

2007 SUMMARY ANNUAL REPORT

This 2007 Summary Annual Report is a snapshot of the Council's activities and finances for the 2006/07 year and has been authorised for issue by the Chief Executive Officer on 7 November 2007. The Summary represents fairly and consistently the major matters dealt with in the full Annual Report authorised for issue by Council on 10 October 2007. This Summary has been prepared in accordance with FRS-43 Summary Financial Statements and has been examined by the Council's Auditors for consistency with the full Annual Report. The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report and service performance, financial position and cash flows of the entity. The Council has received an unqualified audit opinion for both documents.

The full report is available from the Carterton District Council Office, the Library, or can be downloaded from Council's website www.cartertondc.co.nz/publications.

REPORT FROM MAYOR & CHIEF EXECUTIVE

We have pleasure in introducing the Carterton District Council's Annual Report for the 2006/07 financial year.

The Council achieved an operating surplus for the financial year of \$154,000, \$236,000 below the budget. This was a good result when compared to the operating deficit in the previous year of \$594,000, and particularly so when the effects of the severe flooding in July 2006 are taken in to account.

Rainfall during July was the highest recorded in many parts of the District. The resulting damage to our rural roading network cost over \$500,000 to repair. There were also a number of significant drainage issues throughout the District that had to be responded to. The additional expenditure for these roading repairs and other flooding related works was neither anticipated nor budgeted for.

The Council's balance sheet has improved during the year with total equity now being nearly \$112 million, an improvement of about \$3 million from the previous year. Total borrowing is just \$562,000 which puts the Council in a good position for the future.

The 2006 census showed that the population in the Carterton District had grown noticeably since the previous census. Applications for subdivisions and building consents have continued at high levels during the past year placing considerable pressure on both councillors and staff. However, this is part of the challenge of managing a district that has many positive features.

Details relating to the Council's finances and activities for the year are recorded in the following pages of this summary annual report. We would particularly mention some highlights as follows.

- The year 2007 marks the 150th anniversary of the establishment of the town of Carterton or Three Mile Bush as it was originally called. Several well supported community events have been held to celebrate this jubilee year and more are to be held in the second half of 2007.
- A significant project during the year was the preparation of an amended Long Term Council Community Plan (LTCCP). This amended Plan replaced the 2006 LTCCP because of shortcoming with the earlier version. The project included preparation of updated asset management plans for our main infrastructural assets, substantial changes to Council's financial systems, amended policies, and completely revised operating and capital expenditure budgets. This LTCCP, which will guide the Council's decision making for the next few years, received an unqualified audit opinion from Audit NZ.
- There has been much discussion during the year related to a proposed new community facility building. The Council considers that something needs to be done to extend the library and to replace the now obsolete Phoenix Theatre and Municipal Hall. There is also a need to provide better facilities for youth groups and meeting spaces for various community groups. In short, the Council believes a new facility is needed to

serve the District for the next 50 to 75 years. Council has committed to progress the concept of a new facility, but has made no decisions relating to the actual plans or details.

- Stage one of the central business area revitalisation was completed with the upgrading of Memorial Square. While this work took longer than anticipated because of the unusually wet weather, the end result has received many complimentary remarks and the Square looked magnificent for the annual Anzac Day parade.
- A fourth groundwater bore was constructed at the Lincoln Road pumping station as part of the programme of giving Carterton a reliable supplementary water supply to the Kaipaitangata Stream system. This supplementary supply is used during times of heavy demand on the supply system, low summer flows in the Kaipaitangata Stream, or when storms produce very dirty stream flows.
- The programme to install water meters to all properties connected to the town water supply was continued during the year. This programme will be completed during 2007/08 as the Council intends to introduce charging for high water usage properties from the following year.
- The wetlands and discharge to land system at the Wastewater Treatment Plant generally performed well during the summer months when discharge to the Mangaterere River is prohibited. The resource consent for this system was renewed until June 2009.
- The new system of transporting the waste from our Dalefield Road transfer station to the Manawatu began in October 2006. This was the course of action recommended by Waste Management Wairarapa, a joint committee of the three district councils in the Wairarapa. The total volume of waste in the Wairarapa is insufficient to justify a modern landfill being built here. A weighbridge was installed at the transfer station and new charging for waste disposal introduced.
- Harvesting was continued at the Council's Kaipaitangata forestry block. The proceeds from the logging were such that all remaining loans from the original establishment of the forest were able to be repaid. Loans totalling \$624,000 were extinguished during the year. Future logging will therefore give additional funds for Council in subsequent years with the forest now being debt free.
- The Proposed Combined Wairarapa District Plan was notified for public submissions in August 2006. This project is being carried out jointly with the other two Wairarapa councils and is the first example of a combined district plan in New Zealand. The hearing and consideration of the

