Otorohanga District Council Summary Annual Report for the year ended 30 June 2015

COMMENTS FROM THE MAYOR AND THE CHIEF EXECUTIVE

Council continues to generally operate in a very lean and efficient mode, made possible by the relative stability of the District and Council, the sound condition of council's assets and an experienced and capable team of staff and contractors.

Operationally the 2014/15 year was relatively uneventful, with no significant failures of assets or services, or non-compliance with regulations. Satisfactory levels of service and organisational performance continued to be achieved. 78% of performance targets for the year were met or exceeded, and of those 11 targets that were not met in most cases the margin of failure was small or the aspect was not considered critical to overall performance.

There were also some stand-out examples of apparent strong customer satisfaction with important Council activities, such as roads and footpaths.

The most significant single variance from budgets was in respect of the re-painting of the Mangawhio bridge (understood to be the second highest road bridge in NZ) where the unusual nature of the task and some unforeseen health and safety requirements related to the presence of asbestos resulted in much greater than expected cost.

Some of Council's water services also experienced operational challenges during the year that resulted in elevated costs, and significant additional expense was also incurred in respect of Building Control, driven by more stringent central government requirements. A further aspect that contributed to raised costs was a significant increase in assessed asset values, resulting in substantially raised depreciation charge for many activities.

Modest savings relative to budget were however broadly achieved elsewhere, reflecting both the high level of cost awareness throughout the organisation and the low debt interest rates provided through Council's membership of the Local Government Funding Agency.

These savings enabled an overall surplus of \$336,000 to be achieved for the year. This is a modest figure, but it is believed that in the context of Local Government, where the ratepayer is both the customer and the shareholder, good management is generally reflected in a relatively close correspondence between expenditure and allocated budgets, rather than large notional 'profits'. It is perhaps not widely appreciated that for local government a large 'profit' can mean that a Council has charged its customers more than it should, and that similarly achieving large cost savings implies that previously more was being spent than needed to be.

Council debt continues to progressively decline in line with the Long Term Plan (LTP), falling by \$1.1 million over the year, to a level of \$9.7 Million at 30 June 2015, with the possibility of having no debt at the end of the LTP period still appearing very achievable and desirable.

It was very pleasing to have debt fall below \$10 million for the first time since 2002, and in real terms (allowing for inflation) Council's debt is now at its lowest level for at least 20 years.

Overall it is believed that Council is currently meeting the expectations of residents, but it is also recognised that the future will hold challenges for the District, and that there are aspects of Council activity that may need to be reviewed if these future challenges are to be effectively met.

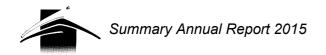
Max Baxter

MAYOR

Dave Clibbery

CHIEF EXECUTIVE

20th October 2015



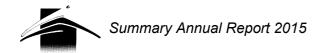
Summary Financial Statements

OTOROHANGA DISTRICT COUNCIL SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR ENDED 30 JUNE 2015

Actual 30 June 2014		Budget 30 June 2015	Actual 30 June 2015
(000's)		(000's)	(000's)
(1111)	Revenue	(3.3.3.7)	(
11,387	Rates revenue	11,642	11,623
4,592	Other income	4,356	4,550
15,979	Total income	15,998	16,173
	Expenses		
618	Finance Costs	630	473
13,538	Other Expenditure	14,454	15,364
14,156	Total expenditure	15,084	15,837
1,823	Profit/(loss) for the year	914	336
	Other Comprehensive Revenue and Expenses		
-	Gain/(loss) on property revaluation	25,683	42,312
(2)	Gain/(loss) on available for sale financial assets	-	(1)
(2)	Total other comprehensive revenue and	25,683	42,311
	expenses		
1,821	Total Comprehensive Revenue and Expenses for the year	26,597	42,647

OTOROHANGA DISTRICT COUNCIL SUMMARY BALANCE SHEET AS AT 30 JUNE 2015

Actual		Budget	Actual
30 June 2014		30 June 2015	30 June 2015
(000's)		(000's)	(000's)
	Assets	, ,	, ,
5,239	Total current assets	3,649	4,606
258,022	Total non-current assets	285,442	299,609
263,261	Total assets	289,091	304,215
	Liabilities		
4,592	Total current liabilities	2,251	2,976
9,897	Total non-current liabilities	11,101	9,820
14,489	Total liabilities	13,352	12,796
248,772	Net Assets	275,739	291,419
	Equity		
154,320	Accumulated comprehensive revenue and expenses	155,319	154,766
94,452	Reserves	120,420	136,653
248,772	Total equity attributable to ODC	275,739	291,419

