



Contents

INTRODUCTION	2
COMMENTS FROM THE MAYOR AND CHIEF EXECUTIVE.....	3
DISTRICT PERSONNEL.....	5
MANAGEMENT STRUCTURE.....	6
DISTRICT BACKGROUND.....	7
STATISTICS.....	8
FINANCIAL STATEMENTS	9
STATEMENT OF COMPREHENSIVE INCOME.....	10
BALANCE SHEET.....	11
STATEMENT OF CHANGES IN EQUITY.....	12
STATEMENT OF CASH FLOWS.....	13
NOTES TO THE FINANCIAL STATEMENTS.....	14
PERFORMANCE/ STATEMENT OF COMPLIANCE AND RESPONSIBILITY	56
PERFORMANCE DURING 2010/11.....	57
STATEMENT OF COMPLIANCE AND RESPONSIBILITY.....	58
REPORT ON LONG-TERM COUNCIL COMMUNITY PLAN AND POLICIES.....	59
BORROWING AND INVESTMENT POLICY.....	60
OPPORTUNITIES FOR MAORI TO CONTRIBUTE TO COUNCILS' DECISION-MAKING PROCESSES.....	61
SIGNIFICANT ACTIVITIES	62
COMBINED COST OF SERVICE STATEMENT.....	63
NETWORK SERVICES.....	64
COMMUNITY SERVICES.....	84
REGULATORY SERVICES.....	98
COMMUNITY DEVELOPMENT.....	107
GOVERNANCE AND LEADERSHIP.....	110
SUPPORTING INFORMATION	122
EQUAL EMPLOYMENT OPPORTUNITIES POLICY.....	123
AUDIT REPORT.....	124



INTRODUCTION



COMMENTS FROM THE MAYOR AND CHIEF EXECUTIVE

2010/11 ANNUAL REPORT

In general 2010/11 has been 'business as usual' for Council, with a continuing focus on efficient delivery of core services.

Whilst Council continues to operate in an environment of austerity, it is in a better position than many other local authorities, for reasons that include:

- Consistent and focussed governance strategies
- Retention of a small but very experienced and capable team of staff and contractors
- Consistent effective management of infrastructural assets that has not created a backlog of deferred essential works

These positive factors were reflected in a recent independent comparison of the financial health of the 74 Councils in NZ, which placed ODC in the 'top 10' of these Councils and described ODC as 'a small Council operating effectively in a challenging environment through good governance and prudent financial management'.

Whilst Council takes pride in such positive assessments of its performance, it does not 'rest on its laurels' and continues to be active in exploring opportunities for improvement.

During the year investigations have been conducted into alternative means of delivering a number of services, with particular interest in the potential for sharing service delivery with other organisations.

Whilst these investigations have indicated that the geographically spread nature of many Council services represents a barrier to achieving significant cost savings through shared delivery, there is potential for the quality and sustainability of some services to be improved by these means, and these benefits will be pursued.

The year also saw further substantial progress towards the review of the most significant document of Council - its District Plan.

During the year a Draft District Plan, which reflected the thinking of Council on key issues relating to the environmental management of the District, was produced and public submissions invited on it.

In total almost 200 submissions were received. These submissions were diverse, expressing varying degrees of support or opposition to particular elements of the Draft Plan, but there was also an element of consistency, in that all reflected genuine desires of the community to contribute to the development of a plan that was in the best interests of the District.

This is true local democracy at work, and whilst it is never possible to satisfy everybody, we thank the community for making its views known, so that Council is able to make the best possible decisions. With the hearings of submissions now complete, Council is currently in a deliberation phase, and is well on track to notifying a new Operative District Plan in early 2012.



SIGNIFICANT WORKS

Few large physical improvement works were completed in the 2010/11 year, with the extent of road improvement works remaining at a relatively low level in the interests of affordability.

The most notable improvement project undertaken was the construction of an additional water reservoir and other works on the water supply in Kawhia, to reduce the potential for water shortages during the peak holiday season.

FINANCIAL POSITION

A modest operating surplus of \$216,000 was recorded for the year, which was considered a very satisfactory outcome given that a number of adverse circumstances eventuated during the year (in particular significant storm damage to roads) that required additional unbudgeted expenditure.

Public Debt was \$13.448M at 30 June 2011. This was consistent with the previous financial year. Council is keenly aware of the level of its public debt, and is striving to reduce it. Our projections demonstrate that debt levels are likely to remain relatively constant in the short term, but in the long term will decrease substantially.

CONCLUSION

Though it was another challenging year, Council continues its history of supporting the community and its residents through prudent management of public resources.

Dale Williams

MAYOR

28 October 2011

Dave Clibbery

CHIEF EXECUTIVE

28 October 2011



DISTRICT PERSONNEL

OTOROHANGA DISTRICT COUNCIL

		Telephone
Mayor:	Dale Williams	(07) 873 7789
Deputy Mayor:	Sue Blackler	(07) 872 2760
Councillors:	Andrew Ormsby	(07) 873 8300
	Robert Prescott	(07) 873 8941
	Deborah Pilkington	(07) 871 0654
	Roy Johnson	(07) 873 0909
	Ken Phillips	(07) 873 8416
	Max Baxter	(07) 871 2707

OTOROHANGA COMMUNITY BOARD

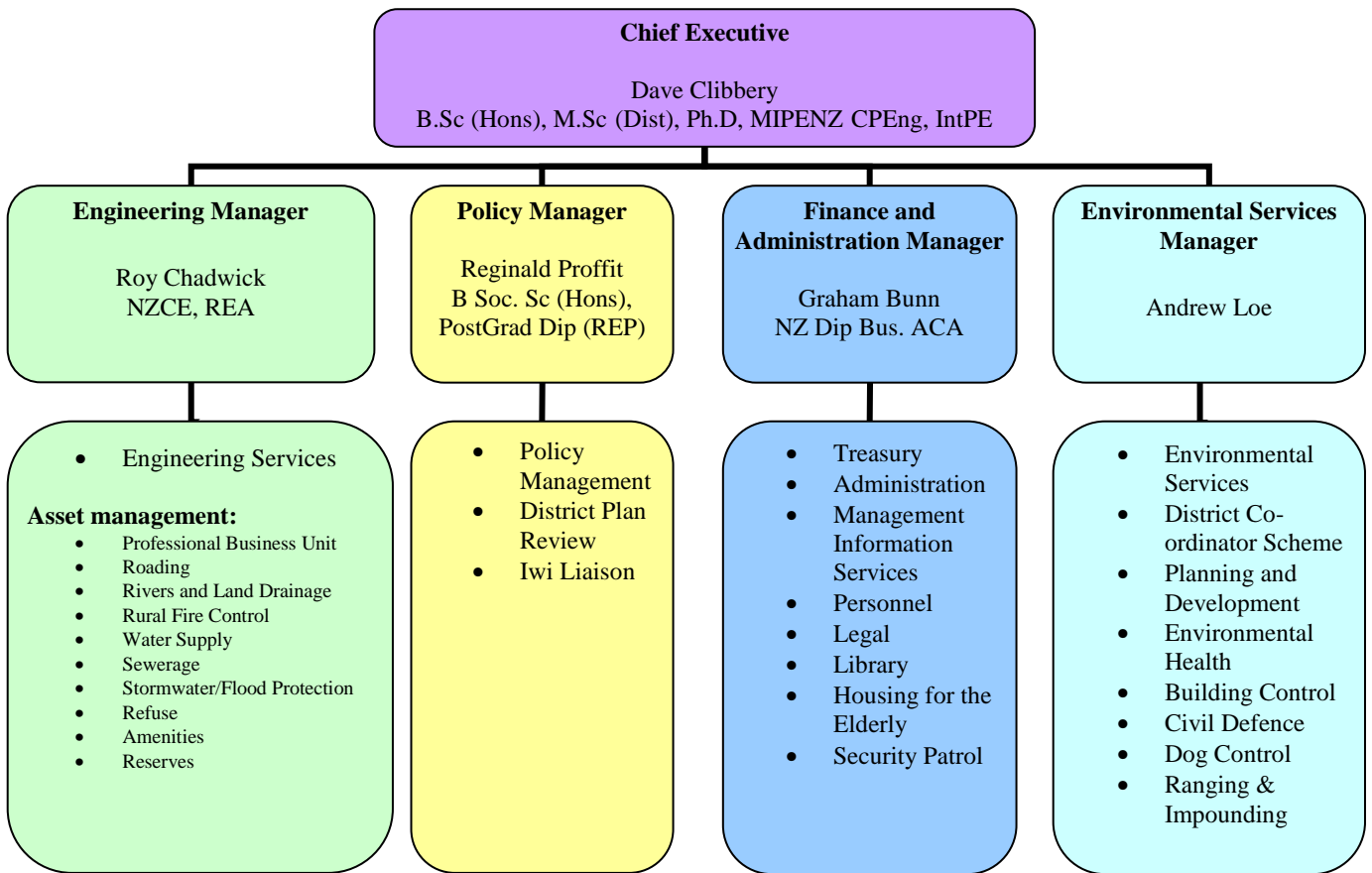
Chairperson:	Robert Prescott	(07) 873 8941
Deputy Chairperson:	Liz Cowan	(07) 873 0849
Members:	Anne Laws	(07) 873 8508
	Phil Tindle	(07) 873 8810
	Andrew Ormsby	(07) 873 8300
	Dave Williams	(07) 873 6668

KAWHIA COMMUNITY BOARD

Chairperson:	Hano Ormsby	(07) 871 0880
Deputy Chairperson:	Lou Sherman	(07) 871 0782
Members:	Deborah Pilkington	(07) 871 0654
	Jan Bennett	(07) 871 0276
	Kit Jeffries	(07) 873 7615
	Annette Gane	(021) 840 190



MANAGEMENT STRUCTURE



Postal Address:

PO Box 11, Otorohanga 3900

Council Chambers:

Maniapoto Street, Otorohanga

Telephone Number:

07 - 873 4000

0800 Number:

0800 734 000

Fax Number:

07 - 873 4300

Email:

Info@otodc.govt.nz

Bankers:

Bank of New Zealand
Westpac

Auditors:

Deloitte, on behalf of the Office of the Auditor General

Solicitors:

Gallie Miles, Te Awamutu



DISTRICT BACKGROUND

Otorohanga District is located some 50 kilometres south of Hamilton. The area administered by the Council covers 1976 sq.km. and extends from the Kawhia and Aotea Harbours on the west coast for a distance of 90 km to the eastern extremity near Mangakino. Included within the District are the urban communities of Otorohanga and Kawhia.

Geographically, the District comprises three distinct areas of approximately equal size. The eastern and western areas have predominantly more hills than the central area which is the southern limit of the Waikato Basin. Farming is the dominant industry with sheep and cattle farming in the hill country and intensive dairy farming in the central area. Horticulture and cropping are lesser but developing activities.

The original Otorohanga County was formed on 1 April 1922 and arose out of the amalgamation of the former Wharepapa and Mangaorongo Roads Board and part of the Waitomo County. The northern half of the former Kawhia County was amalgamated into the District on 1 April 1956. On 1 November 1971, the County of Otorohanga and the Borough of Otorohanga were united to form a new County of Otorohanga. At the time of the union there was no provision for a "District" Council status which only became available in 1978 following an amendment to the Local Government Act. The change in designation from a County Council to a District Council took place on 1 April 1979 and was made primarily to give recognition to the fact that Council is a rural-urban council with the urban area an integral part of the organisation.

The Council believes that it is able to function as an effective and independently viable unit of the local government with adequate staff and resources to administer a comprehensive range of services for its constituent ratepayers and residents.

A roading network, totalling 901.5 km in length, provides access. State Highways 3, 31 and 39 account for 94.5km of this and are maintained by Transfield under contract to New Zealand Transport Agency at no cost to Council. The balance of 807km comprises 514km of sealed pavements of varying widths and 293km of metalled roads. Of these 28km of sealed roads are within the urban Communities of Otorohanga and Kawhia as is 0.5km of the unsealed roads. Within the Council maintained roading network are 154 bridges totalling 1995m in length and including 28 stock access structures. Since the Otorohanga Council was first constituted, the prime aim of Council has been extension and improvement of the roading system as a means of encouraging land development and stimulating primary production.

The Council Office is located in the Community of Otorohanga which is situated on the Main Trunk Railway and at the junction of State Highway No.3, No. 31 and No. 39. The Town has good shopping facilities, three modern primary schools and a College, good medical facilities and caters for a wide range of sporting and cultural activities.

Otorohanga is centrally placed, being within easy driving distance of Auckland, Hamilton, Tauranga, Rotorua, Taupo and New Plymouth. The town has a population of 2,661 and is an important focus for tourist activities in the North King Country area. Being 16 kilometres north-west of Waitomo, Otorohanga is the closest town to the world famous glow worm caves.

Kawhia, a small holiday resort on the west coast, is also within the District. It is located on the shores of the Kawhia Harbour some 57 kilometres west of Otorohanga via State Highway 31, and has a permanent population of 384 with this increasing to over 3000 at peak holiday periods. Kawhia is the home of the Tainui people who settled there 600 to 700 years ago. The Kawhia Harbour covers more than 6000 hectares, with five rivers feeding into it. It is a popular and productive fishing spot.



STATISTICS

Area and Population

Area (Square kilometres)	1,976
Population (2006 Census figures)	9,516

Communities

	Area	Population
Otorohanga	507 ha	2,661
Kawhia	161 ha	384
Rural	196,932 ha	6,471
	<u>197,600 ha</u>	<u>9,516</u>

Valuation

Rateable Properties (No. of)	5,138
Non Rateable Properties (No. of)	357
Rateable Capital Value	\$3,611,404,750
Date of Last revision of Values	1 September 2010

Rates and Rating 2010/11

Total Rates (Excluding GST)	\$10,118,005
System of Rating	Capital Value

Public Debt Outstanding as at 30/06/11

Public Debt Outstanding	\$13,447,613
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Date of Constitution of District

1 November 1989



FINANCIAL STATEMENTS



**OTOROHANGA DISTRICT COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

Actual 30 June 2010 (000's)		Note	Budget 30 June 2011 (000's)	Actual 30 June 2011 (000's)
	Income			
9,696	Rates revenue	2	9,993	10,118
4,139	Other income	3	5,016	4,477
(57)	Others gains/(losses) on asset disposal	4	(13)	(84)
13,778	Total income		14,996	14,511
	Expenditure			
3,046	Employee benefit expenses	5	3,012	3,239
3,488	Depreciation and amortisation	6	3,398	3,560
6,567	Other expenses	7	6,115	6,597
871	Finance costs	8	778	857
13,972	Total operating expenditure		13,303	14,253
(194)	Profit/(loss) for the year		1,693	258
	Other Comprehensive Income			
(207)	Gain/(loss) on property revaluation		-	(36)
(2)	Gain/(loss) on available for sale financial assets		-	(6)
(209)	Total other comprehensive income		-	(42)
(403)	Total Comprehensive Income for the year		1,693	216

The accompanying notes on pages 14-54 form part of these financial statements.



**OTOROHANGA DISTRICT COUNCIL
BALANCE SHEET
AS AT 30 JUNE 2011**

Actual 30 June 2010 (000's)	Note	Budget 30 June 2011 (000's)	Actual 30 June 2011 (000's)
Assets			
Current assets			
1,292	9	1,388	1,269
2,051	10	1,751	2,022
-	11	-	31
410	13	199	461
3,753		3,338	3,783
Non-current assets			
532	12	538	525
244,683	14	247,735	244,438
43	15	51	21
245,258		248,324	244,984
249,011		251,662	248,767
Liabilities			
Current Liabilities			
2,804	16	2,503	2,315
2	17	2	2
302	18	273	323
3,500	19	3,000	5,500
6,608		5,778	8,140
Non-current liabilities			
26	17	24	24
53	18	62	63
9,948	19	10,597	7,948
10,027		10,683	8,035
16,635		16,461	16,175
232,376		235,201	232,592
Equity			
151,298		153,709	151,523
81,078	20	81,492	81,069
232,376		235,201	232,592

The accompanying notes on pages 14-54 form part of these financial statements.



**OTOROHANGA DISTRICT COUNCIL
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

	Retained Earnings	Available for Sale Reserves	Asset Revaluation Reserves	Restricted Reserves	Total
	(000's)	(000's)	(000's)	(000's)	(000's)
Balance as at 1 July 2009	151,287	9	80,621	862	232,779
Profit/(loss) for the year	(194)	-	-	-	(194)
Other Comprehensive Income					
Gain/(loss) on revaluations	-	(2)	(207)	-	(209)
Total Comprehensive Income	(194)	(2)	(207)	-	(403)
Transfers (to)/from retained earnings	205	-	-	(205)	-
Balance 30 June 2010	151,298	7	80,414	657	232,376
Profit/(loss) for the year	258	-	-	-	258
Other Comprehensive Income					
Gain/(loss) on movement of reserves	-	(6)	(36)	-	(42)
Total Comprehensive Income	258	(6)	(36)	-	216
Transfers (to)/from retained earnings	(33)	-	-	33	-
Balance 30 June 2011	151,523	1	80,378	690	232,592

The accompanying notes on pages 14-54 form part of these financial statements.



**OTOROHANGA DISTRICT COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

Actual 30 June 2010 (000's)	Notes	Budget 30 June 2011 (000's)	Actual 30 June 2011 (000's)
	Cash flows from operating activities		
9,497	Receipts from rates revenue	9,993	9,912
3,792	Receipts from other revenue	4,951	4,577
25	Interest received	64	39
3	Dividends received	(1)	3
(9,748)	Payments to suppliers and employees	(9,126)	(10,360)
(893)	Interest paid	(778)	(876)
2,946	Net cash provided by Operating Activities	5,103	3,295
	Cash flows from investing activities		
144	Proceeds from Sale of Property, Plant and Equipment	50	62
(3,577)	Purchase of property, plant and equipment	(5,262)	(3,385)
-	Purchase of investments	-	7
(23)	Purchase of intangible assets	(20)	(2)
(3,456)	Net cash (used in) Investing Activities	(5,232)	(3,318)
	Cash flows from financing activities		
7,500	Proceeds from borrowings	3,131	3,500
(7,086)	Repayment of borrowings	(3,000)	(3,500)
414	Net cash provided by/(used in) Financing Activities	131	-
(96)	Net (decrease)/increase in cash, cash equivalents and bank overdrafts	2	(23)
1,388	Cash, cash equivalents and bank overdrafts at the beginning of the year	1,386	1,292
1,292	Cash and cash equivalents at the end of the year.	1,388	1,269

The accompanying notes on pages 14-54 form part of these financial statements.