many submissions is continuing and it is expected that the decisions will be finalised before the end of 2007.

- The installation by Council of security cameras in the CBD area has resulted in an 80% reduction in reported crime and vandalism making Carterton a safer community.
- The Council has continued work with the other two Wairarapa councils on a number of joint projects including actioning the Wairarapa Physical Activity Plan and the Healthy Eating, Healthy Action Programme.
- Resealing was undertaken on 17 kilometres of the roading network and footpaths were upgraded in several Carterton streets.
- As a member of the Communities for Climate Protection Programme, the Council has completed Milestone 3 of this programme as a good start to making Carterton a more sustainable district.

In conclusion, we acknowledge and thank all the many volunteers who work alongside Council or with other groups in the community. Your efforts help to make the Carterton District a great place to live.



Gary McPhee
Mayor



Colin Wright
Chief Executive

FINANCIAL PERFORMANCE

The specific disclosures included in this summary financial report have been extracted from the full financial report adopted by Council on 10 October 2007.

The full financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The full first set of financial statements have been prepared using NZ IFRS and comparatives for the year ended 30 June 2006 have been restated to NZ IFRS accordingly. Reconciliations of equity and net surplus/ (deficit) for the year ended 30 June 2006 under NZ IFRS to the balance reported in the 30 June 2006 financial statements are summarised below under the heading "Financial Impact on the First Time Adoption of NZ IFRS".

The summary financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

SUMMARY INCOME STATEMENT AND STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

| Actual 30 June 2006 \$ | | Actual 30 June 2007 \$ | Budget 30 June 2007 \$ |
|------------------------------|--|------------------------------|------------------------------|
| 7,289,627 | Revenue | 9,307,209 | 7,678,993 |
| (7,370,673) | Expenditure | (9,166,391) | (7,216,166) |
| (84,721) | Finance costs | (73,871) | (72,206) |
| (428,489) | Other gains/(losses) | 87,380 | - |
| <hr/> | | <hr/> | <hr/> |
| (594,256) | Total surplus/ (deficit) | 154,327 | 390,621 |
| 123,481 | Increase/(decrease) in revaluation reserve | 2,638,244 | (410,018) |
| <hr/> | | <hr/> | <hr/> |
| (470,775) | Total recognised revenue and expenses | 2,792,571 | (19,397) |
| <hr/> | | <hr/> | <hr/> |
| 109,566,257 | Equity at start of year | 109,095,482 | 110,310,626 |
| <hr/> | | <hr/> | <hr/> |
| 109,095,482 | Equity at end of year | 111,888,053 | 110,291,229 |
| <hr/> <hr/> | | <hr/> <hr/> | <hr/> <hr/> |

The Summary Income Statement and Statement of Changes in Equity presents the financial performance and equity movements of the Council. These statements summarise operating income and expenditure as well as other financial transactions that have impacted on the Council's net equity.

SUMMARY STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2007

| Actual 30 June 2006 \$ | | Actual 30 June 2007 \$ | Budget 30 June 2007 \$ |
|------------------------------|---|------------------------------|------------------------------|
| 1,300,768 | Net cash flow from operating activities | 1,905,805 | 2,058,111 |
| (1,894,943) | Net cash flow from investing activities | (1,850,254) | (1,667,259) |
| (183,223) | Net cash flow from financing activities | (696,787) | 293,108 |
| <hr/> | | <hr/> | <hr/> |
| (777,398) | Net cash flows for the year | (641,236) | 683,960 |
| <hr/> <hr/> | | <hr/> <hr/> | <hr/> <hr/> |

The Summary Statement of Cash Flows shows how we generated and used cash.

