

Otorohanga District Council

Summary Annual Report for the year ended 30 June 2012

COMMENTS FROM THE MAYOR AND THE CHIEF EXECUTIVE

2011/12 has been another 'business as usual' year for Council, with a continuing focus on efficient delivery of core services. The available evidence - both formal and informal - suggests that the community remains well satisfied with this approach.

Having such a focus does however not prevent costs increasing, as there broader inflationary pressures that must inevitably be reflected in Councils activities.

During the last year upward pressures on costs have been associated with a changing risk management environment following the Christchurch earthquakes, a need to upgrade water and wastewater services to meet rising regional and national standards, decreasing availability of central government subsidy for roading works, and a three yearly re-valuation of councils assets with associated changes to depreciation.

AN ENVIRONMENT OF CHANGE

Whilst this Council continues to demonstrate consistency in respect of governance and management, at a national level there is the prospect of significant future changes to local government arrangements, arising from reforms being proposed by central government.

In response to these reform proposals local government in the Waikato has collectively embarked on a process to explore alternative opportunities for delivery of local government services that might better align with the vision of central government. In particular this encompasses the consideration of the potential for shared local government services or other means by which scale related efficiencies could be achieved.

Whilst this consideration is at a relatively early stage, it clearly has the potential to significantly change how local government

services are delivered, particularly for small rural Councils such as Otorohanga.

It is not just important that the activities undertaken by Councils are undertaken efficiently; it is also important that the nature of the activities undertaken reflects the needs and desires of each particular community. Whilst a move towards larger scale service delivery might be positive in respect of efficiency, this may also be accompanied by a reduced ability of the local community to influence decisions relating to the services they receive.

Whilst it may be uncertain whether such changes would be beneficial for the residents of the District, there is little question that such a process of exploring alternative options is important to provide greater clarity as to whether or not this Council is correct in its belief that our current practices are highly appropriate to the needs of our particular communities.

SIGNIFICANT WORKS

By far the most significant project undertaken during the year was the upgrading of the Otorohanga wastewater treatment plant, for which the physical works had a cost of \$1.15 million, in addition to which there were technical works associated with the resource consent application that cost in excess of \$250,000.

This is however an essential project, the need for which is dictated by the requirements of the Regional Council, and as such it is another element of the general environment of costs pressures to which local authorities are subject.

FINANCIAL POSITION

A small operating deficit of \$105,000 was recorded for the year. This was somewhat disappointing, but it is a result that reflects real increasing work and cost pressures rather than any inefficient or unnecessary expenditure.



Public Debt was \$13.18M at 30 June 2012. This figure represents a decrease of debt by \$267,000 relative to that in the previous year. Whilst this is a small decrease, it is considered to be very significant because it almost certainly reflects that Council has now crested the peak of debt that arose out of an extensive program of road improvement works in the late 1990's and early 2000's.

It has taken Council a number of years to climb over this peak of debt, but having now done so, and with no very large capital expenditure forecast for the forthcoming years, it is now expected that debt will progressively decrease to a relatively low level.

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

Dave Clibbery
CHIEF EXECUTIVE

13 November 2012





Summary Financial Statements

OTOROHANGA DISTRICT COUNCIL SUMMARY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

Actual 30 June 2011 (000's)		Budget 30 June 2012 (000's)	Actual 30 June 2012 (000's)
	Income		
10,118	Rates revenue	10,551	10,593
4,393	Other income	4,332	4,116
14,511	Total income	14,883	14,709
	Expenditure		
857	Finance Costs	796	818
13,396	Other Expenditure	12,946	13,996
14,253	Total expenditure	13,742	14,814
258	Profit/(loss) for the year	1,141	(105)
	Other Comprehensive Income		
(36)	Gain/(loss) on property revaluation	22,970	13,438
(6)	Gain/(loss) on available for sale financial assets	-	2
(42)	Total other comprehensive income	22,970	13,440
216	Total Comprehensive Income for the year	24,111	13,335