OTOROHANGA DISTRICT COUNCIL NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	15
2.	RATES REVENUE.....	28
3.	OTHER INCOME	28
4.	OTHER GAINS/(LOSSES) ON ASSET DISPOSALS	29
5.	EMPLOYEE BENEFIT EXPENSES.....	29
6.	DEPRECIATION AND AMORTISATION.....	29
7.	OTHER EXPENSES	29
8.	FINANCE COSTS	30
9.	CASH AND CASH EQUIVALENTS.....	30
10.	TRADE AND OTHER RECEIVABLES.....	31
11.	INVENTORY	32
12.	INVESTMENTS	33
13.	ASSETS HELD FOR SALE	33
14.	PROPERTY, PLANT AND EQUIPMENT	35
15.	INTANGIBLE ASSETS – COMPUTER SOFTWARE	37
16.	TRADE AND OTHER PAYABLES	38
17.	PROVISIONS.....	38
18.	EMPLOYEE BENEFIT LIABILITIES.....	39
19.	BORROWINGS.....	40
20.	RESERVES	41
21.	RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES.....	42
22.	CAPITAL COMMITMENTS AND OPERATING LEASES.....	42
23.	CONTINGENCIES	43
24.	RELATED PARTY TRANSACTIONS.....	44
25.	REMUNERATION.....	45
26.	SEVERANCE PAYMENTS	46
27.	TRANSIT NZ AMENDMENT ACT DISCLOSURE.....	46
28.	STATEMENT OF FINANCIAL INVOLVEMENT IN COUNCIL CONTROLLED ORGANISATIONS (CCO'S)	46
29.	EVENTS AFTER BALANCE SHEET DATE	48
30.	FINANCIAL INSTRUMENT RISKS	48
31.	CAPITAL MANAGEMENT	54
32.	EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET	55

**Otorohanga District Council****Notes to the Financial Statements for the year ended 30 June 2011 – continued****1. Summary of significant accounting policies.****Reporting Entity**

Otorohanga District Council (ODC) is a territorial local authority governed by the Local Government Act 2002.

The primary objective of ODC is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly, ODC has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of ODC are for the year ended 30 June 2011. The financial statements were authorised for issue by Council on 28th October 2011. These financial statements comprise solely of the ODC financial results.

Statement of Compliance

The financial statements of ODC have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98(i) and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These 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.

Standards and Interpretations issued and not yet effective

At the date of authorisation of the financial statements, a number of Standards and Interpretations were in issue but not yet effective.

Application of the following Standards, Amendments and Interpretations is not expected to have a material impact on the financial statement account balances of ODC.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Amendments to NZ IAS 24 'Related Party Disclosures'	1 January 2011	30 June 2012
NZ IFRS 9 'Financial Instruments'	1 January 2013	30 June 2014
*Revised NZ IFRS 9 'Financial Instruments' (2010)	1 January 2013	30 June 2014
Amendments to NZ IFRIC 14 'Prepayments of a Minimum Funding Requirement'	1 January 2011	30 June 2012
Improvements to New Zealand Equivalents to International Financial Reporting Standards 2010		
- Improvements to NZ IFRS 7, NZ IAS 1, NZ IAS 34 and NZ IFRIC 13	1 January 2011	30 June 2012
Amendments to NZ IAS 26 'Accounting and Reporting by Retirement Benefit Plans'	1 April 2011	30 June 2012
Amendments to NZ IFRS 7 'Financial Instruments: Disclosures'	1 July 2011	30 June 2012
Amendments to NZ IAS 12 'Income Taxes' - Deferred Tax: Recovery of Underlying Assets	1 January 2012	30 June 2013
Amendments to NZ IFRS 7 – Appendix E	1 April 2011	30 June 2012
NZ IFRS 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
NZ IFRS 11 'Joint Arrangements'	1 January 2013	30 June 2014
NZ IFRS 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
NZ IFRS 13 'Fair Value Measurement'	1 January 2013	30 June 2014



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2011 – continued

NZ IAS 27 'Separate Financial Statements' (revised 2011)	1 January 2013	30 June 2014
NZ IAS 28 'Investments in Associates and Joint Ventures' (revised 2011)	1 January 2013	30 June 2014
Amendments to New Zealand Equivalents to International Financial Reporting Standards to Harmonise with International Financial Reporting Standards and Australian Accounting Standards	1 July 2011	30 June 2012
FRS 44 'NZ Additional Disclosures'	1 July 2011	30 June 2012
Amendments to FRS 44 'NZ Additional Disclosures'	1 July 2011	30 June 2012
Amendments to NZ IAS 1 'Presentation of Financial Statements' – Presentation of Items of Other Comprehensive Income	1 July 2012	30 June 2013
Amendments to NZ IAS 19 'Employee Benefits'	1 January 2013	30 June 2014

*the revised NZ IFRS 9 adds guidance on the classification and measurement of financial liabilities and derecognition of financial instruments. The effective date remains the same as the previous version of NZ IFRS 9, with earlier adoption permitted.

Other changes to the Standards

Amendments to FRS 43 'Summary Financial Statements' ^{^^}	1 January 2012	30 June 2013
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^{^^}The amendments are not relevant to the annual full financial statements and only relate to the summary financial statements.

Basis of Preparation

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on a historical cost basis, apart from the revaluation of land and buildings, certain infrastructural assets and financial instruments, which are stated at their fair value.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars. The functional and reporting currency of ODC is New Zealand dollars.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Rates revenue

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when invoices are issued.

Other income

Water billing income is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

ODC receives government grants from New Zealand Transport Agency, which subsidises part of ODC's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as income. Assets vested in ODC are recognised as income when control over the asset is obtained.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2011 – continued

Interest income is recognised using the effective interest method.

Dividends are recognised as income when the rights to receive payment have been established.

Development and financial contributions are recognised as revenue when Council provides, or is able to provide, the service for which the contribution was charged. Otherwise development and financial contributions are recognised as liabilities until such time the Council provides, or is able to provide, the service. Development contributions are classified as part of “Other Income”

Borrowing costs

Otorohanga District Council elects to defer the application of NZIAS 23 (revised 2007) and expenses borrowing costs in accordance with NZIAS 23 (2004).

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where ODC has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the ODC's decision.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowing in current liabilities in the Balance Sheet.

Financial Assets

ODC classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available for sale financial assets. ODC currently only has loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets are initially recognised at fair value plus transaction costs except for those financial assets classified as fair value through profit and loss. Financial liabilities are recognised initially at fair value net of transaction costs.

Purchases and sales of investments are recognised on trade-date, the date on which ODC commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and ODC has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price for an asset held or liability to be issued is the current bid price and for an asset to be acquired or liability held, the asking price.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured shall be measured at cost.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2011 – continued

The categories of financial assets held by ODC are:

- **Loans and receivables**
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method. The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of a financial asset or where appropriate, a shorter period to the carrying amount of the financial asset.

Gains and losses when the asset is impaired or derecognised are recognised in the profit and loss. 'Trade and other receivables' and 'Rural Housing loans' are classified as loans and receivables.

A provision for impairment of receivables is established when there is objective evidence that ODC will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

- **Available for sale financial assets**
Available for sale financial assets are those that do not fall into any other financial instrument category.

This category encompasses:

- Investments that ODC intends to hold long-term but which may be realised before maturity; and
- Shareholdings that ODC holds for strategic purposes.

After initial recognition the shareholdings in listed and unlisted companies are measured at their fair value. Where no fair value is available then the assets are valued at cost.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated as a separate component of equity in the available-for-sale revaluation reserve with the exception of impairment losses, interest calculated using the effective interest rate and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation is reclassified from equity to profit or loss (as a reclassification adjustment).

Impairment of financial assets

At each balance sheet date ODC assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the profit or loss.

Inventory

Inventory held for distribution or consumption in the provision of services that are not supplied on a commercial basis is measured at the lower of cost or net realisable value, adjusted, when applicable, for any loss of service potential. Where inventory is acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2011 – continued

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit for the period of the write-down.

Assets Held For Sale

Assets Held for Sale is measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of Assets Held For Sale are recognised in the profit or loss.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Property, plant and equipment

Property, plant and equipment consist of:

Operational assets – These include land, buildings, landfill post closure, library books, plant and equipment, and motor vehicles.

Restricted assets – Restricted assets are parks and reserves owned by ODC which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets – Infrastructure assets are the fixed utility systems owned by ODC. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Additions

The cost of an item or property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to ODC and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the profit or loss. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to ODC and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis or diminishing value basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2011 – continued

estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

	Useful Life (Years)	Depreciation Rate
Buildings – Concrete	100	1%
Buildings – Wooden	40	2.5%
Improvements	20	5%
Vehicles	6.6	15%
Computers	3-4	25-33.33%
Office Equipment	4-10	10-25% DV
Furniture/ Fixtures	10	10% DV
Library Books	6.6	15% DV
Plant and Machinery	2.5-3	33.33 – 40%
<u>Water Treatment</u>		
Piping	36-80	1.25-2.7%
Equipment	2-50	2-50%
Other	20	5%
<u>Water Reticulation</u>		
Piping	5-80	1.25-20%
Equipment	5-30	3.33-20%
Other	25	4%
<u>Wastewater</u>		
Piping	14-80	1.25-7.14%
Equipment	3-60	1.66-33%
Other	19-37	2.7-5.26%
<u>Stormwater</u>		
Piping	13-80	1.25-7.7%
Equipment	8-60	1.66-12.5%
Other	25	4%
<u>Roading</u>		
<u>Pavement (Basecourse)</u>		
- Sealed	1-60	1.66-100%
- Unsealed	1-6	16.5-100%
Seal	1-15	6.7-100%
Culverts	10-80	1.25-10%
Bridges	12-94	1-8.5%
Kerb & Channel/ Catchpits	45	2.2%
Footpaths	20-55	1.8-5%
Streetlights	5-46	2-20%
Signposting	5-20	5-20%
Delineators/ RPMs	3-7	14.3 -33.3%



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Revaluation

Those asset classes that are revalued are valued on a three yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Operational land and buildings

At fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by Quotable Value (Registered Valuers) and the valuation took effect in the financial year ended 30 June 2009.

Restricted land and buildings

At fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by Quotable Value (Registered Valuers), and the valuation took effect in the financial year ended 30 June 2009.

Infrastructural asset classes: roads, water reticulation, sewerage reticulation and stormwater systems:

At fair value determined on a depreciated replacement cost basis by sufficiently experienced in-house engineering staff. The valuation was independently reviewed and confirmed to have met the appropriate valuation and financial reporting standards, and deemed suitable for inclusion in the financial statements by Maunsell (now known as AECOM) (Registered Valuers). The most recent valuation took effect in the financial year ended 30 June 2009.

Land under roads

Land under roads, was valued based on land value of land within the ward the road is in. This valuation was performed by sufficiently experienced in-house engineering staff, based on information obtained from Quotable Value (Registered Valuers), and the average for each ward is used as the basis of the valuation of land under roads. This valuation was independently reviewed by Maunsell (now known as AECOM) (Registered Valuers). The most recent valuation took effect in the financial year ended 30 June 2009.

Accounting for revaluations

ODC accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluations are recognised in Other Comprehensive Income and accumulated as a separate component of equity in the asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this amount is expensed in the profit or loss. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the profit or loss will be recognised first in the profit or loss up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

Intangible assets

Software acquisition

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the profit or loss.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software (finite life)	3 years	33.3%
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Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an assets carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is treated as a revaluation decrease. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the profit or loss.

For assets not carried at a revalued amount, the total impairment loss is recognised immediately in the profit or loss.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the profit or loss, a reversal of the impairment loss is also recognised in the profit or loss.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

Employee benefits

Short-term benefits

Employee benefits that ODC expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at the rates expected to apply at the time of settlement.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

ODC recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that ODC anticipates it will be used by staff to cover those future absences.

Long-term benefits

Long service leave and retirement leave

Entitlements that are payable beyond 12 months, such as long service leave, have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- The present value of the estimated future cash flows. A discount rate of 8.25%, and an inflation factor of 2.5% were used. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Retirement leave is recorded at the time of entitlement of staff, as this represents the amount that can be claimed at any time after entitlement.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the profit or loss as incurred. Defined contribution schemes include Kiwisaver, where legislation states that Council must contribute a matching contribution to the employee of 2%.

Provisions

ODC recognise a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method net of transaction costs.

Equity

Equity is the community's interest in ODC and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Retained earnings
- Restricted reserves
- Asset revaluation reserves
- Available for sale revaluation reserve

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by ODC.

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

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

The asset revaluation reserve arises on the revaluation of land, buildings and infrastructural assets. Where a revalued land, building or infrastructural asset is sold that portion of the asset revaluation reserve which relates to that asset, and is effectively realised and is transferred directly to retained earnings.

Available for sale revaluation reserve arises on the revaluation of investments held. Where a revalued investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is reclassified from equity to profit or loss (as a reclassification adjustment).

ODC's objectives, policies and processes for managing capital are described in note 31.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

Landfill post-closure costs

ODC, as operator of the Otorohanga and Kawhia closed landfills, has a legal obligation under the resource consents to provide ongoing maintenance and monitoring services at the landfill. A provision for post-closure costs is recognised as a liability.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

Commitment and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by the Council at the beginning of the year in the Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by ODC for the preparation of the financial statements.

Cost Allocation

ODC has derived the cost of service for each significant activity of ODC using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Trade and other payables

Trade and other accounts payable are recognised when ODC becomes obliged to make future payments resulting from the purchase of goods and services. Subsequent to initial recognition, trade payables and other accounts payable are recorded at amortised cost.

Financial Instruments issued by the Council

Debt and Equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

Interest

Interest is classified as an expense with the balance sheet classification of the related debt instrument.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair value and are subsequently measured at the higher of the amount of the obligation under the contract, as determined in accordance with NZ IAS-37 'Provisions, Contingent Liabilities and Contingent Assets'; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with NZ IAS 18 'Revenue'.

Statement of Cashflows

Cashflows from operating activities are presented using the direct method. Definitions of terms used in the Statement of cashflows:

- Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.
- Investing activities comprise the purchase and sale of property, plant & equipment and investments.
- Financing activities comprise the change in equity and debt capital structure of ODC
- Operating activities include all transactions and events that are not investing or financing activities.

Critical accounting estimates and assumptions

In preparing these financial statements ODC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost (DRC) valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating and obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then ODC could be over or under estimating the annual depreciation charge recognised as an expense in the profit or loss. To minimise this risk ODC's infrastructural asset useful lives have been determined with



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the ODC's asset management planning activities, which gives ODC further assurance over its useful life estimates.

During the year, management reconsidered the recoverable value of its infrastructural assets, which are included in the balance sheet as at 30 June 2011 at \$218,096,142.

Useful lives of Property, Plant and Equipment

The useful lives of property, plant and equipment have been determined based on the asset management plans used during the creation of the LTCCP. For infrastructural assets this has been based on the information provided by the National Asset Management Steering Group (NAMS) regarding the useful life of infrastructural assets. For all other property, plant and equipment, the depreciation schedules included in the Income Tax Act have been used as a basis for setting the useful lives.

Critical judgements in applying ODC's accounting policies

Management has exercised the following critical judgements in applying the ODC's accounting policies for the period ended 30 June 2011:

1. Classification of property

ODC owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the ODC's social housing policy. These properties are accounted for as property, plant and equipment.

2. Classification of investments

ODC owns a number of investments in other companies. The dividends received from these investments are incidental to holding the investments. These investments are held for strategic purposes, and are intended to be held for the long term. As such these investments have been classified as available for sale financial assets.



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 –
continued

2. Rates revenue

	Actual 2010	Actual 2011
	(000's)	(000's)
General Rates	3,601	3,890
Targeted rates attributable to activities		
Water	435	438
Metered Water Charges	595	600
Sewerage	389	405
Refuse	242	265
Land Transport	4,195	4,246
Security	73	68
Erosion Protection	30	30
CBD Development	28	28
Halls	21	22
Rates penalties	87	126
Total revenue from rates	9,696	10,118

3. Other Income

	Actual 2010	Actual 2011
	(000's)	(000's)
User charges	698	632
Metal Royalties	17	11
Land Transport NZ government grants	2,739	3,067
Regulatory revenue	512	439
Petrol tax	85	78
Vested assets revenue	40	146
Interest income for financial assets not at fair value through profit and loss		
- cash and cash equivalents	25	39
Dividend income	3	3
Other	20	62
Total other income	4,139	4,477



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 –
continued

4. Other gains/(losses) on asset disposals

	Actual 2010	Actual 2011
	(000's)	(000's)
Gain/(loss) on disposal of development property held for sale	-	-
Gain/(loss) on disposal of property, plant and equipment	(57)	(84)
Total other gains/(losses) on asset disposal	(57)	(84)

5. Employee Benefit Expenses

	Actual 2010	Actual 2011
	(000's)	(000's)
Salaries and wages	2,978	3,156
Employer contributions to defined contribution plans	55	53
Increase/(decrease) in employee benefit liabilities	13	30
Total employee benefit expenses	3,046	3,239

No additional liability exists to ODC related to the defined contribution plans.

6. Depreciation and Amortisation

	Actual 2010	Actual 2011
	(000's)	(000's)
Depreciation	3,459	3,536
Amortisation	29	24
Total depreciation and amortisation	3,488	3,560

7. Other Expenses

	Actual 2010	Actual 2011
	(000's)	(000's)
Deloitte fees for financial statement audit	99	102
Deloitte tax fees	-	10
Impairment of receivables	40	134
Increase in provision for doubtful debts	(40)	(150)
Minimum lease payments under operating leases	49	49



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

Activity Operation	1,065	1,140
Asset Maintenance	607	549
Road Maintenance	3,117	3,175
Other expenses	1,630	1,588
Total other expenses	6,567	6,597

Otorohanga District Council is exempt from tax under the Income Tax Act 2007.

The impairment of receivables relates to the writing off of rates debtors after the statutory deadline of 7 years, as well as writing off rates debtors that were deemed to be uncollectible.

8. Finance costs

	Actual 2010	Actual 2011
	(000's)	(000's)
Interest expense		
Interest on bank borrowings	871	857
	871	857

9. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cashflow statement are reconciled to the related items in the balance sheet as follows:

	Actual 2010	Actual 2011
	(000's)	(000's)
Cash and cash equivalents	1,292	1,269
Total cash and cash equivalents	1,292	1,269

Cash at the bank and in hand includes an amount which has a restriction on what the money can be used for. This is:

- Subdivision reserve fund \$85,936 (2010: \$73,388)

The money held in the subdivision reserve fund can only be used to fund capital expenditure related to district parks and reserves.