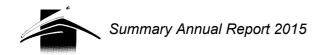


OTOROHANGA DISTRICT COUNCIL SUMMARY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Accumulated comprehensive revenue and expenses	Available for Sale Reserves	Asset Revaluation Reserves	Restricted Reserves	Total
	(000's)	(000's)	(000's)	(8'000)	(8'000)
Balance as at 1 July 2013	152,190	11	93,808	942	246,951
Surplus/(deficit) for the year	1,823	-	-	-	1,823
Other Comprehensive Revenue and Expenses					
Gain/(loss)on revaluations Total Comprehensive Revenue and Expenses	1,823	(2)	-	-	(2) 1,821
Transfers (to)/from accumulated comprehensive revenue and expenses	307	-	(234)	(73)	-
Balance 30 June 2014	154,320	9	93,574	869	248,772
Surplus/(deficit) for the year	336	-	-	-	336
Other Comprehensive Revenue and Expenses					
Gain/(loss)on movement of reserves	-	(1)	42,312	-	42,311
Total Comprehensive Revenue and Expenses	336	(1)	42,312	-	42,647
Transfers (to)/from accumulated comprehensive revenue and expenses	110	-	(105)	(5)	-
Balance 30 June 2015	154,766	8	135,781	864	291,419

OTOROHANGA DISTRICT COUNCIL SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

Actual 30 June 2014		Budget 30 June 2015	Actual 30 June 2015
(000's)		(000's)	(000's)
7,135	Net cash provided by Operating Activities	4,823	4,220
(4,768)	Net cash used in Investing Activities	(5,372)	(4,246)
(1,228)	Net cash provided by/(used in) Financing Activities	(76)	(981)
1,139	Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(625)	(1,007)
	Made up as follows:		
1,139	Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(625)	(1,007)
1,572	Cash, cash equivalents and bank overdrafts at the beginning of the year	1,438	2,711
2,711	Cash and cash equivalents at the end of the year.	813	1,704



Explanation of major variances against budget

Explanations for major variations from the Council estimate figures in the 2014/15 Annual Plan are as follows:

Statement of Comprehensive Revenue and Expenses

Total other income was \$194,000 above budget. This is due to a number of factors, including a subsidy for work on the Kawhia Water Supply that was budgeted in the prior year, as well as some lump sum contributions for connection to rural water supplies and increased interest. This was offset by losses on disposal being higher than budgeted.

Total other expenses were \$910,000 above budget. This is due to a number of factors, mostly due to increased depreciation costs as a result of the revaluation of fixed assets. Also road maintenance costs were higher than budgeted, which was offset by savings in other activities.

Finance costs are \$157,000 under budget. This is due to savings in interest costs made from borrowing from the Local Government Funding Agency, as well as an overall reduction in external borrowing.

Balance Sheet

Total current assets are up on the budgeted figure by \$957,000. This is mainly due to an increase in the cash and cash equivalent of \$891,000 above budget.

Non-current assets are above budget by \$14,167,000 due to higher than budgeted property, plant and equipment revaluation figures.

Total current liabilities are \$725,000 above budget and non-current liabilities is \$1,281,000 below budget. This is predominantly due to a decrease in total borrowings of \$1,256,000 resulting from better cash flow management, as well as the timing of end of year creditor payments.

Statement of Cash flows

Cash flows from operating activities were below budget by \$603,000, as a result of increased payments to suppliers and decreased cash revenue inflows.

Cash flows from investing activities were \$1,126,000 below budget due to the deferral of some capital expenditure projects, as well as savings made on some roading projects due to favourable market conditions.

Cash flows from financing activities were \$905,000 above budget due to better cash flow management requiring less borrowing.

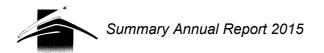
Basis of Preparation

These summary financial statements and summary statement of service performance (the Summary Report) have been prepared in accordance with PBE FRS-43: Summary Financial Statements. The Summary Report cannot provide as complete an understanding as the full Annual Report which is available at the Council Offices and District Libraries. This Summary report is for the year ended 30 June 2015. All figures are in New Zealand dollars rounded to the nearest \$1,000.