OTOROHANGA DISTRICT COUNCIL SUMMARY BALANCE SHEET AS AT 30 JUNE 2012

Actual 30 June 2011 (000's)		Budget 30 June 2012 (000's)	Actual 30 June 2012 (000's)
	Assets		
3,539	Total current assets	3,252	3,129
245,228	Total non-current assets	269,830	258,715
248,767	Total assets	273,082	261,844
	Liabilities		
8,140	Total current liabilities	5,771	8,177
8,035	Total non-current liabilities	10,387	7,737
16,175	Total liabilities	16,158	15,914
232,592	Net Assets	256,924	245,930
	Equity		
151,523	Retained earnings	152,878	151,399
81,069	Reserves	104,046	94,531
232,592	Total equity attributable to ODC	256,924	245,930



**OTOROHANGA DISTRICT COUNCIL
SUMMARY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

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 2010	151,301	7	80,414	657	232,379
Profit/(loss) for the year	258	-	-	-	258
Other Comprehensive Income					
Gain/(loss) on revaluations	-	(6)	(36)	-	(42)
Total Comprehensive Income	258	(6)	(36)	-	216
Transfers (to)/from retained earnings	(33)	-	-	33	-
Balance 30 June 2011	151,526	1	80,378	690	232,595
Profit/(loss) for the year	(105)	-	-	-	(105)
Other Comprehensive Income					
Gain/(loss) on movement of reserves	-	2	13,438	-	13,440
Total Comprehensive Income	(105)	2	13,438	-	13,335
Transfers (to)/from retained earnings	(22)	-	-	22	-
Balance 30 June 2012	151,399	3	93,816	712	245,930

**OTOROHANGA DISTRICT COUNCIL
SUMMARY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012**

Actual 30 June 2011 (000's)		Budget 30 June 2012 (000's)	Actual 30 June 2012 (000's)
3,295	Net cash provided by Operating Activities	4,447	4,115
(3,318)	Net cash used in Investing Activities	(4,634)	(3,886)
-	Net cash provided by/(used in) Financing Activities	187	(267)
(23)	Net (decrease)/increase in cash, cash equivalents and bank overdrafts	-	(38)
(23)	Made up as follows: Net (decrease)/increase in cash, cash equivalents and bank overdrafts	-	(38)
1,292	Cash, cash equivalents and bank overdrafts at the beginning of the year	1,292	1,269
1,269	Cash and cash equivalents at the end of the year.	1,292	1,231



Explanation of major variances against budget

Explanations for major variations from the Council estimate figures in the 2011-2012 Annual Plan are as follows:

Statement of Comprehensive Income

Rates revenue is higher than estimates by \$42,000 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.

Other income was \$216,000 under budget. This is mostly due to increased losses on sale of assets of \$330,000, offset by increases in regulatory income.

Finance costs are \$22,000 over budget, due to interest costs being higher than the figure used for budgeting purposes.

Other expenses are \$1,050,000 over budget, which is due to a number of factors. Depreciation and amortisation was \$151,000 over budget. This is predominantly due to the revaluation of fixed assets that took effect on 1 July 2011, as well as the large capital works to the Otorohanga sewerage treatment plant.

The other main increase has been in land transport due to some maintenance work being bought forward. There were also some increased costs related to the long term plan and district plan reviews.

Balance Sheet

Total current assets are down on the budgeted figure by \$123,000. This is predominantly due to a decrease in the debtors at year end against the budget, as well as a reduction in cash and cash equivalents.

Non-current assets are down on budget by \$11,115,000 due to a large decrease in the revaluation, as opposed to the large increase expected when preparing the budget.

Total current liabilities is \$2,406,000 over budget and non-current liabilities is \$2,650,000 under budget. This is predominantly due to a

reclassification of borrowings of \$2,000,000 from non-current to current based on when the repayment is due.

Statement of Cash flows

Cashflows from operating activities was down on budget by \$332,000, as a result of decreased income from other receipts, offset by an increase in receipts from rates revenue.

Net cash used in Investing activities is \$748,000 under budget, which is in part attributable to underspending in Land Transport due to changes in the funding available from NZTA, as well as delays in a number of capital projects previously budgeted.

Cashflows from financing activities is \$454,000 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 2011/2012 Annual Report (including the full financial statements) which was authorised for issue on 23rd October 2012. The full financial statements received an unmodified audit opinion dated 23rd October 2012. The summary financial statements are presented in New Zealand dollars. The Summary Report was adopted and authorised by the Otorohanga District Council on 13th November 2012.



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

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).

Also during the year a senior manager purchased a vehicle that Council was disposing of. This disposal was performed under a tender process, in which the senior manager had no advantage over other tenderers.