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 –
continued

10. Trade and other receivables

	Actual 2010 (000's)	Actual 2011 (000's)
Rates receivables	485	691
Other receivables	1,355	941
Sundry debtors	153	261
Work In Progress	157	244
	2,150	2,137
Less provision for impairment of receivables	(99)	(115)
	2,051	2,022

Rates are struck on the 1st of July each year, and are charged in two instalments. In the year ended 30 June 2011 these instalments were due on 6th August 2010 and 7th January 2011. A charge of 10% is added to all rates levied and due for the 2010/11 year that remains unpaid after 27th August 2010 and 28th January 2011. A further 10% charge is added to all rates that have been levied in any financial year previous to 1 July 2010 which remained unpaid as at that date.

All other receivables have standard terms of 30 days from the date of the invoice. No interest is charged for other receivables that remain unpaid after the completion of the term. There are no impairment issues with other receivables.

Impairment

Movements in the provision for impairment of receivables are as follows:

	Actual 2010 (000's)	Actual 2011 (000's)
Balance at beginning of the year	(99)	(99)
Impairment losses recognised on receivables		
Amounts written off as uncollectible	40	134
Amounts recovered during the year		
Increase in provision	(40)	(150)
Unwind of discount		
Balance at end of the year	(99)	(115)



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 –
continued**

Ageing of Trade and other receivables

	2010			2011		
	Gross (000's)	Impairment (000's)	Net (000's)	Gross (000's)	Impairment (000's)	Net (000's)
Not past due	1,114	-	1,114	1,434	-	1,434
Past due 1-60 days	383	-	383	9	-	9
Past due 61-90 days	40	-	40	6	-	6
Past due > 90 days	613	(99)	514	688	(115)	573
Total	2,150	(99)	2,051	2,137	(115)	2,022

The impairment relates entirely to rates receivables.

The impairment provision has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment is based on an analysis of past collection history and debt write-offs.

	Actual 2010 (000's)	Actual 2011 (000's)
Individual impairment	(23)	(45)
Collective impairment	(76)	(70)
Total provision for impairment	(99)	(115)

An analysis of the individually impaired debtors is as follows:

	Actual 2010 (000's)	Actual 2011 (000's)
Past due 1-60 days	-	-
Past due 61-90 days	-	-
Past due >90 days	(23)	(45)
Total individual impairment	(23)	(45)

11. Inventory

	Actual 2010 (000's)	Actual 2011 (000's)
Held for distribution inventory		
- water and sewerage reticulation spare parts	-	31
Total inventory	-	31



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

No inventories are pledged as security for liabilities (2010: \$nil).

The write-down of inventory held for distribution because of a loss in service potential amounted to \$nil. (2010: \$nil). There have been no reversals of write-downs.

The loss in service potential of inventory held for distribution is determined on the basis of obsolescence

12. Investments

	Actual 2010 (000's)	Actual 2011 (000's)
Available for sale Financial Assets		
Unlisted shares – Waikato Regional Airport Ltd	465	465
Unlisted shares – Ballance Agrinutrients	12	12
Listed shares – King Country Energy	40	33
Unlisted shares – NZ Local Government Insurance Corporation Ltd	15	15
Total equity investments	532	525

Unlisted shares

The fair value of unlisted shares of Waikato Regional Airport Ltd, Ballance Agrinutrients and the NZ Local Government Insurance Corporation Ltd are not able to be determined reliably and as such have been measured at cost. A range of estimates within which the fair values would be likely to lie are unable to be determined. Refer to note 23 for discussion regarding the increase in the Waikato Regional Airport Ltd value.

ODC holds a 7.69% shareholding in Local Authority Shared Services Limited, a company established by the 13 territorial and regional councils in the Waikato region. This share has a cost of \$1,000, but the capital has not been called yet, and therefore no investment has been recognised in the balance sheet. Refer to note 23 – Contingencies for a discussion of the uncalled capital.

Maturity analysis and effective interest rates

Refer to note 30 – Financial Instruments Risk

13. Assets Held For Sale

	Actual 2010 (000's)	Actual 2011 (000's)
Progress park*	199	199
Turongo Street	211	262
	410	461



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 –
continued**

*Development properties held for sale represent properties within the Progress Park subdivisions, which were developments done by Otorohanga District Council. The Progress Park development was an industrial park development and was completed in 2005 and comprised of 25 lots. Currently only 3 lots remain unsold (2010: 3 unsold). There is also a property on Turongo Street in Otorohanga that Council agreed to put on the market for sale prior to 30 June 2010.

These properties are expected to be sold within the year ended 30 June 2012, and these sales are expected to occur through normal real estate transactions. ODC has all these properties currently listed with real estate agents, and the prices being asked are reviewed on a regular basis, to ensure that they accurately reflect the market value. Given the decline in the economic conditions during the past year, the Council was unable to sell the three properties at Progress Park, and are currently investigating other options to ensure they are sold within the year ended 30 June 2012.

No development properties held for sale were recognised as expenses during the year, and there were no write-downs of development properties held for sale. No development properties held for sale have been pledged as securities against any liabilities ODC holds.

The development properties held for sale are shown at the carrying value as at balance date.

Also refer to subsequent event note 29 on page 48

Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 – continued

14. Property, plant and equipment
2011

	Cost /revaluation 1 July 2010	Accumulated depreciation	Carrying amount	Current year additions	Current year disposals	Current year impairment charges	Current year depreciation	Revaluation surplus	Cost /revaluation 30 June 2011	Accumulated depreciation	Carrying amount
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Council Operational assets											
Land	8,356	-	8,356	-	-	-	-	-	8,356	-	8,356
Buildings	5,173	215	4,958	32	-	-	92	-	5,205	307	4,898
Plant & Machinery/ Motor Vehicles	757	304	453	83	42	-	114	-	766	386	380
Furniture & Equipment/ Library Books	1,997	1,335	662	156	1	-	138	-	2,145	1,466	679
Total operational assets	16,283	1,854	14,429	271	43	-	344	-	16,472	2,159	14,313
Council infrastructural assets											
Sewerage system	5,316	306	5,010	32	1	-	153	-	5,303	415	4,888
Water system	4,863	287	4,576	18	-	-	146	-	4,881	433	4,448
Rural water supply	5,910	300	5,610	172	2	-	157	-	6,064	441	5,623
Drainage network	4,377	129	4,248	41	2	-	69	-	4,417	199	4,218
Stopbanks	1,089	-	1,089	-	-	-	-	-	1,089	-	1,089
Roading network	174,752	3,550	171,203	2,604	131	-	2,101	-	176,709	5,134	171,575
Bridges and culverts	27,097	662	26,435	333	26	-	488	-	27,090	836	26,254
Total infrastructural assets	223,405	5,234	218,171	3,200	162	-	3,114	-	225,553	7,458	218,095
Council restricted assets											
Land	7,678	-	7,678	1	1	-	-	-	7,678	-	7,678
Buildings	4,570	152	4,418	13	-	-	78	-	4,583	230	4,352
Total restricted assets	12,248	152	12,096	14	1	-	78	-	12,261	230	12,030
Total ODC property, plant and equipment	251,936	7,240	244,696	3,485	206	-	3,536	-	254,286	9,847	244,438

Land under roads included in Roading network totals \$29,410,205.

Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 – continued

2010

	Cost /revaluation 1 July 2009	Accumulated depreciation	Carrying amount	Current year additions	Current year disposals	Current year impairment charges	Current year depreciation	Revaluation surplus	Cost /revaluation 30 June 2010	Accumulated depreciation	Carrying amount
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Council Operational assets											
Land	8,423	-	8,423	16	83	-	-	-	8,356	-	8,356
Buildings	5,388	130	5,258	62	277	-	96	-	5,173	215	4,958
Plant & Machinery/ Motor Vehicles	677	230	434	174	94	-	115	-	757	304	453
Furniture & Equipment/ Library Books	1,857	1,222	635	166	26	-	124	-	1,997	1,335	662
Total operational assets	16,345	1,582	14,750	418	480	-	335	-	16,283	1,854	14,429
Council infrastructural assets											
Sewerage system	5,285	153	5,132	39	8	-	154	-	5,316	306	5,010
Water system	4,845	140	4,705	19	1	-	146	-	4,863	287	4,576
Rural water supply	5,694	145	5,549	218	2	-	156	-	5,910	300	5,610
Drainage network	4,116	65	4,051	290	29	-	66	-	4,377	129	4,248
Stopbanks	1,089	-	1,089	-	-	-	-	-	1,089	-	1,089
Roading network	172,875	1,927	170,948	2,376	499	-	2,038	-	174,752	3,550	171,203
Bridges and culverts	27,310	487	26,823	113	326	-	488	-	27,097	662	26,435
Total infrastructural assets	221,214	2,917	218,297	3,055	864	-	3,048	-	223,405	5,234	218,171
Council restricted assets											
Land	7,639	-	7,639	39	-	-	-	-	7,678	-	7,678
Buildings	4,468	76	4,392	102	-	-	76	-	4,570	152	4,418
Total restricted assets	12,107	76	12,031	141	-	-	76	-	12,248	152	12,096
Total ODC property, plant and equipment	249,666	4,575	245,078	3,614	1,344	-	3,459	-	251,936	7,240	244,696

Land under roads included in Roothing network totals \$29,390,143.



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 –
continued**

An independent valuation of the entity's land and buildings was performed by Quotable Value, independent registered valuers not related to the entity, to determine the fair value of the land and buildings. The valuation was performed in January 2009 and does not materially differ from the value at 30 June 2009. The total fair value of Land and Building's valued by Quotable Value at 30 June 2009 after the revaluation was \$25,711,460. The carrying amount prior to the revaluation was \$25,809,265.

The infrastructural assets were valued by sufficiently experienced in-house engineering staff. The valuations were independently reviewed and confirmed to have met the appropriate valuation and financial reporting standards, and deemed suitable for inclusion in the financial statements by Maunsell (now known as AECOM) (Registered Valuers). The valuation was performed in January 2009 and does not materially differ from the value at 30 June 2009. The total fair value of Infrastructural assets valued by in-house engineering staff at 30 June 2009 after the revaluation was \$218,296,203. The carrying amount prior to the revaluation was \$172,205,487.

Council does not believe there to be a material difference from the previous revaluation performed on 30 June 2009 to the 30 June 2011 carrying amount of fixed assets.

As at balance date no items of property, plant and equipment were temporarily idle. No items of property, plant and equipment were retired from active use and not classified as held for sale.

Rental property held by the Council is held to provide housing for the elderly, and the carrying amount as at 30 June 2011 is \$1,554 (2010: \$1,572).

15. Intangible assets – Computer Software

	Actual 2010 (000's)	Actual 2011 (000's)
Balance as at 1 July		
Cost	489	522
Accumulated amortisation	(441)	(479)
Opening carrying amount	48	43
Year ended 30 June		
Additions	24	9
Disposals – cost	-	(37)
Disposals – accumulated amortisation	-	30
Amortisation charge	(29)	(24)
Closing carrying amount	43	(22)
Balance at 30 June		
Cost	522	494
Accumulated amortisation	(479)	(473)
Closing carrying amount	43	21

Amortisation of intangibles is included in the depreciation and amortisation line within the Statement of Comprehensive Income. Refer to note 6 for a breakdown of this item.

Some items of software have been fully amortised but are still in use by the entity. These items include operating systems and other key software used in the day-to-day running of council.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

Other intangibles

ODC has a number of easements over properties, giving Council access to inspect and maintain items of infrastructural importance. These easements hold no commercial value, and therefore no amount has been recorded for these easements.

16. Trade and other payables

	Actual 2010 (000's)	Actual 2011 (000's)
Trade payables	1,681	1,156
Deposits and bonds	488	414
Accrued expenses	339	371
Rates in advance	296	374
Total trade and other payables	2,804	2,315

Trade and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade and other payables approximates their fair value. The entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

17. Provisions

	Actual 2010 (000's)	Actual 2011 (000's)
Opening Balance	30	28
Increase in Landfill Aftercare Liability	-	-
Maintenance and Monitoring Costs	(2)	(2)
Closing balance	28	26
Represented by:		
Current portion	2	2
Non-current provisions	26	24
	28	26

Landfill aftercare provision

ODC gained resource consents to operate its Otorohanga and Kawhia landfills. ODC has responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the sites are closed.

Both landfills are closed. There are closure and post-closure responsibilities such as the following:



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 –
continued**

Closure responsibilities

- Final cover application and vegetation
- Incremental drainage control features
- Completing facilities for leachate collection and monitoring
- Completing facilities for water quality monitoring
- Completing facilities for monitoring and recovery of gas.

Post-closure responsibilities

- Treatment and monitoring of leachate
- Ground water and surface monitoring
- Gas monitoring and recovery
- Implementation of remedial measures such as needed for cover, and control of systems.
- Ongoing site maintenance for drainage systems, final cover and vegetation.

Capacity of the Site

The Otorohanga and Kawhia landfill's have been capped.

The cash outflows for landfill post-closure responsibilities are expected to occur between 2011 and 2033. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 7.00% (2010: 7.00%).

18. Employee benefit liabilities

	Actual 2010 (000's)	Actual 2011 (000's)
Accrued pay	88	103
Annual leave	214	220
Long service leave	29	28
Retirement gratuities	17	17
Sick leave	7	18
Total employee benefit liabilities	355	386
Comprising:		
Current	302	323
Non-current	53	63
Total employee benefit liabilities	355	386



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 –
continued

19. Borrowings

	Actual 2010 (000's)	Actual 2011 (000's)
Current		
Secured loans	3,500	5,500
Total current borrowings	3,500	5,500
Non-current		
Secured loans	9,948	7,948
Total non-current borrowings	9,948	7,948

Fixed-rate debt

The majority of ODC's secured debt of \$13,447,613 (2010: \$13,447,613) is issued at fixed rates of interest ranging from 3.95% - 7.97% (2010: 5.91% - 7.97%). Included in this amount is a Housing NZ loan of \$447,613 which is at an interest rate of 0% (2010: 0%).

Security

The overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is \$200,000 (2010: \$200,000). There are no restrictions on the use of this facility.

ODC's loans are secured over either separate or general rates of the district.

Refinancing

ODC manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management policy. These policies have been adopted as part of the ODC's Long-Term Council Community Plan (LTCCP).

Maturity analysis

Refer to note 30 – Financial Instruments Risk

Fair value is disclosed in Note 30.



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 –
continued

20. Reserves

	Actual 2010	Actual 2011
	(000's)	(000's)
Asset revaluation reserves		
Asset revaluation reserves consist of:		
<i>Operational assets</i>		
Land	5,551	5,554
Buildings	717	762
<i>Infrastructural assets</i>		
Sewerage system	1,757	1,757
Water system	2,024	2,024
Drainage network	1,920	1,920
Rural Water Supply	1,692	1,692
Bridges and Culverts	6,212	6,207
Roading network	53,923	53,844
<i>Restricted assets</i>		
Land	4,072	4,072
Buildings	2,546	2,546
Total Asset Revaluation Reserves	80,414	80,378
Other Reserves		
Restricted Reserves	657	690
Available for Sale Revaluation Reserve	7	1
Total Reserves	81,078	81,069

Restricted reserves relate to:

- Subdivision reserves, which are used to record financial contributions on subdivisions. These financial contributions are accepted in lieu of the developer creating a reserve, and the money is used by Council for work on reserves within the area.
- General funds reserve, which is used for specific purposes that Council elects to use it for. Any use of money from this reserve has to be designated within the LTCCP or Annual Plan. This reserve is typically used for one-off non operational items.



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 –
continued

21. Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities

	Actual 2010 (000's)	Actual 2011 (000's)
Surplus/(deficit) after tax	(194)	258
Add/(less) non-cash items:		
Depreciation and amortisation	3,488	3,560
Net (gain)/loss on sale of property, plant and equipment	57	84
Impairment of receivables	-	16
Vested assets	(40)	(146)
Add/(less) movements in working capital items:		
Trade and other receivables	(395)	14
Inventory	-	(31)
Trade and other payables	30	(460)
Net cash inflow/(outflow) from operating activities	2,946	3,295

Trade and other payables includes the movement in creditors, accruals, provisions and employee entitlements.

Trade and other receivables include the movement in trade and other receivables (including work in progress), and other financial assets.

22. Capital commitments and operating leases

	Actual 2010 (000's)	Actual 2011 (000's)
Capital commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	1,835	757
Other Expenditure Commitments		
Maintenance Contracts	3,056	2,653

Operating leases as lessee

ODC leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 60 months. These leases are for photocopying equipment used within the day-to-day running of the council. ODC does not have the option to purchase the leased asset at the expiry of the lease period. The future aggregate minimum lease payments to be made under non-cancellable operating leases are as follows:



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 –
continued

	Actual 2010 (000's)	Actual 2011 (000's)
Non-cancellable operating leases as lessee		
Not later than one year	34	33
Later than one year and not later than two years	20	12
Later than two year and not later than five years	10	-
Later than five years	-	-
Total non-cancellable operating leases	64	45

Operating leases as lessor

ODC leases some property under operating leases. The majority of these leases have non-cancellable terms of 5 years, with lease terms ranging from 2 years up to 21 years in selected cases. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Actual 2010 (000's)	Actual 2011 (000's)
Non-cancellable operating leases as lessor		
Not later than one year	135	192
Later than one year and not later than two years	119	185
Later than two year and not later than five years	284	370
Later than five years	152	136
Total non-cancellable operating leases	690	883

23. Contingencies

Contingent Liabilities

	Actual 2010 (000's)	Actual 2011 (000's)
Guarantees	112	70
Uncalled Capital – Waikato Regional Airport Limited	300	300
Uncalled Capital – Local Authority Shared Services	1	1
	413	371

Guarantees

The value of guarantees disclosed as contingent liabilities reflects ODC's assessment of the undiscounted portion of financial guarantees that are not recognised in the Balance Sheet. At the year end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Refer to note 30 – credit risk for more details of the guarantees.



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 –
continued**

Uncalled Capital

During May 2004, the shareholders of Waikato Regional Airport Ltd (WRAL) of which ODC has a 3.125% shareholding, authorised the company issuing further shares totalling \$21.6m to existing shareholders. This capital restructure is part of the WRAL Airport Development and allows WRAL to borrow at commercially favourable interest rates. Of this uncalled capital a sum of \$375,000 was called up by WRAL in July 2009. The contingent liability for the remaining uncalled capital reduced to \$300,000. There are no plans to call up the remaining capital.

The uncalled share capital for Local Authority Shared Services amounts to \$1,000 as at 30 June 2011. At present ODC is not aware of any plan to call the capital in the near future.

24. Related party transactions

The following transactions were carried out with related parties:

Key management personnel

Key management personnel include the Mayor, Councillor's, Chief Executive and other senior management personnel.

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with ODC (such as payment of rates, dog registrations etc).

ODC also had transactions with Waikato Regional Airport Limited, but these were conducted as part of a normal customer relationship (such as payment of departure taxes and parking charges).

No provision has been required, nor any expense recognised for impairment of receivables to related parties (2010: \$nil).

