

Otorohanga District Council

Summary Annual Report for the year ended 30 June 2011

COMMENTS FROM THE MAYOR AND THE CHIEF EXECUTIVE

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

28th October 2011

Dave Clibbery
CHIEF EXECUTIVE

28th October 2011





Summary Financial Statements

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

Actual 30 June 2010 (000's)		Budget 30 June 2011 (000's)	Actual 30 June 2011 (000's)
	Income		
9,696	Rates revenue	9,993	10,118
4,082	Other income	5,003	4,393
13,778	Total income	14,996	14,511
	Expenditure		
871	Finance Costs	778	857
13,101	Other Operating Expenditure	12,525	13,396
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

OTOROHANGA DISTRICT COUNCIL SUMMARY BALANCE SHEET AS AT 30 JUNE 2011

Actual 30 June 2010 (000's)		Budget 30 June 2011 (000's)	Actual 30 June 2011 (000's)
	Assets		
3,753	Total current assets	3,338	3,783
245,258	Total non-current assets	248,324	244,984
249,011	Total assets	251,662	248,767
	Liabilities		
6,608	Total current liabilities	5,778	8,140
10,027	Total non-current liabilities	10,683	8,035
16,635	Total liabilities	16,461	16,175
232,376	Net Assets	235,201	232,592
	Equity		
151,298	Retained earnings	153,709	151,523
81,078	Reserves	81,492	81,069
232,376	Total equity attributable to ODC	235,201	232,592



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

Notes	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

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

Actual 30 June 2010 (000's)		Budget 30 June 2011 (000's)	Actual 30 June 2011 (000's)
2,946	Net cash provided by Operating Activities	5,103	3,295
(3,456)	Net cash used in Investing Activities	(5,232)	(3,318)
414	Net cash provided by/(used in) Financing Activities	131	-
(96)	Net (decrease)/increase in cash, cash equivalents and bank overdrafts	2	(23)
	Made up as follows:		
(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



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 to 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.

Basis of Preparation

These summary financial statements and summary statement of service performance (the Summary Report) have been prepared in compliance with "Financial Reporting Standard Number 43 – Summary Financial Statements" issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants (May 2007). The Summary Report cannot provide as complete an understanding as the full Annual Report which is available at the Council Offices and District Libraries.

The Summary Report has been extracted from the full Otorohanga District Council 2010/2011 Annual Report (including the full financial statements) which was authorised for issue on 28th October 2011. The full financial statements received an unmodified audit opinion dated 28th October 2011. The summary financial statements are presented in New Zealand dollars. The Summary Report was adopted and authorised by the Otorohanga District Council on 28th October 2011.



The primary objective of Otorohanga District Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Otorohanga District Council has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The full financial statements included in the full Annual Report have been prepared in accordance with NZ GAAP.

The full financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Summary of Other Notes

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.

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.

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



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 collected under non-cancellable operating leases are as follows:

	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 its 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

Reserves

	Actual 2010 (000's)	Actual 2011 (000's)
Restricted reserves Available for Sale	657	690
Revaluation Reserves	7	1
Asset Revaluation Reserves	80,414	80,378
Total Reserves	81,078	81,069



Summary Significant Activities

SUMMARY COMBINED COST OF SERVICE STATEMENT For the Year ended 30 June 2011

2010 Actual \$ (000's)		2011 Estimate \$ (000's)	2011 Actual \$ (000's)
	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
(4,069)	Less Internal Recoveries	(4,073)	(4,362)
(4)	Other Income	3	111
13,778	TOTAL REVENUE	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 ACTIVITY EXPENDITURE	17,374	18,465
(4,069)	Less Internal Recoveries	(4,073)	(4,362)
40	Other Expenditure	1	150
13,972	TOTAL EXPENDITURE	13,302	14,253
(194)	NET SURPLUS	1,694	258



Summary of Significant Service Levels and Performance Targets

Network Services

Network services covers Land Transport, Solid Waste, Water Supply, Waste Water and Flood Protection/Stormwater. The achievements against performance targets are summarised below

Activity	Number of Performance Targets	Achieved	Partially Achieved	Not Measured	Not Achieved
Land Transport	7	4	-	1	2
Solid Waste	4	1	1	1	1
Water Supply	7	4	1	1	1
Waste Water	4	2	-	1	1
Flood Protection/Stormwater	2	-	-	1	1

Land Transport targets achieved included number of defects on Sealed Urban roads, bulk maintenance metalling and perception of customers actively engaging with Council. The target not achieved was for defects on Sealed Rural roads.

The Solid Waste target that was achieved was the Solid Waste management strategy. The not achieved target related to customer perception survey results.