The Summary Report has been extracted from the full Otorohanga District Council 2014/15 Annual Report which was authorised for issue on 20th October 2015. The full financial statements received an unmodified audit opinion dated 20th October 2015. The summary financial statements are presented in New Zealand dollars. The Summary Report was adopted and authorised by the Otorohanga District Council on 20th October 2015.

The primary objective of Otorohanga District Council is to provide goods or services for the community or social benefit rather than making a financial return.

This is the first year the full financial statements included in the full Annual Report comply with PBE Standards as appropriate for public benefit entities. Otorohanga District Council has been determined to be a Tier 2 Public Benefit Entity and therefore has applied reduced disclosure requirements as it sees fit.



Summary of Other Notes

Adjustment to comparative year financial statements

	Before adjustments	Reclassification adjustments	After adjustments
	(000's)	(000's)	(000's)
Revenue			
Other income	(132)	(234)	(366)
Other comprehensive revenue and expense			
Gain/(loss) on property revaluation	(234)	234	-

Previously, reversal of revaluation for disposed assets was disclosed separately under other comprehensive revenue and expense. To more closely align with the accounting standards, this has been reclassified as part of the gain or loss on asset disposal recognised in the surplus or deficit, and then treated as a transfer from revaluation reserves to accumulated comprehensive revenue and expenses in the Statement of Changes in Equity.

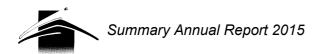
Reserves

	Actual	Actual
	2014	2015
	(000's)	(8'000)
Restricted reserves	869	864
Available for Sale Revaluation	9	8
Reserves		
Asset Revaluation Reserves	93,574	135,781
Total Reserves	94,452	136,653

The movement in restricted reserves related to subdivision financial contributions received with resource consents and interest earned on those restricted reserves. There was also a transfer of money to cover some capital expenditure in the Otorohanga Community.

Events after balance sheet date

In July 2015, Operational Land included within Property, Plant and Equipment valued at \$140,000 was sold for a total sale value of \$152,000. In previous years, this land was gifted to ODC by New Zealand Transport Agency (NZTA) with the condition that upon the sale, the amount paid by NZTA was required to be recovered. As a result, the net consideration received by the Council amounted to \$20,000 and will be reflected in the 30 June 2016 financial year.



Summary of Significant Activities

Summary of Significant Service Levels and Performance Targets

Activity	Number of Performance Targets	Achieved	Partially Achieved	Not Measured	Not Achieved
Roads and Footpaths	5	4	-	1	-
Water Supply	6	6	-	-	-
Sewerage Treatment and Disposal	3	3	-	-	-
Flood Protection and Control Works	1	-	-	-	1
Stormwater Drainage	2	2	-	-	-
Community Services	21	15	1	2	3
Regulatory Services	19	16	-	1	2
Community Development	4	-	-	-	4
Governance & Leadership	15	13	1	-	1

Roads and Footpaths

Roads and Footpaths targets achieved included number of defects on Sealed Rural and Urban roads, bulk maintenance metalling and number of roading complaints.

Water Supply

All Water Supply targets were achieved and included the number of disinfection failures, contamination instances, compliance with the drinking water standards, interruptions to service and water levels in the reservoirs.

Sewerage Treatment

Sewerage Treatment targets relate to sewerage overflows, compliance with resource consents and complaints of smells. All targets were achieved.

Flood Protection

The Flood Protection target not achieved was regarding an assessment of the flood protection assets. This was due to two minor issues which have since been rectified, including clearing a blocked inlet and refurbishing a non-functioning pump.

Stormwater Drainage

The Stormwater drainage targets achieved were for number of complaints of flooding and compliance with resource consents.

Community Services

Overall across all community activities a total of 21 performance targets exist, of which fifteen (15) were achieved and three (3) were not achieved. One (1) was partially achieved and two (2) were not measured. Those achieved included safe outdoor structures, safe and high quality park furniture, adequate paths and tracks, publication dates of library books, pensioner housing occupancy rates, swimming pool water quality tests, cemetery website visits, and Sport Waikato reports.

The targets not achieved were number of library books issued, cemetery website page views and reported property crimes within the security patrol area.