Key management personnel compensation

	Actual 2010 (000's)	Actual 2011 (000's)
Salaries and other short term employee benefits	784	828
Post employment benefits (defined contribution plan)	12	13
Other long term benefits	-	-
Termination benefits	-	-
	796	841



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

25. Remuneration

Chief Executive

The Chief Executive of ODC appointed under section 42 of the Local Government Act 2002 received a salary per their contract of \$170,000 (2010: \$150,790).

In terms of his contract, the Chief Executive also received the following benefits:

	Cost during the financial year	
	Actual 2010	Actual 2011
	(000's)	(000's)
Motor Vehicle	5	5
Telephone rental	1	1
Memberships	1	1
Superannuation Contribution	-	-
Fringe Benefit Tax	2	2

For the year ended 30 June 2011, the total annual cost including fringe benefit tax to the ODC of the remuneration package being received by the Chief Executive is calculated at \$173,641 (2010: \$154,797).

Elected representatives

	Total remuneration	
	Actual 2010	Actual 2011
	(000's)	(000's)
Dale Williams, Mayor	58	60
Hugh Earwaker, Deputy Mayor (to October 2010)	27	9
Deborah Pilkington	17	20
Sue Blackler, Deputy Mayor (from October 2010)	13	23
Leveson Gower	13	4
Robert Prescott	20	20
Ken Phillips	-	8
Roy Johnson	-	8
Max Baxter	-	8
Steve Adam	10	-
Andrew Ormsby	20	18



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

26. Severance payments

For the year ended 30 June 2010 ODC made 1 (2010: none) severance payment to an employee totalling \$27,400.

27. Transit NZ Amendment Act Disclosure

	Actual 2010	Actual 2011
	(000's)	(000's)
ODC Professional Engineering Services Business Unit		
In-House Professional Services for New Zealand Transport Authority Works	444	403
In-House Professional Services for other Works	310	372
Total Works/Services provided	754	775
Total Operating Costs	(775)	(818)
Net Gain/(Loss) on Operations	(21)	(43)

The gain or loss on the operation of the Engineering Business Unit is represented in the operating profit/(loss) for the year. The above information is presented in accordance with Section 31 of the Transit New Zealand Amendment Act.

28. Statement of Financial Involvement in Council Controlled Organisations (CCO's)

Waikato Regional Airport Limited (WRAL)

This Company, established in 1989, operated the Airport situated at Rukuhia within Waipa District. The local authority part owners negotiated the purchase of the Crown's former shareholding to secure the retention of the airport as a major infrastructural facility important to the economy of the Waikato.

The objective of the airport company is to operate a successful commercial business, providing safe, appropriate and efficient services for the transportation of people and freight in and out of the airport of Hamilton.

Council holds 3.125% of the airport company's shares. The remaining shares are owned by Hamilton City Council, Matamata-Piako, Waipa and Waikato District Councils.

Waikato Regional Airport Ltd Group reported a net surplus of \$322,000 for the year ended 30 June 2011 (2010: \$13.2m deficit).

No dividend was paid in 2011 (2010: nil).



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

Council intends to maintain its current shareholding for the foreseeable future. There are no formal policies or objectives relating to ownership and control of Waikato Regional Airport.

A comparison of the company's financial and performance measures for the year ended 30 June 2011 is shown below:

Waikato Regional Airport Limited (WRAL) *Targets and Achievements*

	Actual to 30 June 2011	Statement of Corporate Intent
Net profit/(loss) after tax to Average Shareholders' Funds	0.19%	0.50%
Net profit/(loss) after taxation to total assets	0.14%	0.41%
Percentage of Non Landing Charges Revenue	81.84%	80.77%
Earnings before Interest, Taxation and Depreciation	\$2,434k	\$2,140k
Interest Rate Cover	2.54x	2.26x
Total Liabilities/Shareholders Funds: (Debt/Equity Ratio)	25:75	18:82

Local Authorities Shared Services (LASS)

	Ownership Interest	
	Actual 2010	Actual 2011
Local Authority Shared Services	7.69%	7.69%

The contingent liability arising from ODC's interest is disclosed in note 23. There are no capital commitments arising from ODC's interest in the LASS.

The Local Authority Shared Service Ltd (LASS) CCO was incorporated in December 2005.

LASS objective

The objective of the company is to provide Waikato region local authorities with a vehicle to develop shared services that demonstrate a benefit to the ratepayers and provide those services to local authorities.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

Introduction

Local Authority Shared Service Ltd (LASS) was developed as a joint initiative between the 13 councils of the Waikato region. Its evolution can be traced from a range of projects that were implemented between local councils. These projects highlighted the benefits of a jointly owned governance structure to provide an opportunity for collaborative management and development. Central government devolution, closer working relationships between councils and a desire to benefit from cost saving opportunities offered by jointly progressing shared initiatives have fostered more efficient services.

LASS provides an effective structure that can promote such developments to the benefit of those councils that choose to be actively involved in a particular joint service. Each council owns an equal number of shares in LASS and as such has an equal say in its development.

The LASS governance structure enables the directors appointed by the shareholders to decide on the future direction of those services that will be promoted under its auspices. Any such services will be operated as a stand alone business unit with an advisory group appointed by the shareholders participating in that service to provide direction but answerable to the directors.

29. Events after balance sheet date

In September 2011, one of the properties held for resale at Progress Park was sold. This property sold for \$70k, providing a profit from sale of development land of just over \$21k. This transaction will be reflected in the 2011/12 Annual Report.

30. Financial instrument risks

Financial instruments categories

	Actual 2010	Actual 2011
	(000's)	(000's)
FINANCIAL ASSETS		
Cash and cash equivalents	1,292	1,269
Trade and other receivables	2,091	2,022
	3,383	3,291
Available for sale financial assets		
Listed shares	40	33
Unlisted shares	492	492
<i>Total available for sale financial assets</i>	532	525
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables	2,804	2,315
Borrowings		
- secured loans	13,448	13,448
<i>Total financial liabilities at amortised cost</i>	16,252	15,763



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

Otorohanga District Council has a series of policies to manage the risks associated with financial instruments. ODC is risk averse and seeks to minimise exposure from its treasury activities. ODC has established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Fair values of Financial Instruments

The carrying amounts and the fair values of financial instruments are as follows:

	Carrying Value		Fair Value	
	2010 (000's)	2011 (000's)	2010 (000's)	2011 (000's)
Cash and Cash Equivalents	1,292	1,269	1,292	1,269
Trade and other receivables	2,091	2,022	2,091	2,022
Investments	532	525	532	525
Trade and other payables	2,804	2,315	2,804	2,315
Employee Benefit Liabilities	355	386	355	386
Borrowings – current	3,500	5,500	3,620	5,626
Borrowings – term	9,948	7,948	10,792	9,102

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents, receivables, investments, employee benefit liabilities and trade and other payables: The carrying value of these items is equivalent to the fair value
The fair values of borrowings are based on cash flows discounted using a rate based on the official cash rate of 2.50% (2010: 2.75%).

The carrying amounts of borrowings repayable within one year approximate their fair value.

The fair value of listed shares is determined by reference to published price quotations in an active market. The market value of ODC's King Country Energy shares as at 30 June 2011 was \$33,578 (2010: \$40,170).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2011 –
continued

2011

	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	Total (000's)
Available-for-sale financial assets				
Shares	33	-	-	33
	33	-	-	33

2010

	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	Total (000's)
Available-for-sale financial assets				
Shares	40	-	-	40
	40	-	-	40

There were no transfers between Level 1 and 2 in the period.

Market risk*Price risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. ODC is exposed to price risk through its listed and unlisted securities. There have been no changes to price risk from the prior year. Price risk is not managed as the only quoted share investment is in King Country Energy Limited.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. ODC is not exposed to currency risk, as it does not enter into foreign currency transactions. There have been no changes to currency risk from the prior year.

Interest rate risk

The interest rates on ODC's investments and borrowings are disclosed below.

Fair value interest risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing issued at fixed rates exposes ODC to fair value interest rate risk. ODC's Treasury Management policy outlines the level of borrowing that is to be secured using fixed rate instruments.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose ODC to cash flow interest rate risk.

ODC does not have any significant cashflow interest rate risk on financial liabilities or financial assets, as they do not have significant variable interest borrowings or investments, except for short-term bank deposits that are at floating rates.

There have been no changes to interest rate risk from the prior year.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

Credit risk

Credit risk is the risk that a third party will default on its obligation to ODC, causing ODC to incur a loss. ODC has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and ODC has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

ODC has a credit risk related to the financial guarantee given for a loan taken by a local community organisation. The loan, guaranteed for \$70,000, is not likely to be defaulted on.

In the normal course of its business, ODC incurs credit risk from trade receivables. The extent of concentration of credit risk lies in trade receivables. This is explained in the table below.

Except as currently provided for, ODC does not expect the non performance in respect of any outstanding obligations at balance date.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses represents ODC's maximum exposure to credit risk without taking into account of any collateral obtained. No security is held on any of the above amounts.

ODC invests funds only in deposits with registered banks and local authority stock and its Treasury Management policy limits the amount of credit exposure to any one institution or organisation.

Maximum exposure to credit risk

ODC's maximum credit exposure for each class of financial instrument is as follows:

	Actual 2010 (000's)	Actual 2011 (000's)
Cash at bank and term deposits	1,292	1,269
Trade and other receivables	2,091	2,022
Financial guarantees	112	70
	3,495	3,361

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates. ODC does not have an expectation of non performance or any assets that are neither past due nor impaired.

Trade and other receivables mainly arise from ODC's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of trade and other receivables with reference to internal or external credit ratings. ODC has no significant concentrations of credit risk in relation to trade and other receivables, as it has a large number of credit customers, mainly ratepayers, and ODC has powers under the Local Government (rating) Act 2002 to recover outstanding debts from ratepayers.

There have been no changes to the credit risk policy from the prior year.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

Liquidity risk

Liquidity risk is the risk that ODC will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. ODC aims to maintain flexibility in funding by keeping committed credit lines available.

ODC manages its borrowings in accordance with its funding and financial policies, which includes a Treasury Management policy. These policies have been adopted as part of the ODC's Long Term Council Community Plan.

ODC has a maximum amount that can be drawn down against its overdraft facility of \$200,000 (2010: \$200,000). There are no restrictions on the use of this facility.

There have been no changes to the liquidity risk policy from the prior year.

Contractual maturity analysis of financial liabilities

The table below analyses ODC's financial liabilities into relevant maturity groupings based on the remaining period at the balance date of the contractual maturity date. Future interest payments on floating rate debt is based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
2011						
Trade and other payables	2,315	2,315	2,315	-	-	-
Borrowings	13,448	14,728	5,625	3,924	4,731	448

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
2010						
Trade and other payables	2,804	2,804	2,804	-	-	-
Borrowings	13,448	15,565	3,705	2,258	9,154	448



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2011 – continued

Sensitivity analysis

The tables below illustrate the potential profit and loss and other equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on ODC's financial instrument exposures at the balance date.

	2010				2011			
	-100bps		+100bps		-100bps		+100bps	
	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
INTEREST RATE RISK								
Financial Assets								
Cash and cash equivalents	(9)	-	9	-	(10)	-	10	-
Financial Liabilities								
Secured loans	-	-	-	-	35	-	(35)	-
Total sensitivity to interest rate risk	(9)	-	9	-	25	-	(25)	-
	-10%		+10%		-10%		+10%	
	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity
EQUITY PRICE RISK								
Financial assets								
Other financial assets - quoted share investments	-	(4)	-	4	-	(3)	-	3
Total sensitivity to equity price risk	-	(4)	-	4	-	(3)	-	3

Explanation of sensitivity analysis.

1. Cash and cash equivalents

Cash and cash equivalents includes deposits on call totalling \$1,034,853 (2010: \$853,373) which are at floating rates. A movement in interest rates of plus or minus 1.0% has an effect on interest income of \$10,349 (2010: \$8,534)

2. Secured loans

Council has \$3,500,000 floating rate debt (2010: nil). A movement in interest rates of plus or minus 1.0% has a \$35,000 effect on interest expense (2010: nil). A movement in market interest rates on fixed debts does not have any impact because secured loans are accounted for at amortised cost using the effective interest method.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

3. Listed shares

ODC holds listed equity instrument in King Country Energy, which are publicly traded. If there was a movement of plus or minus 10% in the share price the effect would have a movement in the revaluation reserve of \$3,358 (2010: \$4,017).

There have been no changes in the methods and assumptions from the prior year.

31. Capital management

The Council's capital is equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 [the Act] requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Council Community Plan (LTCCP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. And the Act sets out factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTCCP.

ODC has the following restricted reserves:

- Subdivision reserve
- General funds reserve

Subdivision reserves, which are used to record financial contributions on subdivisions. These financial contributions are accepted in lieu of the developer creating a reserve, and the money is used by Council for work on reserves within the area.

General funds reserve, which is used for specific purposes that Council elects to use it for. Any use of money from this reserve has to be designated within the LTCCP or Annual Plan. This reserve is typically used for one-off non operational items.

Information about the values of the reserves can be found within the Statement of Changes in Equity.

There have been no changes to the management of capital from the prior year.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2011 – continued

32. Explanation of major variances against budget

Explanations for major variations from the Council estimate figures in the 2010-2011 Annual Plan are as follows:

Statement of Comprehensive Income

Rates revenue is higher than estimates by \$125,000 due to the rates being struck on the values as at 1 July each year, which can differ from the values used when the estimates were created due to new subdivisions. There was also increased water consumption for the year, compared to budgeted consumption, resulting in an increase in water rates income.

Other income was \$539,000 under budget. This decrease was mostly due to a decrease in regulatory income related to a decrease in building consent and resource consent applications.

Employee benefit expenses are \$227,000 over budget due mostly to 3 new employees as a result of bringing the water services back into an in-house department.

Depreciation and amortisation was \$162,000 over budget due to some items of emergency capital expenditure that were not originally included in the budget.

Other expenses, excluding finance costs and employee benefit expenses are \$482,000 over budget, which is due to a number of factors. The main increase has been in land transport due to some maintenance work being bought forward, as well as within some of the water supply schemes due to issues with water leaks.

Balance Sheet

Development property held for sale is up on the budgeted figure by \$262,000. This is predominantly due to the Turongo Street property being re-classified as property held for sale after the budgets were approved.

Property, plant and equipment is down on budget by \$3,297,000 due to a number of budgeted projects, particularly around water treatment upgrades being deferred until the result of applications for government subsidy is known.

Statement of Cashflows

Cashflows from operating activities was down on budget by \$1,808,000, as a result of decreased income from other receipts, due to the current economic environment, as well as increased payments to suppliers for some emergency works that were not budgeted for, as well as set-up costs for the water services department.

Purchase of property, plant and equipment is under budget by \$1,877,000, which is in part attributable to underspending in Land Transport due to changes in the funding available from NZTA, as well as the water treatment upgrade projects being delayed due to the application for government funding.

Cashflows from financing activities is \$131,000 under budget due to better cashflow management requiring less borrowing.



PERFORMANCE/ STATEMENT OF COMPLIANCE AND RESPONSIBILITY



PERFORMANCE DURING 2010/11

Statement of Service Performance

The Local Government Act 2002 contains a requirement for Council to report on non-financial information in the Annual Report. In developing its Annual Plan for the 2010/11 year, Council set a number of performance measures which are reported on by activity.

These performance measures contain elements of quality, quantity, timeliness and location (where applicable).

Quality Management

The Council is committed to the principles of quality service and continuous improvement and, to this end, has controls in place for monitoring and improving the quality of the service it provides.

Capital Works

Capital works are constructed to design specifications. Inspections of works are undertaken by suitably qualified and experienced engineers and progress is reported on a regular basis to the Council.

Project Management

The Engineering Management Department undertakes the functions of planning, programming, supervision and technical audit of professional services and physical contracts let for the council, either through the in-house Business Unit or through independent consulting engineers. Substantial works are undertaken by consultants and contractors under separate contracts. For all professional services or physical contracts monies are retained until after a satisfactory maintenance period, when the contract is deemed complete.



STATEMENT OF COMPLIANCE AND RESPONSIBILITY

Statement of Compliance

The Council and Management of Otorohanga District Council confirm that all the statutory requirements of Part 3, Schedule 10, Clause 20(1) 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 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 annual Financial Statements for the year ended 30 June 2011 fairly reflect the financial position and operations of Otorohanga District Council.

Dale Williams
MAYOR

Dave Clibbery
CHIEF EXECUTIVE

Graham Bunn
**FINANCE AND
ADMINISTRATION MANAGER**

28th October 2011



REPORT ON LONG-TERM COUNCIL COMMUNITY PLAN AND POLICIES

Introduction

Each local authority is required to prepare and adopt a long-term council community plan, funding policy, investment policy, and Borrowing and Investment Policy.

Section 98(2) of the Local Government Act 2002 specifies that every local authority must provide, in its Annual Report, sufficient information about each of the documents listed above to enable an informed assessment of the extent to which the objectives and provisions of the strategy and policies have been met during that year.

Overview

During 2009/10 the Council made significant progress toward the achievement of objectives and policies for the year as set out in the Long-term council community plan, Funding Policy and Borrowing and Investment Policy. Details of achievement against the objectives and policy are set out below.

Long-Term Council Community Plan

Background

The Long-Term Council Community Plan (LTCCP) identifies significant activities of the Council and provides for the associated estimated future expenses, revenues, cashflows and other movements in the Balance Sheet. The general aim of the LTCCP is to ensure that the Council has adequately considered and accounted for its future operations in accordance with the following six principles.

- Prudent management of Council activities in the interest of the District and its inhabitants.
- Adequate provision for expenditure needs of the council.
- Adequate consideration and assessment of benefits and costs of different options.
- Lawful funding mechanisms that on reasonable grounds can be considered as appropriate.
- Maintaining prudent levels of debt in accordance with borrowing management policy.
- Operating revenue to cover all operating expenses.

The 2010/11 year was the second year of the 2009/19 LTCCP.



BORROWING AND INVESTMENT POLICY

Background

The Borrowing and Investment Policy incorporates the Investment and Borrowing Policies. The investment policy sets the parameters within which investment activity can occur, approved organisations for investment, and the type of approved investment vehicles. The mix of investments between current and non-current is determined according to Council's working capital needs. The purpose of the borrowing policy is to ensure that Council's debt and associated risks are maintained at prudent levels. It sets the parameters within which debt may be raised and the types of debt instruments available. Refer to the Annual Plan for an outline of the policy.

Overall Performance

There are no significant variations or material departures from the Councils' Borrowing and Investment Policy as reported in the 2010/11 Annual Plan.

