgage	3	4	3	-
Sundry Loans	-	-	-	-
Local Government Stock	300	300	300	-
	<u>303</u>	<u>304</u>	<u>303</u>	<u>-</u>
(b) Payables				
Trade Creditors	5,230	3,548	5,279	-
Accrued Expenses	114	114	114	-
Other Creditors - Deposits Held	638	447	638	-
Other Creditors - Income in Advance	178	174	178	-
	<u>6,160</u>	<u>4,283</u>	<u>6,209</u>	<u>-</u>
(c) Employee Entitlements				
Salaries and Wages Due 30 June	39	29	39	-
Holiday Pay Accrued Due	126	134	126	-
	<u>165</u>	<u>163</u>	<u>165</u>	<u>-</u>
	<u><u>6,628</u></u>	<u><u>4,750</u></u>	<u><u>6,677</u></u>	<u><u>-</u></u>

14 Financial Instruments

All financial instruments in the Financial Statements are carried at their fair value, except for loans which are recorded at cost, and shares in companies - refer Note 10(c). Financial Instruments, which potentially subject Council to credit risk, consist of bank and debtor balances. Rates debtors are secured by a lien over land. There is no collateral for other debtors. Council is not exposed to any concentration of credit risk.

The Council is risk averse and seeks to minimise exposure arising from its treasury activities. To this end, the Council invests funds (other than minimal staff advances and Rural Housing advances) in deposits with registered banks and in the case of Sinking Fund Deposits, with the Public Trustee.

15 Segmental Reporting

Kaipara District Council provides local authority services to ratepayers and other residents of Kaipara.

Notes to the Financial Statements

16 Related Party Transactions

a) Inter-group Transactions and Balances

	\$
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Kaipara Development Agency -	
Economic development services provided to Council	190,000
Town Hall administration services provided to Council	26,533
Accounts payable to Council	4,567
Accounts receivable from Council	1,748

b) Key Management and Members of the Council

During the year key management and councillors, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates). In addition, during the year Council purchased services, including GST, and on normal commercial terms, from the following key management and councillors:

	\$
<hr/>	
Noel Radd (Noel Radd Ford)	1,384
Derek Weston (Clickers Delight)	3,503
Peter King (Ruawai Building Centre)	42,433
Sandra King	405

17 Post Balance Date Events

There have been no significant events following balance date that would affect the result for the year.