The partial achievement was for resource consent compliance for closed landfills, and the two not measured related to elderly housing maintenance and website visits for the library website.

Regulatory Services

There are nineteen (19) performance measures across Regulatory Services, which covers Building Control, Planning & Development, Environmental Health, Rural Fire, Civil Defence, Dog Control and Stock Ranging. Of these measures, sixteen (16) were achieved, one (1) was not measured and

two (2) were not achieved. These related to formal civil defence exercises and rural fire permits issued within 3 days.

Some of the targets achieved for Regulatory Services included processing days for building consents, swimming pools inspected, percentage of dogs impounded, complaints about roaming dogs, stock wandering on roads and liquor licensing.

Community Development

There are four (4) performance measures for Community Development, of which none were achieved during the year. These related to visitors to i-Sites, Waiwera St subdivision, accommodation guest stay nights and visits to Otorohanga.co.nz.

The methods used to undertake community development is currently being reviewed by Council, with a view to amending current practices to ensure Council gets the best value for money and improves performance in this area.

Governance and Leadership

Governance and Leadership covers
Democratic Process, Policy Development,
Council Support, Corporate Planning and
Support Services. There are fifteen (15)
performance targets across Governance and
Leadership, and of these thirteen (13) were
achieved during the year. One (1) was partially
achieved and the remaining one (1) was not
achieved.

Some of the major performance targets related to iwi liaison and attendance at meetings around joint management agreements, legislative compliance, and LTP and Annual Reports adopted within statutory timeframes.

The target not achieved was response to the level of service survey and the partially achieved target was distribution of funds from council grants.

Statement of Compliance

The Council and Management of Otorohanga District Council confirm that all the statutory requirements of the Local Government Act 2002, regarding financial management and borrowing, have been complied with.

Statement of Responsibility

The Council and Management of Otorohanga District Council accept responsibility for the preparation of the annual Summary Financial Statements and the judgements used in them.

The Council and Management of Otorohanga District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and Management of Otorohanga District Council, the Summary Financial Statements for the year ended 30 June 2015 fairly reflect the financial position and operations of Otorohanga District Council.

Max Baxter

MAYOR

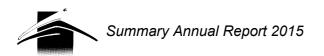
Dave Clibbery

CHIEF EXECUTIVE

Graham Bunn

<u>FINANCE AND</u> <u>ADMINISTRATION</u> MANAGER

20th October 2015



Otorohanga District Statistics

Area and Population

Area (Square kilometres) 1,976 Population (2013 Census figures) 9,513

Communities	Area	Population
Otorohanga	507 ha	2,568
Kawhia	161 ha	345
Rural	196,932 ha	6,600
	197,600 ha	9,513

Valuation

Rateable Properties (No. of) 5.166 Non Rateable Properties (No. of) 305 Rateable Capital Value \$3,491,508,150 Date of Last revision of Values 1 Sept 2013

Rates and Rating 2014/15

Total Rates(Excluding GST) \$11,622,388 System of Rating Capital Value

Public Debt Outstanding as at 30/06/15 **Public Debt Outstanding** \$9.745.495

Date of Constitution of District

1 November 1989

Contact Information

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Otorohanga, 3940

Council Chambers: 17 Maniapoto Street,

Otorohanga

Telephone Number: 07 - 873 4000

0800 Number: 0800 734 000

Fax Number: 07 - 873 4300

Email: Info@otodc.govt.nz

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF OTOROHANGA DISTRICT COUNCIL'S SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

The summary annual report was derived from the annual report of Otorohanga District Council (the District Council) for the year ended 30 June 2015. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 2 to 7:

- the summary balance sheet as at 30 June 2015;
- the summaries of the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended 30 June 2015
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision (referred to as 'summary of significant service levels and performance targets') of the District Council.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 20 October 2015

Opinion

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and the summary statements comply with FRS-43 (PBE): Summary Financial Statements.

Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report of the consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS-43 (PBE): Summary Financial Statements.

The Council is also responsible for the publication of the summary annual report, whether in printed or

Deloitte.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with FRS 43 (PBE): Summary Financial Statements.

Other that in our capacity as auditor we have no relationship with, or interest in, the District Council.

Bruno Dente

On behalf of the Auditor-General Hamilton, New Zealand 20 October 2015