Performance Measures

	Actual	Maximum per Policy
Interest Expense / Rates Revenue	8.5%	20%
Term Liabilities per Capita	\$844	\$1,000
Term Liabilities/ Total Assets	3.5%	7.5%



OPPORTUNITIES FOR MAORI TO CONTRIBUTE TO COUNCILS' DECISION-MAKING PROCESSES

The Council is committed to acting cooperatively and in good faith showing flexibility and responsiveness and a desire to engage with Maori for the good governance of the District. This is done in a manner that is inclusive and makes the best use of the resources of both Maori and the Council.

Various mechanisms to enhance current practices were considered, and have been discussed with Maori. These include the development of a Consultative Committee, ongoing meetings with representative groups such as the Nehenehenui and Nga Tai O Kawhia Regional Management Committees, the holding of Council meetings on Marae, and the provision of information concerning resource management processes. Council is committed to continuing investigation of these opportunities.

The commitments contained in Council's Policy on Maori Involvement in Decision Making were also observed.

Since the publication of the Otorohanga LTCCP the Waikato-Tainui Raupatu Claims (Waikato River) Settlement Bill has been enacted. The Waikato River Settlement Act recognizes the connection and significance of Waikato-Tainui, Tuwharetoa, Affiliate Te Arawa Iwi/Hapu, Raukawa and Maniapoto with the Waikato River.

The Act streamlines the co-governance and co-management arrangements, establishes a single co-governance entity, the Waikato River Authority, and seeks to restore and protect the health and wellbeing of the Waikato River through the incorporation of the Vision and Strategy for the Waikato River into the Waikato Regional Policy Statement.

The area considered by the Waikato River Authority does not include Otorohanga District and as such there are no implications at a Governance level for the Council. However the incorporation of the Vision and Strategy into the Waikato Regional Policy Statement requires Council in reviewing its District Plan and making decisions on resource consents give effect to the relevant provisions of the Vision and Strategy. This is to be undertaken as part of the relevant review or consent processes.

Further to the above Crown have signed two separate Deeds of Settlement with Raukawa and Maniapoto which will affect Council. The detail of this is not clear at present however indications are that implications to Councils will be largely similar to that defined in the Waikato River Settlement Act.



SIGNIFICANT ACTIVITIES



COMBINED COST OF SERVICE STATEMENT

For the Year ended 30 June 2011

2010 Actual \$		2011 Estimate \$	2011 Actual \$
	OPERATING REVENUE		
4,073	Activity Revenue	4,976	4,271
5,996	Targeted Rates	6,042	6,090
13	Development Contributions	25	11
3,700	General Rates	3,950	4,028
4,069	Other General Sources	4,073	4,362
17,851	TOTAL OPERATING REVENUE	19,066	18,762
	Reconciling Items:		
(4,069)	Internal Recoveries	(4,073)	(4,362)
(58)	Gains/(losses) on asset disposal	(13)	(84)
40	Assets vested in Council	-	146
11	Income on Special Funds	15	46
3	Dividend Income	1	3
13,778	TOTAL OPERATING REVENUE PER STATEMENT OF COMPREHENSIVE INCOME	14,996	14,511
	OPERATING EXPENDITURE		
9,980	Network Services	9,315	10,348
1,519	Regulatory Services	1,482	1,423
1,933	Community Services	1,773	1,915
223	Community Development	220	211
4,346	Governance and Leadership	4,584	4,568
18,001	TOTAL OPERATING EXPENDITURE	17,374	18,465
	Reconciling Items:		
(4,069)	Internal Recoveries	(4,073)	(4,362)
-	Landfill Aftercare Provision	1	-
40	Doubtful Debt Provision adjustment	-	150
13,972	TOTAL OPERATING EXPENDITURE PER STATEMENT OF COMPREHENSIVE INCOME	13,302	14,253
(194)	NET SURPLUS	1,694	258



NETWORK SERVICES

The Network Services Group activities deliver services which the community needs to function comfortably on a day to day basis and collectively must meet standards that provide a high level of community health and safety.

These activities operate on a network basis across the District, or in specific areas of the District, and all assets associated with these services have a lifecycle maintenance and renewal programme.

District Roding

The road network forms the backbone of Otorohanga's infrastructure and impacts on the potential for development in the District. The purpose of this activity is to provide for the safe and efficient passage of traffic throughout the District and Council acknowledges its interdependency on the State Highway network, as well as partnerships with key stakeholders in the transport arena.

This is the single largest activity of Council, and provides for road improvement and maintenance works such as pavement rehabilitation, reseals, bridge repairs, storm damage restoration, general maintenance, vegetation control, landscaping, sign posting and pavement marking (traffic services), street lighting, street cleaning, minor safety projects, and footpath repairs.

The rationale for Council's involvement stems in part, from statutory requirements. The Local Government Acts 1974 and 2002 empower Council to construct, upgrade and repair all roads, which is done with the help of Government funding. It also ensures common law rights of public access.

Major Capital Projects

	2011 Estimate \$ (000's)	2011 Actual \$ (000's)
Bulk Metalling	555	436
Sealed Road Resurfacing	1,200	967
Pavement Rehabilitation	390	587
Unsealed Smoothing	181	180



Key Roading Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/09	2010/11 Target	2010/11 Actual
The design and maintenance of District roads ensures that they are safe and comfortable to travel on	Reliable roading around the District will ensure that the transportation needs of communities are met. Providing safe vehicular access helps keep our communities safe and also helps provide quality transport networks	Average number of individual road defects on Sealed Rural Roads (including bleeding, shoving, rut/ hollows, edge breaks, potholes, inadequate drainage or loose surface material) observed per 10 kilometres of road lane from all routine cyclic inspections conducted during the year. All roads are inspected a minimum of 6 times per year.	New Measure	Average of 8 defects	Average of 9.36 defects
		Average number of individual road defects on Sealed Urban Roads (including bleeding, shoving, rut/ hollows, edge breaks, potholes, inadequate drainage or loose surface material) observed per kilometre of road lane from all routine cyclic inspections conducted during the year. All roads are inspected a minimum of 6 times per year.	New Measure	Average of 3 defects	Average of 1.04 defects
		Sealed road smoothness is determined by an annual survey that measures road roughness using a scale known as 'NAASRA Counts'. The table below gives an approximate indication of ride quality a driver experiences versus the associated NAASRA counts. Quality – Excellent, NAASRA <40, Very Smooth ride Quality – Good, NAASRA 40-80, Some minor bumps encountered Quality – Fair, NAASRA 80-110, Constant up and down, but reasonably comfortable driving Quality – Poor. NAASRA 110-140, Constant movement. Can feel very rough in trucks. Modern cars suspension makes driving bearable but with low comfort	95% <150 NAASRA units in Bi-annual survey	95% <140 NAASRA units across all sealed network from bi-annual survey	91.79% < 140 NAASRA units across all sealed network



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/09	2010/11 Target	2010/11 Actual
		<p>Quality – Very Poor, NAASRA >140, Uncomfortable with severe movement. Good control of steering required and may need to reduce speed.</p> <p>Table reference modified from Roughness Deterioration of Bitumen Sealed Pavements (2004) P D Hunt & J M Baker</p>			
		Provide bulk maintenance metal to all unsealed roads on average every five years from ongoing metalling programme	New Measure	Programmed length completed	Completed
		Works programmed in LTCCP for general upgrading of unsealed roads, seal extension and sealed roads rehabilitation completed	New Measure	Programmed length completed	Completed as per approval by Council estimates
		Perception of road users taken from a satisfaction survey of all ratepayers triennially. The survey covers aspects of road standard and condition with measures of 1 = Poor, 4 = Adequate and 7 = Very Good	New Measure	Not measured	Not measured
		Perception of customers actively engaging with the service taken from an annual survey of 100 randomly selected customers recorded on Council's service requestor as making requests for services to Council in the last 12 months. Received responses identify performance as adequate or better. Where less than 100 recorded, all recorded customers surveyed	New Measure	> 75%	79.3%

Sealed Rural Roads

Council's roads maintenance Engineering staff undertake regular cyclic inspections of all roads with the target of a minimum of 6 inspections of each road per year. The District has been split into 10 maintenance areas and a schedule of staff and areas has been set up to ensure the minimum of 6



inspections is achieved. All roads in each area are inspected during each round. From the inspections records, all the areas were inspected 6 times each.

Defects on both urban and rural roads, sealed and unsealed are dealt with in the same manner. ie; the Engineer will inspect roads and list by road and by Route position the defects located. All defects, schedule and cyclic items are then entered into the Cyclic Inspection data base.

At the completion of each cyclic inspection all defects are submitted to the contractor for programming and includes the required response time for the remedial work to be completed.

All general roads maintenance is undertaken by Downer under contract 863 which runs from 2007/08 – 2011/12. Part of this contract provides a schedule of response times for maintenance activities. These response times vary dependant on the type of defect, class of road, traffic volumes, etc. This will vary from 24 hours for urgent traffic hazards to 30 days for minor defects.

Response times are monitored on a month to month basis. As part of Council's contract supervision, all staff involved with the contract complete a Monthly Contract Performance sheet and the scores are averaged to give a monthly total. This monitors Resources, Workmanship, Materials Compliance, Response Times, Health and Safety, Administration, Public Relations, Presentation, Site Tidiness, and Environmental Compliance. By using this method the Contractor strives to keep response times to the required levels and overall response times are at an acceptable level.

The recorded number of defects during the cyclic inspections for rural sealed road was 9.36 per 10 km of road lane which exceeded the performance target of 8 but an improvement on last years result of 12.4

Sealed Urban Roads

The inspection process undertaken for urban sealed roads is as set out for rural sealed roads and these are part of the 10 inspection areas.

The recorded number of defects during the cyclic inspections for urban sealed road was 1.04 per kilometre of road lane which is below the performance target of 3.

Road Smoothness

The NAASRA road smoothness is measured across the entire network on alternate years, and the sealed roads with a traffic volume over 500 vehicles per day are measured on the other years.

In 2010/11 only the higher traffic volume roads were surveyed and so only that data is current and can be relied upon.

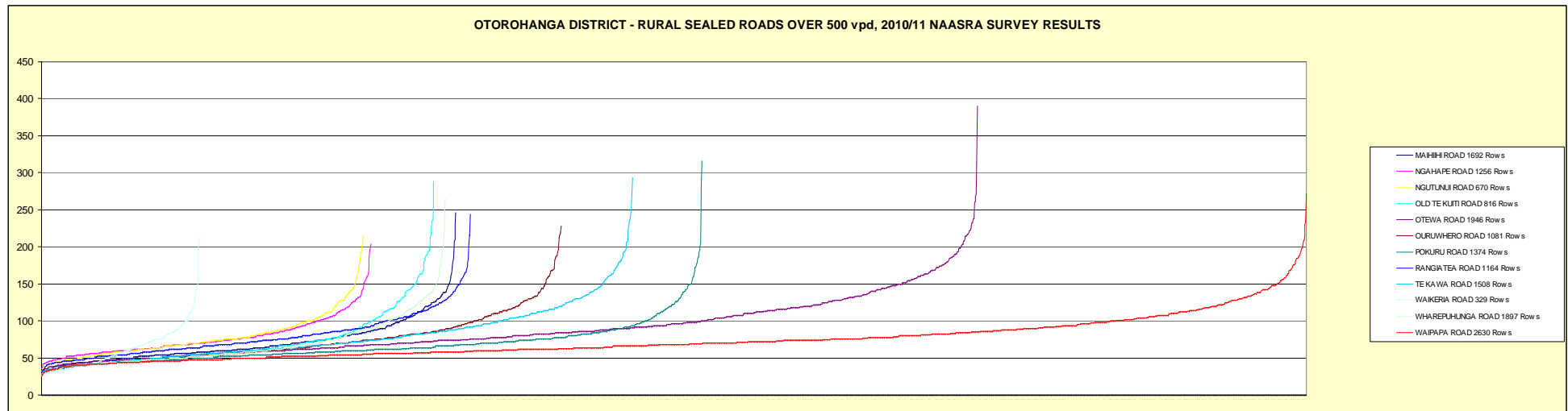
The new survey information has been uploaded to the RAMM database by the contractor, and the data retrieved to a spreadsheet to calculate the extent of the network at or below NAASRA 140.

A total of 13,356 individual readings across the 267.08 lane km of roads with a traffic volume above 500 vehicles per day have been recorded, an average of 1 reading for every 20m of lane length.



95.13% of these roads have a NAASRA result of 140 or less, and therefore the level of service target of 95% has been met on these roads. This result means that 91.79% of the roads maintained by Council have a road smoothness rating of Poor or better.

A graph of the cumulative distance v NAASRA values is shown below.



Bulk Metalling

Council maintains 282 km of unsealed rural roads and has in place a programme to bulk metal all roads every 5 years on average. The programme does allow some variation to this cycle to cater for USWP works, urgent needs etc. This cycle gives an average length of 56.4 km and an average 9000 cubic metre of metal per year. These quantities annually vary due to different road widths.

The work is currently undertaken by Inframax Construction Ltd under contract 937 which is a three year contract 2009/10 – 2011/12.

All the work programmed for 2010/11 was completed as set out below

ROAD	START RP	END RP	LENGTH km	QUANTITY m ³
Aotea Rd	2.623	6.159	3.536	510



Bonner Rd	0.008	1.590	1.582	180
Cannon Rd	3.214	3.987	0.773	105
Grey Rd	0.000	0.603	0.603	78
Hoddle Rd	0.030	4.860	4.830	765
Newman Rd	0.013	3.688	3.675	883
Ngaio Rd	0.020	0.527	0.507	45
Okupata Rd	12.313	15.706	3.393	795
Otoru Rd	0.833	4.363	3.530	540
Owhiro Rd	0.020	2.200	2.180	450
Pinny Rd	0.030	0.260	0.230	22
Pirongia West Rd	5.826	9.826	4.000	615
Puketawai Rd	6.960	8.783	1.823	255
Ranginui Rd	0.255	10.487	10.232	2,310
Smith Rd (Whawharua)			0.740	90
Tauraroa Valley Rd			2.085	495
Te Rauamo Rd			5.217	735
Waipuna Rd			1.315	150
Huki Street			0.070	10
Short Street			0.155	20
Tui Whenua Street			0.037	5
Wetere Street			0.085	10
		Total	50.598	9,068



Works Programme

Council undertook a review of roading improvement works in September 2005 which included proposed seal extensions (SE), unsealed smoothing works (USS) and unsealed roads widening and minor improvements (USWP). From this review a 10 year roading improvements programme was prepared however due to changes in NZTA funding policy some variations to the programme have been necessary. The 2011/12 capital works programme has been deferred due to current financial conditions and the final future works programme has not yet been completed due to staffing changes resulting in a changing workload. The future works programme will be finished in time for inclusion in the next Long Term Plan.

The improvement works programmed for 2010/11 were USWP on the following roads. No Sealed Smoothing or Seal Extension were proposed:

ROAD	START RP	END RP	LENGTH km
Pakanui Rd	0.02	2.80	2.78
Huirimu Rd	4.50	8.24	3.74
Te Raumaku Rd	4.23	7.14	2.91

Triennial Satisfaction Survey

Not measured. This is being undertaken in October/ November 2011, in time for inclusion in the 2011/12 Annual Report and 2012-20 Long Term Plan. The last full customer level of service survey was undertaken in June 2008. The 60-70% of rural respondents and over 70% of urban respondents requested the same level of service.

Perception Survey

From the service request system report, 100 customers were recorded as having made request or enquiry to Council's roading department during the year. all were sent a "Customer Satisfaction Survey" form and 29 responded. Of these 23 or 79.3% rated their service as satisfactory or better. A number of comments were received on where improvements can be made and these will be addressed where possible.



Solid Waste

There is a community expectation that household waste is removed from properties and managed in an environmentally sound manner.

Council has no legal requirement to carry out this activity but believes that it will better protect the environment by providing cost effective and efficient methods of refuse disposal and recycling. It is also generally expected by the community that the Council will provide this service.

Following a public consultation process, Council adopted a Zero Waste Strategy in December 2002 which set out Council's proposals for providing refuse and recycling services throughout the District. It did however subsequently become apparent that very significant difficulties and costs would be encountered in achieving some of the objectives and targets that had been set out.

A review of Council's Solid Waste Management Strategy is therefore believed to be required, but it was considered inappropriate to conduct such a review until the final form of the Waste Minimisation (Solids) legislation was known. With this legislation now enacted and its practical implementation underway Council expects to be able to conduct this review in the near future.

Major Capital Projects

No capital projects were undertaken during the year.

Key Solid Waste Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/09	2010/11 Target	2010/11 Actual
Refuse and recycling collection services are provided and recycling actively promoted	Councils planning for the future of the District will consider growth and development in its waste management strategies, and will involve recycling as a key aspect for communities – engraining the importance of the character and natural	Percentage of customers requesting substantial improvements of level of service from three yearly customer satisfaction surveys	New Measure	Not measured	Not measured
		Perception of customers actively engaging with the service taken from an annual survey of 50 randomly selected customers recorded on Council's service requestor as making requests for	New Measure	>75%	75% rated adequate or better



	values of our District	services to Council in the last 12 months. Received responses identify performance as adequate or better. Where less than 50 recorded, all recorded customers surveyed			
		Council's Solid Waste management strategy remains relevant and up-to-date	New Measure	Not measured	Waste Management & Minimisation Plan adopted by Council 1 June 2010.
The closed landfills the Council is responsible for meet environmental compliance		Extent of compliance with associated Resource Consent conditions for the closed landfills in Otorohanga and Kawhia	Full Compliance	Full Compliance	Partial compliance

Triennial Satisfaction Survey

The last full customer level of service survey was undertaken in June 2008. The majority of respondents requested the same level of service with a number wanting some improvement. The improvements suggested mainly related to increases in recycling services and this has been taken into consideration in reviewing Council's waste strategy (see below). The next triennial survey will be sent out in October 2011 with the results being reported in the 2011/12 Annual Report.

Perception Survey

From the service request system report, 18 customers were recorded as having made request or enquiry in relation to Council's refuse service during the year. As this was less than 50, all were sent a "Customer Satisfaction Survey" form and 4 responded. Of these 75% rated their service as satisfactory or better. Comments were received on where improvements can be made and these will be addressed where possible.

Solid Waste Management Strategy

The Waste Minimisation Act 2008 requires that all Council's adopt a final Waste Management and Minimisation Plan by 1 July 2012. Council's current Waste Management and Minimisation Plan 2010 is seen as an interim version of this plan, as there are additional requirements imposed by the Act. However, the current plan meets all the current standards that the Council has set for such a plan, and the Council is working towards adopting the more comprehensive plan by the 1 July 2012 deadline.



The review document was considered by the two community boards and the “Waste Management and Minimisation Plan 2010” was adopted by Council on 1 June 2010.

A waste assessment is currently being undertaken and will be going to public consultation around April 2012.

Landfill Resource Consents

No compliance reports have been received from Environment Waikato for the 2010/11 year for either Otorohanga or Kawhia closed landfills.