SUMMARY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2007

| Actual 30 June 2006 \$ | | Actual 30 June 2007 \$ | Budget 30 June 2007 \$ |
|------------------------------|---------------------------|------------------------------|------------------------------|
| | <i>ASSETS</i> | | |
| 4,280,727 | Current assets | 5,127,989 | 5,727,349 |
| 107,388,191 | Non-current assets | 108,910,516 | 107,606,724 |
| 111,668,918 | Total assets | 114,038,505 | 113,334,073 |
| | <i>LIABILITIES</i> | | |
| 1,904,626 | Current liabilities | 2,007,492 | 1,699,025 |
| 668,810 | Non-current liabilities | 142,960 | 1,343,819 |
| 2,573,436 | Total liabilities | 2,150,452 | 3,042,844 |
| 109,095,482 | Net assets/equity | 111,888,053 | 110,291,229 |

The Summary Statement of Financial Position presents the assets we own and the liabilities we owe to other parties.

Explanation of Major Variances Against Budget

Explanations for major variations from estimated figures in the 2006/07 Long Term Council Community Plan are as follows:

Statement of Financial Performance

The major variance results from an increase in forestry income for the year and an increase in contributions and fees and charges as a result of increased activity in the building and subdivision areas. Expenditure includes significant flood damage related work which was not budgeted for.

Statement of Financial Position

The most significant movement relates to a reduction in borrowings for the 2007 year. This is due to forestry harvest proceeds being applied to forestry borrowings to reduce the forestry borrowings to nil as at 30 June 2007.

Statement of Movement in Equity

The major movements in equity occurred due to the transfer of asset revaluation reserves to equity as permitted under NZ IFRS 1 together with the current year asset revaluations.

FINANCIAL IMPACT ON THE FIRST TIME ADOPTION OF NZ IFRS

The following table show a summary of the changes in equity resulting from the transition to the new accounting standards – from previous NZ GAAP to NZ IFRS as at 1 July 2005 and 30 June 2006. NZ IFRS requires the restatement of comparative figures. This table explains how we have calculated the '2006 actual' columns in the tables above. For a full explanation of the effects of the transition from previous NZ GAAP to NZ IFRS refer to Note 31 in the full Annual Report.

Explanation of Transition from Previous NZ Generally Accepted Accounting Practice to NZ International Financial Reporting Standards (extract from Note 31 of the full financial report)

Reconciliation of equity

| | Previous NZ GAAP 1 July 2005 | Effect on Transition 1 July 2005 | NZ IFRS 1 July 2005 | Previous NZ GAAP 30 June 2006 | Effect on Transition 30 June 2006 | NZ IFRS 30 June 2006 |
|---|---------------------------------------|---|---------------------------|--|--|----------------------------|
| Assets | | | | | | |
| Current assets | 5,076,193 | (5,880) | 5,070,313 | 4,280,727 | - | 4,280,727 |
| Non-current assets | 107,043,307 | 22,082 | 107,065,389 | 107,236,635 | 151,556 | 107,388,191 |
| Total assets | <u>112,119,500</u> | <u>16,202</u> | <u>112,135,702</u> | <u>111,517,362</u> | <u>151,556</u> | <u>111,668,918</u> |
| Liabilities | | | | | | |
| Current liabilities | 1,302,442 | (1,809) | 1,304,251 | 2,002,461 | 32,766 | 1,969,695 |
| Non-current liabilities | 1,265,194 | - | 1,265,194 | 562,602 | (41,139) | 603,741 |
| Total liabilities | <u>2,567,636</u> | <u>(1,809)</u> | <u>2,569,445</u> | <u>2,565,063</u> | <u>(8,373)</u> | <u>2,573,436</u> |
| Net assets | 109,551,864 | 14,393 | 109,566,257 | 108,952,299 | 143,183 | 109,095,482 |
| Total equity attributable to Council | <u>109,551,864</u> | <u>14,393</u> | <u>109,566,257</u> | <u>108,952,299</u> | <u>143,183</u> | <u>109,095,482</u> |

