

# ANNUAL REPORT CONCERNING ROUTE K TOLLS

The following disclosures are in satisfaction of the statutory disclosure requirements under Section 7 of the Tauranga District Council (Route K Toll) Empowering Act 2000.

## Toll Rates Payable

- Toll - Cars \$1.00
- Light Trucks \$2.00
- Heavy Trucks \$4.00

## COST OF SERVICE STATEMENT FOR YEAR ENDED 30 JUNE 2011

	2010/11 Actual \$000	2010/11 Budget \$000	2009/10 Actual \$000
<b>TOLLS RECEIVED*</b>			
Cars	1,245	1,135	1,081
Light Trucks	27	24	21
Heavy Trucks	815	743	687
<b>Total Toll Revenue Received</b>	<b>2,087</b>	<b>1,902</b>	<b>1,789</b>
<b>OTHER REVENUE RECEIVED</b>			
Revenue Collected Under Empowering Legislation	0	0	0
Other Revenue	0	0	0
<b>Total Other Revenue Received</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Revenue Received</b>	<b>2,087</b>	<b>1,902</b>	<b>1,789</b>
<b>COST OF SERVICE</b>			
Maintenance Costs of Route K	28	28	28
Maintenance Costs of Toll Plaza	4	15	1
Costs Relating to the Levying and Collection of Tolls**	663	635	603
Interest Charges	3,606	3,610	3,366
Other Expenses	308	201	306
<b>Total Cost Of Service</b>	<b>4,609</b>	<b>4,489</b>	<b>4,304</b>
<b>SURPLUS/(DEFICIT) OF ROUTE K OPERATIONS</b>	<b>(2,522)</b>	<b>(2,587)</b>	<b>(2,515)</b>

\* Revenue collected under Tauranga City Council (Route K) Empowering Act 2000

\*\* Current year includes prior year accrual of \$29,448

The current operation of Route K results in a shortfall between operational revenue and operational expenditure. This shortfall and the capital cost has been funded from internal loans raised until such time as adequate revenue is received to cover the shortfall. The interest rate on internal loans is 6.50% as at 30 June 2011 (30 June 2010 6.50%). Future toll revenue will be applied to repay remaining debt once the toll operation generates a surplus. Total internal loans outstanding as at 30 June 2011 were \$57.0m (30 June 2010 \$54.3m).

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## CAPITAL COST

	2010/11 Actual \$000	2009/10 Actual \$000
Land and Existing Buildings	8,378	8,378
Construction of Route K	28,307	28,307
Construction Costs of Interchange between Route K and State Highway 29	1,500	1,500
Construction Costs of PJK Junction	5,614	5,614
Construction Costs of Toll Plaza and Route K	917	917
Final Construction Payment	60	60
<b>Total Construction Costs of Route K and Associated Roads</b>	<b>44,776</b>	<b>44,776</b>
Minor Safety Works at Route K	56	0
Computer Software Upgrade	79	0
Capital Work in Progress	58	53
<b>Total Other Capital Costs of Route K</b>	<b>193</b>	<b>53</b>
<b>Total Capital Costs of Route K</b>	<b>44,969</b>	<b>44,829</b>

Capitalised land includes land designated for the roading corridor. Land and buildings with a value of \$5.9m, surplus to this corridor were transferred to Parks and Leisure for the purposes of recreational reserve in 2005. The cost of transferred land, buildings and construction vested to New Zealand Transport Agency (previously Transit NZ), in the 2004/05 year was \$7.1m.

Opening capital work in progress from the 09/10 financial year was \$52,599. Additional capital work carried out in the 10/11 financial year was \$59,735 for minor safety works and \$81,148 for computer software, making total capital work for 10/11 \$193,482. \$135,340 has been capitalised in the 2011 year and the remaining capital work in progress balance at 30 June is \$58,142.

## Audit Report

### To the readers of the financial statements required to be prepared under the Tauranga District Council (Route K Toll) Empowering Act 2000 for the year ended 30 June 2011

The Auditor-General is the auditor of Tauranga City Council and has agreed to audit the financial statements required to be prepared under the Tauranga District Council (Route K Toll) Empowering Act 2000, prepared by Tauranga City Council. The Auditor-General has appointed me, B H Halford, using the staff and resources of Audit New Zealand, to carry out the audit of those financial statements on her behalf.

We have audited the financial statements which contain the information required to be prepared in accordance with section 7 of the Tauranga District Council (Route K Toll) Empowering Act 2000 for the year ended 30 June 2011.

### Opinion

In our opinion the financial statements on pages 227 to 228 fairly reflect the information required to be prepared in accordance with section 7 of the Tauranga District Council (Route K Toll) Empowering Act 2000 for the year ended 30 June 2011.

Our audit was completed on 11 October 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Tauranga City Council and our responsibilities, and we explain our independence.

### Basis of Opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; we consider internal control relevant to Tauranga City Council's preparation of the financial statements that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Tauranga City Council's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by Tauranga City Council;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

## Responsibilities of Tauranga City Council

Tauranga City Council is responsible for preparing financial statements that fairly reflect the information required to be prepared in accordance with section 7 of the Tauranga District Council (Route K Toll) Empowering Act 2000 for the year ended 30 June 2011.

Tauranga City Council is also responsible for such internal control as it determines as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Tauranga City Council's responsibilities arise from section 7 of the Tauranga District Council (Route K Toll) Empowering Act 2000.

## Responsibilities of the Auditor

We have agreed to audit the financial statements under section 17 of the Public Audit Act 2001. We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit.

## Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, and as auditor of the Tauranga City Council, we have no relationship with or interests in the operation of Route K.



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