The last report received for the Otorohanga closed landfill was on 10 March 2010 which covered the period July 2008 to June 2009. This showed full compliance for the consent for discharge of contaminants to air and partial compliance for the consent to discharge leachate onto or into land. The partial compliance was the result of one of the test bore holes being damaged and a sample not being able to be collected and also a sample not being collected from the river. The bore hole has since been repaired and the sampling contractor instructed to ensure that the river sample is collected and tested.

The sampling contractor, Food and Health Environmental, has completed the sampling and testing at both closed landfills for 2010/11 and provided these to Council at the end of July 2011. All reports have been forwarded to Environment Waikato with Council’s report as required.



Water Supplies

Council has historically provided potable water to the urban communities of Otorohanga and Kawhia and to some rural areas to assist in facilitating economic development, and in recognition that such delivery of water is preferable to reliance on individual supply arrangements, particularly in the urban areas.

Having established such services Council is now limited in its ability to discontinue this activity, due to the provisions of the Local Government Act 2002.

Major Capital Projects

	2011 Estimate \$ (000's)	2011 Actual \$ (000's)
Ranginui Electrical Switchboard	21	14
Otorohanga Treatment Plant Upgrade	1,460	-
Kawhia Reservoir Construction	-	140

Key Water Supply Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2010/11 Target	2010/11 Actual
			0	0	No instances reported
The water provided is safe to drink	Providing continuous, efficient, quality water supply to communities ensures the health	Instances of illness indicated to be associated with consumption of water from Council supplies per annum	< 4	< 3	Compliance in all areas except Kawhia, which had 5 instances.



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2010/11 Target	2010/11 Actual
	of consumers	Instances of bacteriological contamination of water from Council supplies per annum	< 4	< 3	2 instances noted
		Council administered water supplies achieving compliance with NZ Drinking Water Standards 2008	None Comply	None Comply	None comply
The Council provides reliable drinking water supplies	Providing continuous, efficient, quality water supply to communities ensures the health of consumers	Number of instances when levels of monitored urban storage reservoirs are below 50% of capacity at 9.00am, unless due to planned maintenance works in the preceding 48 hours – instances per annum	< 10	< 5	2 instances in Kawhia and 2 instances in Otorohanga Community
		Percentage of customers requesting substantial improvements of level of service from 3 yearly customer satisfaction survey	New Measure	Not Measured	Not measured
		Perception of customers actively engaging with the service taken from an annual survey of 50 randomly selected customers recorded on Council's service requestor as making requests for services to Council in the last 12 months. Received responses identify performance as adequate or better. Where less than 50 recorded, all recorded customers surveyed	New Measure	> 80%	70.6%

Water Disinfection Failure

A total of 10 instances occurred and were reported. Information from WINZ files show levels of free available chlorine (FAC) low at Otorohanga community (1), Kawhia community (5), Ranginui RWS (1) and Tihiroa RWS (3).



Instances of disinfection failure would arise when the chlorination of drinking water during the treatment plant process does not provide adequate FAC to kill germs in the water. This may be caused by equipment failure or the chlorine cylinder running out.

The chlorine content is tested daily by Otorohanga District Council at the treatment plant. Preventative measures are undertaken by monitoring the disinfection process to ensure that there is enough FAC in the drinking water supply. In addition, the water supply reticulation system transporting water for public use is sampled daily to measure the pH and FAC.

As soon as instances are detected the Ministry of Health is advised the fault remedied and additional monitoring / testing undertaken to ensure the correct levels are restored.

If a serious fault occurred, the public would be notified and advised of any necessary action. In the cases during the current year, the necessary actions were taken to remedy the failures, which were caused by the chlorine cylinders running out, which were replaced when this was discovered.

Council has a policy of regular inspection of equipment and plant, policies and asset management plans as well as works programmes which are work in conjunction to minimise the likelihood of failures occurring.

Funding has been made available in the 2012/13 estimates for a proposed upgrade of the Otorohanga water treatment plant which will include install alarms that electronically alert staff of failures. The probable installation of new UV units will provide further disinfection of the water supply against bacterial contamination. UV disinfection may also be utilised in certain outlying areas and it requires lower control measures in comparison to chlorination disinfection. The actual timing and extent of the upgrading will be dependant on the availability of funding through the Government subsidy funding scheme.

Bacteriological Contamination

Contaminated raw river water is cleared of suspended material and particles and is disinfected with chlorine at controlled pH levels. Measures to prevent post treatment contamination are undertaken through continuous monitoring of the water supply infrastructure.

Bacteriological water test samples are taken every week in Otorohanga and every month in Kawhia and the rural water supplies. Bacteriological contamination is uncommon in the Otorohanga District and any evidence of failure is immediately remedied. The Ministry of Health is notified and a 5 day monitoring regime put in place to ensure the water is clear of contamination.

Drinking Water Standards

A regulatory process developed by the NZ Ministry of Health called the Public Health Grading of Community Water Supplies 2003 requires all water supplied to a community with a population exceeding 500, to be graded. The only supply area within the Otorohanga District with a population greater than 500 is the Otorohanga Township.

Under the Water Standards system the grading of the drinking water supplied to the community is based on the microbiological and chemical quality along with the condition of the reticulation and the quality of care.



Risks that may affect the quality of the water supply source and the treatment plant effectiveness are assessed and a grading from 'A' (completely satisfactory) to an 'E' (unacceptable level of risk) is determined. A report from Waikato DHB is received for each financial years compliance with Drinking Water Standards being received around March the following year. The report for the 2009/10 financial year showed that the Otorohanga supply had an 'E' grade. The results above reflect the results of the 2009/10 report received in November 2010.

The low grade for the Otorohanga supply (E) has been influenced by the lack of test records supplied. This is reflected in the various requirement for each grade around testing, with a grade of 'A' requiring someone onsite performing constant testing and monitoring, down to the grade of 'E', which will have little to no regular testing and monitoring. It is anticipated that the new in-house water services arrangement for operations and the proposed upgrade of the treatment plant as detailed above will meet the requirements for achieving a satisfactory grade.

To ensure that the Drinking Water Standards changes from the 2000 Standards to the 2008 Standards are met, an upgrade is planned for the water treatment plant that improves the water quality to reach the standards for public use.

Sampling, testing and service procedures will follow the requirements of the Drinking Water Standards for NZ. Failing to comply with the water standards increases the risk of substandard disinfection and potential water contamination with bacteria and protozoa.

Reservoir Levels

A total of 4 instance occurred, 2 within the Kawhia Community and 2 within the Otorohanga Community.

Reservoir levels may fall when there are leaks in the reticulation, an inadequate supply from the source or a malfunctioning water treatment, the risk of low levels being greater during periods of peak demand most commonly over summer and national holiday periods.

Measures are undertaken to monitor reservoir levels and alerts occur electronically on a telemetry system that notifies the Council staff of levels that fall below a 50% capacity. Water Services staff responds to alerts to rectify problems as soon as possible following the alert.

Note

A telemetry system electronically connecting the water treatment plants and the Council offices alerts water services staff of a malfunction related to the water treatment. Similarly, the functioning of equipment at pump stations distributed throughout the community can be monitored by Council staff through the telemetry communication system. Action in response to the failure of disinfection or storage or supply are acted on immediately by water services staff. The Council manages a continuous drinking water supply to the communities and leaks are responded to immediately if the water loss is rapid, or within 2 to 5 days if the water loss is slow. Water Service staff are 'on call' outside normal working hours to respond to instances that require immediate action.



Water Services Task	Time frame for action
Reticulation	
Major leak with rapid loss	Immediate
Consistent loss but water supply still available	2 days
Trickle loss of water	2 days to 1 week
Infrastructure	
Treatment Plant failure	Immediate
Pump station	Immediate to 2 days

Triennial Satisfaction Survey

The last full customer level of service survey was undertaken in June 2008. The majority of respondents (Otorohanga 59% and Kawhia 68%) requested the same level of service with a number wanting some improvement. The main improvements suggested in Otorohanga related to improving taste and quality while in Kawhia it was the water shortage. In both communities funding has been included over the next 2 years to undertake improvements. The full extent of the improvements will however be dependent on the availability of funding through the Government funding scheme. The next triennial survey will be sent out in October 2011 with the results being reported in the 2011/12 Annual Report.

Perception Survey

From the service request system report, 120 customers were recorded as having made request or enquiry to Council's water services department during the year. As this was over the 50, a random selection of 50 were sent a "Customer Satisfaction Survey" form and 17 responded. Of these 12 or 70.6% rated their service as satisfactory or better. A number of comments were received on where improvements can be made and these will be addressed where possible.



Waste Water

This activity (encompassing collection, reticulation and treatment of sewerage) is undertaken in the Otorohanga Community to prevent nuisance and health risks, and to meet the expectations of residents of larger communities.

Whilst there is no legal obligation on Council to maintain this activity it is strongly believed that such a service makes a significant contribution to community wellbeing, and that it should therefore be continued.

Major Capital Projects

No major capital projects during the year.

Key Waste Water Levels of Service

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/09	2010/11 Target	2010/11 Actual
The Council provides wastewater services that effectively collect and dispose of wastewater	Ensure that the needs of local and visitor communities are met. Contributes to the public health of the community	Percentage of customers requesting substantial improvements of level of service from a three yearly customer satisfaction survey	New Measure	Not measured	Not measured
		Perception of customers actively engaging with the service taken from an annual survey of 50 randomly selected customers recorded on Council's service requestor as making requests for services to Council in the last 12 months. Received responses identify performance as adequate or better. Where less than 50 recorded, all recorded customers surveyed	New Measure	>75%	100%
Wastewater disposal as provided by the Council does not create any smells, spills or health issues and		By measuring compliance with Wastewater discharge consent	Full Compliance	Full Compliance	Non-Compliance
		Frequency of sewerage overflows caused by	New	<5 reported	4 instances



causes minimal impact on the natural environment		failure or blockage of Council assets per annum	Measure	overflows	reported
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Triennial Satisfaction Survey

The last full customer level of service survey was undertaken in June 2008. The majority of respondents (62%) requested the same level of service with 30% wanting some improvement though comments did not indicate what improvements were desired. This survey only covered Otorohanga Community as this is the only waste water system.

Funding has been made available for investigation of stormwater infiltration into the sewer system and for the renewal of the effluent discharge consent which is due in June 2012. The next triennial survey will be sent out in October 2011 with the results being reported in the 2011/12 Annual Report.

Perception Survey

From the service request system report, 16 customers were recorded as having made request or enquiry to Council’s wastewater services department during the year. As this was less than 50, all were sent a “Customer Satisfaction Survey” form and 6 responded. All respondents rated the services received as satisfactory or higher.

Consent Compliance

For the period July 2010 to June 2011 faecal coliforms were evident in samples taken. E-coli levels were higher than permitted under the resource consent due to reduced treatment time through the oxidation ponds and some defects in the wetlands treatment.

A large capital upgrade of the treatment plant is planned for the 2011/12 year, which will resolve non-compliance issues as part of the new Resource Consent application.

Sewerage Overflows

A total of 4 instances occurred taken from Council’s service requests – Nos 1001600, 1100121, 1100540 & 1100642.

Otorohanga District Council Water Services team respond to sewerage manhole blockages and overflows immediately when notified. During the financial year 2010/2011, the performance measures achieved were successful and less than the target maximum for overflows. It is anticipated that these performance measure targets will be continuously met in the future.

The sewerage oxidation ponds are monitored twice a week. Any failure in the oxidation pond facilities are communicated to the Council by the telemetry system and repairs and failures are acted on immediately by the water services staff. Pump station failures and manhole blockages are acted on immediately.



There are no planned interruptions to customers for domestic waste water disposal during repairs. The exception is when deteriorating or ageing wastewater pipe is to be replaced. At least ten days notice is supplied to householders for consent to enter property and the intended brief disruption to wastewater disposal.

Flood Protection/ Stormwater/ Land Drainage

Council is required to administer urban drainage maintenance under the Land Drainage Act 1908, and considers that this activity also makes a positive contribution towards the potential for beneficial development in the urban areas. The provision of urban drainage protects private property (including land and assets) from flooding and subsequent erosion, and enables Council to fulfil its statutory responsibilities under the Building Act 1991.

Environment Waikato has largely relieved Council of their responsibility for managing rural land drainage schemes.

Major Capital Projects

	2011 Estimate \$ (000's)	2011 Actual \$ (000's)
Kawhia Stormwater Capacity Upgrade	20	25
Flood Protection Pump Renewal	11	9

Key Stormwater Levels of Service

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/09	2010/11 Target	2010/11 Actual
			New Measure	Not measured	Not measured



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/09	2010/11 Target	2010/11 Actual
			maintained	provided, to meet both current and future demands.	Perception of customers actively engaging with the service taken from an annual survey of 50 randomly selected customers recorded on Council's service requestor as making requests for services to Council in the last 12 months. Received responses identify performance as adequate or better. Where less than 50 recorded, all recorded customers surveyed

Triennial Satisfaction Survey

The last full customer level of service survey was undertaken in June 2008 but did not include a section for flood protection and stormwater.

The discharge of stormwater within the Otorohanga and Kawhia communities is covered by Environment Waikato consents. The annual audit reports of 30 April 2010 showed full compliance in both communities. The next triennial survey will be sent out in October 2011 with the results being reported in the 2011/12 Annual Report.

Perception Survey

From the service request system report, 12 customers were recorded as having made request or enquiry to Council's stormwater services department during the year. As this was less than 50, all were sent a "Customer Satisfaction Survey" form and 3 responded. Of these 66% rated their service as satisfactory or better.



**Statement of Cost of Service – Network Services
For the Year ended 30 June 2011**

2010 Actual \$		2011 Estimate \$	2011 Actual \$
	OPERATING INCOME		
3,057	Activity Revenue	3,984	3,327
5,886	Targeted Rates	5,936	5,984
246	General Rates	253	266
750	Other General Sources	770	1,072
9,939	TOTAL OPERATING INCOME	10,943	10,649
	OPERATING EXPENDITURE		
6,822	Land Transport	6,324	6,936
1,243	Water Supplies	1,152	1,244
260	Stormwater/ Flood Protection/ Land Drainage	265	258
296	Solid Waste	335	303
575	Wastewater	458	500
775	Engineering Business Unit	782	818
9	Water Services	-	289
9,980	TOTAL OPERATING EXPENDITURE	9,316	10,348
(41)	NET COST OF SERVICE	1,627	301



COMMUNITY SERVICES

Parks and Reserves (including Public Conveniences)

Council's involvement in parks, reserves and associated activities is in part based upon provisions of the Reserves Act 1977 and the Resource Management Act 1991 and is also intended to improve the general quality of life for the residents in the District. In particular the parks and reserves provide facilities for passive or active enjoyment by residents and visitors alike.

Major Capital Projects

	2011 Estimate \$ (000's)	2011 Actual \$ (000's)
Tom French Septic Tank	3	-
Toilet Upgrade – Jervois St	25	-

Key Parks, and Reserves (including public conveniences) Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
			4.4%	Not Measured	Not measured
Providing Council parks and reserves that enhance our communities quality of life	Parks and reserves provide for a number of things – a sense of place, active recreation spaces and opportunities for communities to interact – all contributing to our community outcomes	Percentage of customers requesting substantial improvements of level of service from three yearly satisfaction surveys	4.4%	Not Measured	Not measured
		Provision of safe outdoor reserve structures; (% of structures complying with NZS 8630)	New Measure	33%	33% comply with NZS 8630
		Provision of adequate, well formed & maintained paths,	New	15%	15%



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
		and tracks; (% of total track length complying with NZS 8630)	Measure		Normal routine maintenance ongoing
		Provision of safe, high quality and maintained park furniture (% items meeting criteria)	New Measure	60%	54.5% 22 out of 34 picnic tables, 2 of 2 barbecues, 0 of 8 seats to standard.
Provision of Reserve Management Plans for all Council Reserves as required under the Reserves Management Act 1977		Progress towards development of Reserve Management Plans for all Council Reserves; (% of reserves with current plan in place)	New Measure	20%	>25% of Otorohanga Urban RMP's >10% of Rural RMP's
Public Toilets as provided by Council are maintained in good condition	Having safe toilets helps achieve safe communities	Percentage of customers requesting substantial improvements of level of service from three yearly surveys	New Measure	Not Measured	Not measured

Triennial Satisfaction Survey

The last full customer level of service survey was undertaken in June 2008. The majority of respondents (57% Otorohanga Community, 68% Rural and 79% Kawhia Community) requested the same level of service. There were some general but no specific areas of improvements suggested. Some of the suggestions such as improved walking tracks at the Rotary / Bob Horsfall reserve and along the river bank, improved mowing standard, sealing at the netball courts have been undertaken. The next triennial survey will be sent out in October 2011 with the results being reported in the 2011/12 Annual Report.



Safe Outdoor Reserve Structures

Of the three outdoor reserve structures the council has, only one currently complies with NZS 8630, being the footbridge in Bob Horsfall reserve. There are currently work being done to get the other two structures up to a standard where they comply.

Safe High Quality Park Furniture

Currently 54.5% of our park furniture meets the criteria of being safe and high quality. The target is not currently being met due to staff changes during the year. As these staff changes have settled down, more work is planned for the 2011/12 year to improve those items not meeting the criteria.

Reserve Management Plans

In total Council has not achieved its measure of 20% of Reserves having management plans by 30 June 2011. The Rewa Rewa Reserve Management Plan 2010 and the Huiputea Reserve Management Plan 2008 have been completed and the Otorohanga Domain Management Plan and World War II and Pool Reserve Plan are both progressing at present, being approximately 25% done. The Domain Reserve Management Plan covers the largest reserve held by the Council and represents around 50% of the total plans required. Both these plans are on track to be completed by 30 June 2012. It is unlikely that any other plans will be commenced prior to the two current ones being completed.

Triennial Satisfaction Survey

Public toilets were included in the last full customer level of service survey undertaken in June 2008. The majority of respondents (57% Otorohanga Community, 68% Rural and 79% Kawhia Community) requested the same level of service for reserves. There were 6 requests for additional toilets at different locations throughout the district and 3 for improved service at existing toilets. No new toilets are proposed at present due to funding. The next triennial survey will be sent out in October 2011 with the results being reported in the 2011/12 Annual Report.



Library

Our public libraries have been supplying our communities with a library service for many years. While the technology and delivery options may change over time the core roles of the library remain unchanged. Our libraries support and are actively involved in the following;

The core roles are;

a) Reading and literacy

Libraries are a trusted source of information and provide extensive collections in range and depth. They encourage and support reading and literacy in people of all ages. Book and leisure resource lending will remain a key role. Increasingly libraries are enabling people to acquire information and digital literacy – essential skills in a digital world.

b) Community identity and local heritage

Libraries provide community identity and reflect the communities we serve.