Explanatory Notes – Reconciliation of Equity

Community Loans

Under previous NZ GAAP the Go Wairarapa advance had been valued at the original loan principal amount, less any loan repayments made. NZ IAS 39 requires receivables to be initially recognised at fair value and subsequently measured at amortised cost. In accordance with NZ IAS 39 the Go Wairarapa advance has been valued at the net present value of expected future repayments, using interest rates for instalments with a similar credit rating as the discount

factor. The effect of this has been a reduction in the receivable carrying value.

Intangible Assets

GIS Software

Computer software was classified as part of property, plant and equipment under previous NZ GAAP. The net book value of GIS software reclassified as an intangible asset on transition to NZ IFRS is \$51,698 and at 30 June 2006 is \$46,247.

Investment Property

Investment property was measured at fair value less the costs of disposal under previous NZ GAAP. NZ IFRS 40 requires investment property to be measured at its fair value. The change in the measurement basis of investment property on transition to NZ IFRS has been an increase in the value of investment property.

Long Service Leave Liability

Under previous NZ GAAP, the long service leave liability was recognised at the balance owing as at balance date. Under NZ IAS 19 Carterton District Council is required to recognise future long service leave entitlements valued at the net present value of expected future payments as at 30 June 2007.

Provisions

NZ IAS 39 requires the provision to be recognised at fair value discounted to present value. The landfill aftercare provision has been adjusted to record the net present value of the provision and expected future payments as at 30 June 2007. The adjustment

has been recognised in the statement of financial performance.

Deemed Cost

Carterton District Council has applied the deemed cost exemption that is available under NZ IFRS 1, for property, plant and equipment. This exemption allows Carterton District Council to measure an item of property, plant and equipment at its fair value as deemed cost on transition to NZ IFRS. The effect of this change is to transfer revaluation reserves attributed to property, plant and equipment of \$46,046,571 to retained earnings.

Investment Property Revaluation Reserve

Movements in the value of investment property were taken to an investment property revaluation reserve under previous NZ GAAP. NZ IAS 40 requires these movements to be taken to the statement of financial performance. The investment property revaluation reserve has therefore been transferred to retained earnings.

Reconciliation of surplus for the year ended 30 June 2006

| | Previous NZ GAAP 30 June 2006 | Effect on Transition 30 June 2006 | NZ IFRS 30 June 2006 |
|-----------------------------------|--|--|----------------------------|
| Operating income | 7,289,009 | 618 | 7,289,627 |
| Operating costs | 7,455,394 | 5,831 | 7,455,394 |
| Operating surplus/deficit | (160,554) | (5,213) | (164,767) |
| Asset revaluations/(devaluations) | (171,021) | (257,468) | (428,489) |
| Total surplus/deficit | (331,575) | (262,681) | (594,256) |

Explanatory Notes – Reconciliation of Surplus

Community Loans

Under NZ IFRS the Go Wairarapa loan is subsequently measured at amortised cost using the effective interest method. The effective interest method allocates interest income over the life of the loan to the statement of financial performance. No interest was recognised on loans at nil interest under previous NZ GAAP.

Investment Property Valuation

Investment property valuation movements were debited or credited to the investment property revaluation reserve where there was a credit balance. NZ IFRS requires revaluation movements to be recognised in the statement of financial performance.

Long Service Leave Liability

This represents the increase in the NPV of the expected long service leave entitlements, which was not recognised under previous NZ GAAP.

MEASURING PROGRESS

Hereunder is a summary of Council's results during the year for each significant activity area. Highlights are:

Governance

In October 2006 Council erected a Community Noticeboard in Carrington Park which can be booked by community groups, free of charge, to publicise community notices.

Stage 1 CBD Re-Vitalisation was completed after delays resulting from inclement weather. The contract price of \$350,000 was exceeded by \$20,000 due to works being completed which were not included in the original contract price.