Within the Water Supply targets achieved were items such as instances of illness, NZ Drinking Water Standards and levels of reservoirs.

Water Supply targets not achieved was perception of customers actively engaging with Council.

The Waste Water targets achieved were for frequency of sewerage overflow and perception of customers actively engaging with Council.

Those Waste Water target not achieved related to compliance with discharge consent.

The Flood protection and Stormwater target that was not achieved for the year was perception of customers actively engaging with Council.

Community Activities

Overall across all community activities a total of 23 performance targets exist, of which nine (9) were achieved, nine (9) were not measured and five (5) were not achieved. Those achieved included safe outdoor structures, adequate paths and tracks, library holiday programmes, pensioner housing weekly rentals, pensioner housing occupancy, building warrant of fitness's, nightly security patrols and Sport Waikato reports.

The targets not achieved included safe and high quality park furniture, Reserve Management Plans for parks and cemeteries, number of library books issued, publication dates of library books, and swimming pool water quality tests.

Regulatory Services

There are 18 performance measures across Regulatory Services, which covers Building Control, Planning & Development, Environmental Health, Rural Fire, Civil Defence, Dog Control and Stock Ranging. Of these measures, twelve (12) were achieved and six (6) were not achieved. These related to issuing of non-notified land use and subdivision consents within 20 working days from the date of advice, processing building consents in 20 days, audit of pool register, develop process maps, formal civil defence exercises and



communicable diseases reports received and investigated in 5 working days.

Some of the targets achieved for Regulatory Services included completing a swimming pool register, percentage of dogs impounded, complaints about roaming dogs, stock wandering on roads and liquor licensing.

Community Development

There are four performance measures for Community Development, of which one was achieved during the year. This related to visitors to i-Sites. The measures not achieved related to Waiwera St subdivision, accommodation guest stay nights and visits to Otorohanga.co.nz.

Governance and Leadership

Governance and Leadership covers Democratic Process, Policy Development, Council Support, Corporate Planning and Support Services. There are sixteen (16) performance targets across Governance and Leadership, and of these nine (9) were achieved during the year. Four (4) were not measured and the remaining three (3) were not achieved.

Some of the major performance targets related to distribution of funds from council grants, legislative compliance, adoption of partnerships with Iwi/Maori authorities and LTCCP and Annual Reports adopted within statutory timeframes.

Those not achieved included notification of the proposed District Plan and agreeing processes of consultation with Tangata Whenua authorities.

The majority of the not measured performance measures related to the triennial survey, which will be conducted in October 2011 and the results recorded in the 2011/12 Annual Report.





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 Summary Financial Statements and the judgements used in them.

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

In the opinion of the Council and Management of Otorohanga District Council, the Summary Financial Statements for the year ended 30 June 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

Otorohanga District 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
	197,600 ha	9,516

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 2009/11

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

Contact Information

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Otorohanga

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the summary of the annual report (the summary) as set out on pages 3 to 10, which was derived from the audited statements in the annual report of the Otorohanga District Council (the District Council) for the year ended 30 June 2011 on which we expressed an unmodified audit opinion in our report dated 28 October 2011.

The summary comprises:

- the summary statement of financial position as at 30 June 2011, and summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of the District Council's significant activities information and summaries of other information contained in its annual report.

Opinion

In our opinion, the information reported in the summary complies with FRS-43: *Summary Financial Statements* and represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

Basis of opinion

The audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand).

The summary and the audited statements, from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 28 October 2011 on the audited statements.

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

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary in accordance with FRS-43: *Summary Financial Statements*. We are responsible for expressing an opinion on the summary, based on the procedures required by the Auditor-General's auditing standards and the International Standard on Auditing (New Zealand) 810: *Engagements to Report on Summary Financial Statements*.

Other than in our capacity as auditor and the provision of taxation advice we have no relationship with, or interest in the District Council.

Graham Naylor
Deloitte
On behalf of the Auditor-General
Hamilton, New Zealand
28 October 2011



Deloitte.

Matters relating to the electronic presentation of the summary audited financial statements, significant activities information and the other requirements

This audit report relates to the summary financial statements and significant activities information of Otorohanga District Council for the year ended 30 June 2011 included on the Otorohanga District Council's website. The Council is responsible for the maintenance and integrity of the 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 summary financial statements or significant activities information since they were initially presented on the website.

The audit report refers only to the summary financial statements and significant activities information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the summary financial statements and significant activities information. 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 summary financial statements and significant activities information as well as the related audit report dated 28 October 2011 to confirm the information included in the audited summary financial statements and significant activities information presented on this website.

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