Libraries are a key institution for collecting, conserving and making available local information and resources. Libraries are an important gateway for our community.

c) As a public place

Libraries are venues in which groups and individuals can participate in community activities. They provide a non-commercial community public space for research, programmes and activities.

d) Opportunities for lifelong learning and leisure

By providing opportunities for informal learning and by supporting formal education, libraries contribute to the economic and social wellbeing of people.

The need for retraining and ongoing learning has become a feature of modern economic life.

Libraries continue to be a key leisure provider. Traditionally this was through book circulation; increasingly it is through different formats and services.

Major Capital Projects

The only major capital project was the purchase of books, where \$56,000 was spent against a budget of \$50,000.



Key Library Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2010/11 Target	2010/11 Actual
			2008/2009		
Quality library service is provided	Healthy, cohesive, and informed communities have access to a wide range of up to date library materials	Triennial survey of customers satisfied with library services	New Measure	Not measured	Not measured
A range of fiction, non-fiction, paperback, large print and reference books for both children and adults are available.		Number of books issued per annum	New Measure	2% increase over previous year	Decrease of 6.7%
Holiday programs are provided for children		Number of holiday programs run annually	4	4	4
Our book stock is kept current		Publication date of 10 years or less	New Measure	>75%	69%

Triennial Satisfaction Survey

The next triennial survey will be sent out in October 2011 with the results being reported in the 2011/12 Annual Report.

Number of books issued

60,909 books were issued between 1 July 2010 and 30 June 2011. This is a 6.7% reduction on the 2009/10 year when 65,283 books were issued. This decrease reflects a trend that is being noted nationally, and also particularly in the Waikato region libraries. Fluctuations in book issues can be cyclical, and since June 2011 an increase in book issues has been noted. Library staff are currently investigating marketing options for the library, as well as refreshing the collection to try and get a more interesting selection, and encouraging school classes to visit.

Holiday Programmes

Four holiday programmes were run between 1 July 2010 and 30 June 2011 including a bird feeder craft programme in July, photography programme in October, Big Bush Read Summer Holiday reading programme in Dec/Jan and Easter crafts in April.



Current Book stock

As of 30 June 2011, 69% of the bookstock was published in 2001 or later. This is 6% below the target of >75%. To achieve the target, either more new material needs to be purchased or old material culled. If the inputs of new material don't match the level of culling, there is a risk of reducing our total bookstock holdings further below the recommended level of 3 per head of population.

Pensioner Housing

Though not considered to be part of Council's core business, housing for the elderly is owned and managed to meet community expectations and fulfil social obligations and ensure that there is a good standard of affordable rental accommodation available to elderly residents.

Key Pensioner Housing Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2010/11 Target	2010/11 Actual
			2008/2009		
Provide Pensioner Housing that is fully utilised	This service ensures Otorohanga District has housing that satisfies the needs of the community and is seen to be an ideal place for retirement	Percentage of Units occupied	2007/08 Otorohanga 97.4% Kawhia 95.2%	>95%	Otorohanga – 96.3% Kawhia – 99.4%
Council provides Pensioner Housing that is affordable		Weekly Rental per unit	2008/09 Kawhia \$78 PW single unit \$102 PW double unit Otorohanga \$58 PW single unit \$83 PW double unit	Below Market Median	<u>Kawhia</u> \$78/wk – Single \$100/wk – Double <u>Otorohanga</u> \$60/wk – Single \$87/wk – Double



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
			Good standards of maintenance and accommodation are maintained by Council		Triennial survey of overall satisfaction

Triennial Satisfaction Survey

The next triennial survey will be sent out in October 2011 with the results being reported in the 2011/12 Annual Report.

Other Property

Council owns various types of property, which are managed in the best interest of the residents and ratepayers of the District. These properties are classified as commercial or community investments.

Major Capital Projects

	2011 Estimate \$ (000's)	2011 Actual \$ (000's)
Progress Park Fence	-	6

Key Other Property Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
			New Measure	Annual Inspection	Full compliance
That all buildings and structures on Council Property meet the requirements of relevant legislation	Having safe buildings that are maintained in a sound, sanitary and safe condition – ensures our communities are safe	Full compliance of relevant legislation based on annual inspection of buildings and structures to ensure they meet the requirements of the Building Act and Fire Safety and Evacuation of Buildings Act			

All council buildings which require in compliance schedule under the Building Act 2004 are up to date with their building warrant of fitnesses. These are completed annually and checked as the regime requires. All building warrant of fitnesses are displayed publicly in the relevant buildings.

Swimming Pool

Council carries out this activity to meet the expectations of the Community. There is no legal obligation to do so.

Major Capital Projects

No major capital projects during the year.

Key Swimming Pool Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
			New Measure	Not Measured	Not measured
Provision of a clean, safe, public swimming pool that can be accessed by the District	Ensuring that the public's access to a safe public swimming facility helps create safe communities and a range of recreational facilities	Percentage of customers requesting substantial improvements of level of service from 3 yearly customer satisfaction survey			



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
		Water Quality Tests under contract that meet the requirements of NZS 5826	NZS 5826 standards are met in 85% of analyses each month	NZS 5826 standards are met in 85% of analyses each month	Non compliance
			New Measure	100% of requirements of AFQMS are met each month	Not measured

The pool facility is considered to provide a sound level of service for a community of this size. The Contractor is required to meet standards of supervision recommended in NZRA Aquatic Facility Guidelines 2007, and to test pool water quality in accordance with NZS 5826: 2000. Pool Management is also to comply with Water Safety NZ / ACC Poolsafe Quality Management Scheme.

Triennial Satisfaction Survey

The next triennial survey will be sent out in October 2011 with the results being reported in the 2011/12 Annual Report.

NZS 5826 Standards

From the testing completed by the pool contractor, the indoor pool fully complied with the requirements of NZS 5826. The outdoor pool did not comply on a number of occasions, leading to non compliance with the performance measure.

The failures in the outdoor pool can be attributed to sunlight, rain water in the pool, and a number of other reasons which can be beyond control of the contractors. Any failures to meet the standards are rectified when noted, by adding additional chemicals to the pool in order to meet the standard.

Cemeteries

The Activity is undertaken to comply with legislation under Section 4 of the Burial and Cremations Act 1964, and to meet the expectations of the Community.



Major Capital Projects

No major capital projects during the year.

Key Cemeteries Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
The Cemetery is well maintained	Well maintained and conveniently located cemeteries will be provided and planned for ahead of growth and development, ensuring these needs are met in the future	Percentage of customers requesting substantial improvements of level of service from 3 yearly customer satisfaction survey	New Measure	Not Measured	Not measured
		Progress towards development of Reserve Management Plans for all Cemeteries; (% of cemeteries with current plan in place)	New Measure	20%	10%

Triennial Satisfaction Survey

The next triennial survey will be sent out in October 2011 with the results being reported in the 2011/12 Annual Report.

Cemetery Reserve Management Plan

The Reserve Management Plans for the two cemeteries in the Otorohanga District have not been completed due to workload and time issues with staff, as a result of changes in staff during the year. Further work is planned for the 2011/12 year to complete these plans by 30 June 2012.



Litter Control

This service is outside the scope of the refuse collection contract and the main focus is one of picking up litter on the roadside and in Parks and Reserves. The service is also provided under contract to the State Highway network.

Key Litter Control Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
			Provide a roadside litter collection service throughout the rural area	This service ensures that Otorohangas clean green image is maintained and the rural environment is not a dumping ground	Percentage of customers requesting substantial improvements of level of service from 3 yearly customer satisfaction survey

Triennial Satisfaction Survey

The next triennial survey will be sent out in October 2011 with the results being reported in the 2011/12 Annual Report.



Security Patrol

Due to an approach by local businesses to provide the service as the demand for a privately owned scheme did not exist.

Key Security Patrol Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
			To provide Security Patrol services for a defined area within Otorohanga Community during night time hours	By ensuring that Otorohanga is a safe environment to live, work and play	By ensuring a nightly security patrol is provided for 8hrs per night by a registered officer
	Triennial survey of respondents who feel safe in Otorohanga Community after dark	New Measure	Not Measured		Not measured

Triennial Satisfaction Survey

The next triennial survey will be sent out in October 2011 with the results being reported in the 2011/12 Annual Report.



District Sports Co-ordinator

Council's role in this scheme satisfies part of its Mission Statement by recognising the social need to promote physical activity. Through the District Sports Co-ordinator scheme, Council delivers a range of leisure programmes and events which increase participation in leisure activities.

Key District Sports Co-Ordinator Scheme Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
			100% Compliance	100% Compliance	100% Compliance



Statement of Cost of Service - Community Services
For the Year ended 30 June 2011

2010 Actual \$		2011 Estimate \$	2011 Actual \$
	OPERATING REVENUE		
452	Activity Revenue	346	432
93	Targeted Rates	90	90
13	Development Contributions	25	11
1,334	General Rates	1,343	1,334
68	Other General Sources	3	31
1,960	TOTAL OPERATING REVENUE	1,807	1,898
	OPERATING EXPENDITURE		
506	Parks and Reserves (including Public Conveniences)	522	511
293	Library	293	303
331	Swimming Pools	335	351
110	Pensioner Housing	100	127
44	Halls	49	46
45	Harbour Services	53	42
61	Cemeteries	51	49
158	Other Council Property	145	132
55	Litter Control	52	69
92	Security Patrol	100	104
169	Community Max	-	107
69	Sport Waikato	73	71
1,933	TOTAL OPERATING EXPENDITURE	1,773	1,912
27	NET COST OF SERVICE	34	(16)



REGULATORY SERVICES

Building Control

The rationale for this group of activities is to safeguard people and property by monitoring, inspecting and controlling all building construction and modifications in accordance with the Building Act 2004.

Key Building Control Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
			Yes	-	Accreditation met
The Council processes, inspects and certifies work in Otorohanga District	The Council remains a Building Consent Authority to help ensure buildings are safe	Otorohanga District Council maintains its processes so that it meets BCA accreditation every two years	Yes	-	Accreditation met
	The Fencing of Swimming Pools Act is enforced	A Pool Register and a system of regular and recorded pool inspections will be in place by December 2009. Thereafter the Register and process will be audited annually.	New Measure	Annual Audit Undertaken	Register maintained with new pools as they are installed. No audit undertaken due to staff cuts
Building consent applications are processed within 20 working days as required by Sec 48 of the Building Act 2004	Council certifies all consented building work complies with the building code – ensuring our communities are safe	All consents will be processed within 20 working days and the average time to process a building consent will not be more than 10 days	100%	100%	Average Processing days – 8 days % processed within 20 days – 96.44%

Inspection



Council is registered by the Department of Building and Housing as a Building Control Authority pursuant to the requirements of the Building Act 2004 and associated regulations. The assessment of the BCA functions in the biannual audit by IANZ covers all aspects of plan review and building inspection.

Enforcement

A process to manage complaints and breaches of the Building Act is one of the matters assessed by the IANZ audit. Registered BCA are assessed as having processes that meet a minimum standard as detailed in the regulations. All this information can be viewed on our Building Control database. Council maintains a register of all building related complaints received.

Planning and Development

This activity exists as a result of the statutory requirements of the Resource Management Act 1991. Under this Act Council is required to promote the sustainable management of natural and physical resources and to enable people and communities to provide for their social, economic, and cultural well-being.

Key Planning and Development Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
All resource consent decisions will be notified within the time limits of Sec 115 of the Resource Management Act 1991	Efficiently processing resource consent applications enables the Council to regulate land-use activities consistently with its District Plan (Landuse regulations), demonstrating that the Council values the natural environment	The time to process non-notified land use and subdivision consents will be no more than 20 working days	100%	100%	93%
		All decisions are prepared, signed and mailed to applicants within three days of the signing of the Planner's Report and Recommendation.	< 3days	< 3days	<3 days
Good advice will be delivered to help people	Good advice from the Council, in accordance with the District Plan, will contribute to ensuring that growth and	Develop process maps and instructions for the Resource Consent application, assessment	New Measure	Annual Audit	New info sheets in relation to all aspects of resource consents developed &



understand the District Plan rules	development is managed appropriately and that the natural environment of the District is treated respectfully	and issuing procedures. Draft process maps to be completed by June 2010. Procedures to be audited annually.			included in info packs. Adopted Quality Planning website flow diagrams as best practice.
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Non-notified Consents

A number of non-notified consent during the year were not processed within the 20 working days guideline. These were usually where the work was being handled by outside consultants, and there were delays in the delivery of documents between Council and these outside consultants.

Inspection

Council officers conduct site inspections and review information provided by the applicant to ensure that all conditions imposed on subdivision consents are complied with before the final S224 certificate is issued.

Performance bonds are taken from consent applicants who are granted land use consents to relocate dwellings in the District. Buildings are inspected to ensure completion before the bonds are refunded.

Council does not employ staff to monitor consent conditions. Enforcement matters are generally complaint driven. For land use consents that may require long term monitoring, a condition of consent is set allowing Council to recover actual and reasonable costs for monitoring consent conditions.

Enforcement

Enforcement action is taken following receipt of a genuine complaint or when Council is advised of a breach of District Plan rules. There is a procedure for escalated response to such breaches, starting with a basic warning letter (ie cease and desist) moving up through Abatement Notices, Enforcement Notice, Infringement Notice and finally Court Action.

A complaints register is maintained of complaints received.

Council delegations require any information laid under the Summary Proceedings Act to be approved by Council.

Process Maps And Instructions

No annual audit of process maps and instructions was completed during the year, as a result of a lack of staff resources due to restructuring within the Environmental Services department.



Civil Defence

The rationale for this activity is to fulfil Council's legal obligation under the Civil Defence Emergency Management Act 2002 and to fulfil the Community's expectation that this service will be provided.

Key Civil Defence Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
			2	2	1
People are prepared for a civil defence emergency	This service means the Council has a direct role in ensuring communities are prepared for emergencies	Formal training exercises are conducted each year	2	2	1
		The Civil Defence action team comprising key staff will meet at least once between formal exercises to ensure preparedness and training schedules are maintained.	New Measure	Once between exercises	One meeting

The civil defence exercise programme is run on request by the Waikato Valley Emergency Operations Area (WVEOA), and during the year a large number of staff were diverted to Christchurch, which meant that the exercise programme was severely disrupted.



Dog Control

The rationale for this activity is to service the Community's expectation for health, order and safety and to meet the Council's statutory obligations under the Dog Control Act 1996.

Key Dog Control Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
			Dogs roaming outside property boundaries and on public reserves will be impounded. The dog control officer responds to public complaints about roaming dogs and uplifts and impounds dogs found wandering the streets. Regular patrols are carried out in urban areas	Through this service, the public feel safe from roaming dogs	Percentage of dogs impounded
Complaints about roaming dogs that are responded to	100%	100%	100%		

Stock Ranging and Impounding

The law relating to the establishment and management of public pounds, trespassing and wandering stock, and the impounding of stock provided under the provisions of the Impounding Act 1955.

Key Stock Ranging and Impounding Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
			Wandering animals are removed from roadways, public places and private property.	Public safety is enhanced because wandering animals are removed from roads and public places.	Calls about stock wandering on roads are actioned immediately. Response time depends on location of stock and travelling times



Environmental Health

The rationale for this group of activities is to fulfil Council's duty to provide Environmental Health services to meet the requirements of the Health Act 1956, Local Government Act 2002 and Resource Management Act 1991.

Key Environmental Health Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
Cases of communicable disease that are notified to the District Health board are referred to the Environmental Health officer for investigation. The affected family is interviewed and good hygiene practice is discussed. The outcome of the interview is reported back to the DHB	The cause of communicable disease is identified and further transmission of the infection is avoided	All communicable disease reports received from the District Health Board are investigated within 5 working days. The result of the investigation is reported back to the Medical Officer of Health no later than 7 working days from receiving the report.	100%	100%	24 notifications, 16 within 5 days.
All premises in the District that prepare food for sale receive at least one annual inspection to check for compliance with the food hygiene regulations	Having healthy food services, helps achieve safe communities	All premises in which food is sold or processed, hold a current licence.	100%	100%	100%
		All licenced premises receive at least one annual inspection. All inspections recorded in the NCS database.	1	1	1 inspection per licenced premises
All premises in the District that sell liquor are inspected annually to ensure the operations comply with the provisions of their liquor licences. Managers of these premises are required to hold current managers certificates.	The Council will help to achieve safe and healthy communities through preventing bad behaviour as a result of liquor supply	A liquor licence is held in respect of all premises at which liquor is sold or supplied, and every premise licensed for the sale or supply of liquor is managed by an appropriately qualified person	100%	100%	100%



Food Premise Licences

During the year, there were two food premises in the District that were not required to apply for a food premise licence from Council, as they had Food Safety Plan's registered with the Food Safety Authority, and are deemed to be FSA regulated venues. All other food premises had licences for the 2010/11 year.

Food Premise Inspections

During the 2010/11 year, a number of premises were not recorded as being inspected. This was due to an issue with staff resources, as well as process issues where information was not passed on to be recorded. These issues have been resolved since being discovered.

Communicable Diseases

During the year eight cases reported were not followed up within the timeframes identified. These cases had a number of reasons, including being unable to contact the patient or caregiver, and also due to staff leave at the time.

Trade Waste Licenses

Council's Trade Waste Bylaw was adopted to regulate excessive or unauthorised discharges into our stormwater and sanitary sewer systems. Such discharges have the potential to overload the treatment system or damage the piped network. Public health risk is a secondary consideration of this bylaw.



Rural Fire Control

Council provides a Rural Fire Service to fulfil its obligations under the Forest and Rural Fires Act and the Fire Service Amendment Act. The public's expectation is Council will provide rural fire protection and fire prevention services.

Key Rural Fire Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
To provide a rural fire service to meet the requirements of the Forest and Rural Fires Act and Regulations.	Aid in the reduction of uncontrolled fires and reduce the cost of rural fires to the ratepayers which will ensure that our essential services and the environment are protected.	Permits are to be issued within 3 working days Annual Restricted Fire Season.	>90%	>90%	95%
		Recovery of the costs of fires from those responsible for lighting fire or their insurers.	>90%	>90%	100%
		Review of the rural fire plan contact details annually and full review 2 yearly by 30 September	New Measure	Full Review	Completed 30 September 2011



Statement of Cost of Service - Regulatory Services
For the Year ended 30 June 2011

2010 Actual \$		2011 Estimate \$	2011 Actual \$
	OPERATING REVENUE		
512	Activity Revenue	550	439
-	Targeted Rates	-	-
-	Development Contributions	-	-
722	General Rates	626	696
277	Other General Sources	310	267
1,511	TOTAL OPERATING INCOME	1,486	1,402
	OPERATING EXPENDITURE		
526	Building Control	432	470
354	Planning & Development	430	361
42	Civil Defence	47	48
143	Dog Control	132	137
6	Stock & Ranging & Impounding	10	7
113	Environmental Health	107	117
46	Rural Fire Control	47	42
289	Environmental Services Manager	276	240
1,519	TOTAL OPERATING EXPENDITURE	1,481	1,422
(8)	OPERATING SURPLUS (DEFICIT)	5	(20)



COMMUNITY DEVELOPMENT

Property Development

Council has engaged in this activity to stimulate community growth through provision of sites suitable for residential, commercial or industrial purposes where it has been felt that an adequate resource of such sites has not existed in the market.