Roads, Streets & Bridges

The budget for this activity was originally set for \$2,326,000. This was revised during the year to \$2,500,000 due to the July 2006 flood events. The final expenditure for the year for the activity was \$2,440,000.

Urban Water Services

The Water Asset Management Plan was reviewed and updated during the reporting year. As a part of this a hydraulic model of the urban water supply was developed. The information from the model was used to update the expenditure profiles for this activity in the Amended 2006-16 LTCCP.

Rural Water Services

Maintenance and upkeep was completed on the Carrington and Taratahi Water Races to maintain the current level of service.

Stormwater

In July 2006, Carterton experienced prolonged heavy rain which raised watertables in parts of the Carterton urban area to exceedingly high levels. To assist with the dissipation of surface water in the Richmond Road area, Council installed a new open drain across a Richmond Road property and a new culvert across Richmond Road.

Sewerage

A requirement of the resource consent for the Sewerage Treatment Plan in Dalefield Road is that

no discharge occurs to the Mangaterere Stream from 1 January through to 31 March. Council had a 100% compliance with this requirement.

The Sewerage Asset Management Plan was reviewed and updated during the 2006/07 year. As a result updated expenditure profiles were included in the Amended 2006-16 LTCCP.

Waste Management

During the reporting year Council undertook and completed the upgrade of the Dalefield Road Transfer Station. This work included the installation of a new weighbridge. Transporting of the district's waste to the Manawatu commenced in October 2006.

Forestry

During the reporting year Council harvested a further block of mature trees at the Kaipatangata.

The income from the harvest has been applied to the full repayment of forestry loans amounting to \$629,616.92. The balance of funds has been deposited in the Council's Major Projects Fund.

Recreation & Community Services

Parks & Reserves

During the reporting year Council completed the following development works:

South End Park

- BMX track was upgraded.
- New trees planted.
- Two sets of play equipment together with 'soffall matting' have been erected.
- Seats and rubbish bins installed.

Gladstone River Reserve

- Site surveyed and fenced.
- Table, seating and rubbish bin installed.
- Trees for winter planting ordered.
- Improved signage erected.

Other highlights are:

Cemetery

Two new concrete berms were installed in the new extension at the Cemetery.

Holiday Park

Takings at the Holiday Park increased by \$21,072.00 compared to the previous year.

An extension was completed at the Holiday Park to cater for motor caravans.

Cultural Services – Library

The number of registered library borrowers increased by 4.3%. At 30 June 2007 there were 6318 borrowers compared with 6057 at 30 June 2006. Book issues rose by 2.28% to 30 June 2007. 206,094 issues to the end of 2006 compared with 210,799 issues at the 30 June 2007.

The Wairarapa Library Service as part of the Wairarapa/Tararua Region signed up to the People's Network (public internet access) pilot scheme. Roll out of the pilot is proposed in late 2007.

Resource Management & Regulatory Services

Four hundred and seventy seven building consents were issued in the 2006/07 year. All were issued within the statutory timeframe.

One hundred and twenty LIMS's (Land Information Memorandum) were issued in the 2006/07 year. Ninety eight percent were issued within the statutory timeframe.

Ninety six resource consent were issued with 52% of these being issued within the statutory timeframe.

AUDIT REPORT

Audit Report

To the Readers of Carterton District Council's Summary Annual Report for the year ended 30 June 2007

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 10 October 2007, on:

- the full financial statements; and
- the Council'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 during the reporting period in the areas of conducting the audit of the Long Term Council Community Plan and the audit of amendments to the Long Term Council Community Plan. These assignments are compatible with these independence requirements.

Other than the audit and these assignments, we have no relationship with or interest in the Carterton District Council.

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.



Laurie Desborough, Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand
7 November 2007

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of the Carterton District Council for the year ended 30 June 2007 included on the Carterton District Council's website. The Chief Executive is responsible for the maintenance and integrity of the Carterton District Council's website. We have not been engaged to report on the integrity of the Carterton District Council's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statement named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 10 October 2007 to confirm the information included in the audited financial statements presented on the website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