Key Property Development Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
That identified opportunities to address significant perceived shortages in the availability of particular types of property in the District are explored.		Decision making on physical works stage in respect of identified opportunities	New Measure	Not measured	Not measured



District Promotion

This group of activities is undertaken to:

- a) Assist coordinated multi-agency contributions to the economic vitality of the District that will support local businesses and the general well being and sustainability of communities.
- b) Actively market the District as a good place to visit, and in which to live, work and do business.

Such promotion should be undertaken in a manner that builds upon, the historical, cultural and environmental character of the District.

The District Promotion group of activities is complementary to Council's Property Development activity, in that whilst this helps provide places for new residents and businesses to come to, District Promotion helps provide the incentives for such parties to move to and remain in those places.

Key District Promotion Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
District is effectively promoted as a place to visit or lie in	Promoting Tourism and higher tourist spending will contribute to a stronger district economy	Total number of visitors to Otorohanga and Kawhia I-sites, previous year to 31 December	12,530	13,000	13,835
		Total number of visits to otorohanga.co.nz website, previous year to 31 December	87,400	95,000	93,256
Tourism activity in District is supported		Total accommodation guest stay nights in District for previous year to 31 December (Ministry of Tourism data)	36,947	38,000	31,378

Accommodation Guest Stay Nights

Guest stay nights are down on the target. While the reasons for this may be varied, a large part of this has been reflected nationally by a decrease in visitors from overseas, which has been attributed to visitors holding off their travel until the Rugby World Cup in September and October.



**Statement of Cost of Service – Community Development
For the Year ended 30 June 2011**

2010		2011	2011
Actual		Estimate	Actual
\$		\$	\$
	OPERATING REVENUE		
-	Activity Revenue	-	-
-	Targeted Rates	-	-
-	Development Contributions	-	-
222	General Rates	221	211
-	Other General Sources	-	-
222	TOTAL OPERATING REVENUE	221	211
	OPERATING EXPENDITURE		
5	Property Development	5	10
218	District Promotion	214	201
223	TOTAL OPERATING EXPENDITURE	219	211
(1)	OPERATING SURPLUS (DEFICIT)	2	-



GOVERNANCE AND LEADERSHIP

Democracy

One of the main purposes of territorial authorities is to enable democratic decision making and action.

At a basic level this involves people being involved in the decisions that affect them. However, effective democracy is about more than Council's decision making; democracy in New Zealand is synonymous with human rights, fairness, justice and equity. This means that everyone should have the same opportunities to achieve their

potential, everyone should be able to participate and be part of our communities, and should have access to recreational, educational and employment opportunities.

Council now has a broader mandate from central government to consider how they meet the needs of the community. A consequence of this is Council's increased responsibility to ensure that the community is well informed and involved in Council decision making.

Democracy activities represent Council's commitment to ensuring equity and positive growth throughout our district. In many cases Council is not alone in seeking to maximise community participation and equity. This requires Council to identify and collaborate with other district, regional and national agencies with similar or complimentary goals.

Governance

What is Governance ?

Governance encompasses providing community leadership, balancing community views, resources and needs to make decisions that are best for the community. Governance focuses on establishing a vision and objectives for the community, and making high-level decisions on policies and actions that will support these objectives.

In the Otorohanga District Council governance functions are undertaken by the elected Mayor, Councillors and Community Board members.

Governance is not about the detailed practical 'hands on' implementation of policies or actions; that is the responsibility of Council's management and staff, who are delegated powers by Council to undertake those duties in accordance with the objectives and policies set by the elected members.



Governance Structures of Otorohanga District Council

Governance of the Otorohanga District is currently undertaken by the persons elected to the following positions:

- A Mayor, elected at large by the residents and ratepayers of the District
- Seven Councillors (two representing the Otorohanga Community Ward and one each for the five rural Wards) elected by the residents and ratepayers of the particular wards.
- Four members of the Otorohanga Community Board, elected by the residents and ratepayers of that community
- Five members of the Kawhia Community Board, of which 4 are elected by the residents and ratepayers of the Kawhia Community, and the other elected by residents and ratepayers of the Aotea subdivision of that community.

Governance Roles of Elected Members

The Mayor and Councillors of Otorohanga District Council collectively have the following roles:

- Setting the policy direction of Council.
- Monitoring the performance of Council.
- Representing the interests of the people of the District
- Representing the District and Council at a wide variety of forums
- Employing the Chief Executive of Council, who in turn employs all other staff on its behalf.
- Making decisions in relation to:
 - Notified Resource Consent applications, with submissions;
 - Matters which involve a financial implication for Council
 - Matters which involve non-urgent enforcement;
 - Notified Resource Consent applications recommended to be declined.
 - A wide variety of other issues relating to the social, environmental, economic and cultural wellbeing of the District.

In addition to performing these duties, the Mayor is responsible for:

- Ensuring the orderly conduct of business during meetings, as determined in Council's Standing Orders.



- Advocating on behalf of the community.
- Acting as the ceremonial head of Council.
- Providing leadership and feedback to other elected members

Community Boards

Community Boards represent the interests of particular local communities which are, in the opinion of Council, sufficiently distinct to warrant additional representation.

Within the Otorohanga District the Communities of Otorohanga and Kawhia have been judged to meet this criterion.

It is the expectation of Council that Community Board members will establish strong relationships with the communities they serve, so that the needs and expectations of the community are well understood.

Based upon the expectation that Community Boards will effectively understand and reflect the needs of their communities, the Otorohanga District Council has delegated a high level of authority to its Community Boards, which is not a common practice in New Zealand.

In particular Otorohanga District Council has delegated to the Otorohanga and Kawhia Community Boards all of Council's functions, duties and powers relating to the following activities in those communities:

Activity	Otorohanga Community Board	Kawhia Community Board
Refuse collection and disposal	✓	✓
Water supply operation and maintenance	✓	✓
Sewerage treatment and reticulation	✓	
Flood protection	✓	
Storm water drainage	✓	✓
Community Property (Buildings)	✓	✓
Housing for the elderly	✓	✓
Security patrols	✓	
Swimming Pools	✓	



Though it is not included in the above delegations, the Otorohanga and Kawhia Community Boards have also traditionally had substantial input into matters relating to Parks, Reserves and Public toilets within their communities.

The above delegations to the Community Boards are subject to the following conditions:

1. The respective Community Account not going into a financial deficit situation without the prior approval of Council.
2. Full allowance having been made for any proposed expenditure in the estimates approved by Council.
3. Compliance with any relevant policies or directions specified by Council.
4. Community Boards are precluded by statute from acquiring, holding or disposing of property.

Community Boards may make recommendations to Council on any matter, and may seek approval for any initiative for which delegated authority has not already been given.

The relationship that Community Boards have with their communities is typically more intimate than that between Councillors and their Wards, but it is expected that all elected members will be aware of the prevailing views amongst their constituents.

Decision Making Processes

Decision making by elected members and Council staff is in accordance with the previous descriptions of governance roles.

Public consultation on specific issues, outside of the routine Council planning processes (such as the LTCCP) is undertaken in circumstances where it is believed that there is a relatively high level of community interest in the issue and potential for significantly differing views amongst community members.

Such consultation is generally conducted in accordance with the Special Consultative Procedure of the Local Government Act 2002.

The financial implications associated with the particular issue is generally not a major factor in determining whether such public consultation is undertaken, since previous experience has shown that there may be substantial public interest in matters that are of little economic value. Very substantial proposed expenditure on any project (greater than 10% of total annual operating expenditure) will however trigger Council's Policy on Significance and an associated requirement for public consultation.



Key Democracy Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
			2 newsletters per annum	Minimum 2 newsletters per annum	2 newsletters produced
Meet Local Government Act 2002 statutory planning and reporting requirements.	By achieving statutory planning and reporting requirements a high standard of accountability is demonstrated to the community	Draft LTCCP/ Annual Plan to be adopted by 30 June each year Annual Report to be adopted by 31 October each year	100% compliance	100% compliance	100% compliance
Council will make itself aware of community views and have regard to views of its communities.	An active supportive community is achieved through the Council providing opportunities for residents and ratepayers to contribute to decision-making processes by providing their community views	Triennial Residents Survey to be undertaken on community satisfaction relating to delivery of services and Council efficiency	New Measure	Not Measured	Not measured

Triennial Satisfaction Survey

The next triennial survey will be sent out in October 2011 with the results being reported in the 2011/12 Annual Report.



Council Support

Council is required by legislation to disperse grants. It facilitates the distribution of funds from Sport and Recreation New Zealand (SPARC) and Creative Communities New Zealand. Local Residents and staff are represented on the distribution committees along with Councillors.

The provision of grants is an integral component of Council's strategy to empower local communities and assist them in achieving their vision and strategic outcomes, by encouraging and rewarding community spirit.

Key Council Support Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
Management and provision of Creative Communities and SPARC funding schemes	The Council supports the development of communities by providing funding to agencies where it sees that such funding will positively support and make our communities more healthy, active and creative	Distribution of funds to Creative Communities and SPARC funding schemes on application from qualifying organisations	New Measure	> 85% allocated	100% allocated from both schemes
Management and provision of Otorohanga District Council community funding	The Council supports the development of communities by providing funding to agencies where it sees that such funding will positively support and make our communities more healthy, active and creative and also support the vulnerable and those at risk	Provision of Otorohanga District Council General Grants and ongoing Grants	New Measure	Within annual budget allocation	Within budget allocation



Corporate Planning

The Local Government Act 2002 requires every local authority to carry out a process to identify community outcomes – statements of community aspirations for the immediate to long-term future.

The process provides opportunities for people to discuss their desired community outcomes in terms of present and future social, economic, environmental and cultural well-being. The intention is that these outcomes become the basis for increased transparency and accountability by councils and other stakeholders, as a base for improving community well-being and sustainable development.

In addition to developing the community outcomes, Council must identify what it will contribute towards these, along with other agencies within its Long Term Council Community Plan and Annual Plans. Council must monitor its performance and achievement towards these outcomes as well as monitoring the achievement of the community outcomes.

Key Corporate Planning Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
			New Measure	Not measured	Not measured
Reporting back to the community on monitoring of community outcomes	The identification of local and District-wide visions will guide decision making and planning for the future	A 3 yearly published report on the progress towards achieving community outcomes	New Measure	Not measured	Not measured
Existing levels of service as identified in Councils triennial survey meets the needs of the community	Having plans in place to ensure growth and change is managed will help ensure our community's vision will happen	A triennial Levels of Service Survey to all affected ratepayers	New Measure	Not measured	Not measured

Triennial Satisfaction Survey

The next triennial survey will be sent out in October 2011 with the results being reported in the 2011/12 Annual Report. The three yearly report on progress towards achieving community outcomes is also due to be completed with the 2011/12 Annual Report.



Policy Development

The purpose of this activity is to formulate strategic direction in all policies, by-law and planning matters. Predominant drivers for policy development stem from legislative requirements. Council is involved in this activity because of public demand and statutory responsibility.

Key Policy Development Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
Ensure major decisions are made in a democratically accountable way	Ensures Council's decision making processes involves and engages the community	100% of all significant decisions are made subject to respective consultative procedures that meet the requirements of the Local Government Act 2002 and/or Resource Management Act 1991	100%	100%	100%
Policy development is visible and accountable	Ensures transparency in policy development to provide better information supporting community involvement and awareness	Key draft policy documents subject to consultation are available on Council's website	100%	100% are available by the date of public notification of the policy/planning document	100% - all documentation made available through Council website and mailed out to submitters and stakeholders
		Environmental Monitoring Reports are published	New measure	No target	Not measured
Provide location legislation	Put in place management controls that address issues and are consistent with Council policies,	Review of bylaws undertaken	New Measure	No target	Traffic bylaw reviewed



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
Council meets statutory planning requirements	Ensures processes and policies are developed in a consistent manner and reflective of community input	Proposed District Plan to be notified by end of 2009 Calendar year	New Measure	No target	Proposed District Plan Notified 14 September 2010

Environmental Monitoring Reports

As the new District Plan has not yet been formally adopted as at balance date, producing environmental monitoring reports against the measures identified in the District Plan is not possible, and as such there has been no measure of compliance with this established for the 2010/11 year.



Iwi Liaison

The purpose of Iwi Liaison is to independently facilitate input from the Maori Community into democratic and community processes. Council has a statutory responsibility for this activity under the Local Government Act 2002 and the Resource Management Act 1991.

Key Iwi Liaison Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
Foster capacity building for Maori to take part in local government processes	<ul style="list-style-type: none"> - Provides opportunity for Maori to be involved and engaged in decision making processes of Council - Provides opportunity for Council policies to address issues affecting Maori 	Adoption of formalised partnerships with Iwi/Maori authorities and groups	New Measure	No Target	Progress on this is being made with an Information Sharing Agreement being put in place between Council and an Iwi Authority
Acknowledge the relationship of Tangata Whenua with the natural environment	Recognise the unique relationship of Maori with the natural environment	Have in place agreed processes of consultation and opportunities for input into consent processes with Tangata Whenua authorities	New Measure	No Target	Processes have been agreed with one Iwi Authority. Work is progressing with others. This work is dependent on willingness and capacity of tangata whenua.
Provide opportunities for Maori to be involved in decision-making processes	Ensure Council decisions reflect the Maori history and culture of the district and the unique relationship of Maori with the natural environment	Enter into and obtain resolution regarding options for Iwi/Maori and Council representation forum(s)	New Measure	Resolution obtained by 30 June 2011	This is a matter that has been identified in the River Settlement processes and as such provides the driver for this to be achieved.



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2010/11 Target	2010/11 Actual
		Establishment and operation of representation forum(s) as agreed to by Iwi/Maori authorities and Council	New Measure	No Target	Discussions with some Iwi Authorities have taken place with scope to be agreed to. Commitments have been given to give further consideration to this matter.



**Statement of Cost of Service – Governance and Leadership
For the Year ended 30 June 2011**

2010 Actual		2011 Estimate	2011 Actual
\$		\$	\$
	OPERATING REVENUE		
52	Activity Revenue	96	71
16	Targeted Rates	16	16
-	Development Contributions	-	-
1,176	General Rates	1,507	1,520
2,974	Other General Sources	2,990	2,992
4,218	TOTAL OPERATING INCOME	4,609	4,599
	OPERATING EXPENDITURE		
607	Otorohanga District Council	677	648
117	Otorohanga Community Board	140	135
40	Kawhia Community Board	50	55
121	Council Support	131	129
193	Corporate Planning	215	172
359	Resource Management Policy Development	379	467
2,908	Support Services	2,992	2,962
4,345	TOTAL OPERATING EXPENDITURE	4,584	4,568
(127)	OPERATING SURPLUS (DEFICIT)	25	31



SUPPORTING INFORMATION



EQUAL EMPLOYMENT OPPORTUNITIES POLICY

POLICY STATEMENT

The Otorohanga District Council is committed to supporting the principles of equal opportunity in recruitment, selection, employment, training and promotion.

The policy of the Council is to ensure that no employee, or potential employee, shall gain any advantage or suffer any disadvantage by reason of their race, colour, ethnic or national origin, gender, marital status, sexual preference, age, religious or political beliefs, or personal disability where said disability is irrelevant to an individuals ability to carry out the job.

This policy will remain consistent with:

- Good personnel policy and practices.
- The Human Rights Act 1993.
- Employment Contracts Act 1991.
- Local Government Amendment Act (No.3) 1996.

Council is committed to a programme of action to ensure its activities are carried out without discrimination.



AUDIT REPORT



**INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
OTOROHANGA DISTRICT COUNCIL'S
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011**

The Auditor-General is the auditor of Otorohanga District Council (the District Council). The Auditor-General has appointed me, Graham Naylor, using the staff and resources of Deloitte, to carry out the audit of the financial statements, groups of significant activities and with the other requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report of the District Council on her behalf.

We have audited:

- the financial statements of the District Council on pages 10 to 55, that comprise the balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the groups of significant activities of the District Council on pages 63 to 121; and
- the District Council compliance with the other requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report (other schedule 10 information).

Opinion on the financial statements, the groups of significant activities and other schedule 10 information

In our opinion:

- The financial statements of the District Council on pages 10 to 55:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the District Council's balance sheet as at June 2011; and
 - the financial performance and cash flows for the year ended on that date.
- The groups of significant activities of the District Council on pages 63 to 121:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the District Council's levels of service for the year ended 30 June 2011, including:
 - the levels of service as measured against the intended levels of service adopted in the long-term council community plan; and
 - the reasons for any significant variances between the actual service and the expected service.
- The District Council has complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report.

Our audit was completed on 28 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 Council and our responsibilities, and 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, groups of significant activities and other schedule 10 information 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, groups of significant activities and other schedule 10 information. 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, groups of significant activities and other schedule 10 information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, groups of significant activities and other schedule 10 information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the District Council's financial statements, groups of significant activities and other schedule 10 information 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 the District Council's internal control.



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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 the Council;
- the adequacy of all disclosures in the financial statements and groups of significant activities;
- determining the appropriateness of the reported groups of significant activities within the Council's framework for reporting performance; and
- the overall presentation of the financial statements, groups of significant activities and other schedule 10 information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, groups of significant activities and other schedule 10 information. 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 the Council

The Council is responsible for preparing:

- financial statements and groups of significant activities that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the District Council's balance sheet, financial performance and cash flows;
 - fairly reflect its service performance, including achievements compared to forecast; and
- other information required by schedule 10 of the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements, groups of significant activities and other schedule 10 information that are free from material misstatement, whether due to fraud or error.

The Council's responsibilities arise from the Local Government Act 2002.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements, groups of significant activities and compliance with the other schedule 10 information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

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 the provision of taxation advice, we have no relationship with or interests in the District Council.

Graham Naylor
Deloitte
On behalf of the Auditor-General
Hamilton, New Zealand

This audit report relates to the financial statements and service performance information of Otorohanga District Council for the year ended 30 June 2011 included on Otorohanga District Council's website. The Council is responsible for the maintenance and integrity of Otorohanga District Council's website. We have not been engaged to report on the integrity of the Otorohanga District Council's website. We accept no responsibility for any changes that may have occurred to the financial statements and service performance information since they were initially presented on the website. The audit report refers only to the financial statements 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 28 October 2011 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.