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 (2011: \$nil).

Key management personnel compensation

	Actual 2011	Actual 2012
	(000's)	(000's)
Salaries and other short term employee benefits	828	847
Post employment benefits (defined contribution plan)	13	15
Other long term benefits	-	-
Termination benefits	-	-
	841	862

Reserves

	Actual 2011	Actual 2012
	(000's)	(000's)
Restricted reserves	690	712
Available for Sale Revaluation Reserves	1	3
Asset Revaluation Reserves	80,378	93,816
Total Reserves	81,069	94,531

The increase in reserves is predominantly due to the revaluation of fixed assets. This accounted for \$13,438,000 of the increase in the total reserves.

The movement in restricted reserves related to subdivision financial contributions received with resource consents and interest earned on those restricted reserves.



Summary Significant Activities

SUMMARY COMBINED COST OF SERVICE STATEMENT For the Year ended 30 June 2012

2011 Actual \$ (000's)		2012 Estimate \$ (000's)	2012 Actual \$ (000's)
	OPERATING REVENUE		
4,271	Activity Revenue	4,271	4,133
6,090	Targeted Rates	6,364	6,340
11	Development Contributions	15	46
4,028	General Rates	4,187	4,253
4,362	Other General Sources	4,162	4,048
18,762	TOTAL OPERATING REVENUE	18,999	18,820
(4,362)	Less Internal Recoveries	(4,162)	(4,048)
111	Other Income	46	(63)
14,511	TOTAL REVENUE	14,883	14,709
	OPERATING EXPENDITURE		
10,348	Network Services	9,899	10,959
1,423	Regulatory Services	1,333	1,258
1,915	Community Services	1,817	1,776
211	Community Development	211	316
4,568	Governance and Leadership	4,642	4,488
18,465	TOTAL ACTIVITY EXPENDITURE	17,902	18,797
(4,362)	Less Internal Recoveries	(4,162)	(4,048)
150	Other Expenditure	2	65
14,253	TOTAL EXPENDITURE	13,742	14,814
258	NET SURPLUS	1,062	(105)



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	3	-	1	3
Solid Waste	4	-	-	1	3
Water Supply	7	5	-	-	2
Waste Water	4	2	-	1	1
Flood Protection/Stormwater	2	-	-	-	2

Land Transport targets achieved included number of defects on Sealed Rural roads, bulk maintenance metalling and road upgrade programme. The targets not achieved were for defects on Sealed Urban roads, customer perceptions of active users and triennial survey responses.

The Solid Waste targets not achieved were the Solid Waste management strategy, compliance with resource consent conditions and customer perception survey results.

Within the Water Supply targets achieved were items such as instances of illness, failures of disinfection and contamination and levels of reservoirs. Also the perceptions from triennial surveys were achieved.

Water Supply targets not achieved was perception of customers actively engaging with Council, as well as Drinking Water Standards.

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, and the triennial survey of customer perceptions.

Community Activities

Overall across all community activities a total of 23 performance targets exist, of which ten (10) were achieved, two (2) were not measured and eleven (11) were not achieved. Those achieved included safe outdoor structures, safe and high quality park furniture, adequate paths and tracks, pensioner housing weekly rentals, building warrant of fitness's, swimming pool water quality tests, nightly security patrols and Sport Waikato reports.

The targets not achieved included library holiday programmes, Reserve Management Plans for parks and cemeteries, number of library books issued, publication dates of library books, pensioner housing occupancy, and triennial perception surveys.

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, develop process maps 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, audit of pool register, formal civil defence exercises, 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 eight (8) were achieved during the year. Five (5) 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, and LTCCP and Annual Reports adopted within statutory timeframes.

Those not achieved included adoption of partnerships with Iwi/Maori authorities and number of responses to the triennial survey.

The majority of the not measured performance measures related to notification of the proposed District Plan, agreeing processes of consultation with Tangata Whenua authorities and review of bylaws.





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 2012 fairly reflect the financial position and operations of Otorohanga District Council.

Dale Williams

MAYOR

Dave Clibbery

CHIEF EXECUTIVE

Graham Bunn

**FINANCE AND
ADMINISTRATION
MANAGER**

13th November 2012

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)	5,146
Non Rateable Properties (No. of)	349
Rateable Capital Value	\$3,612,215,150
Date of Last revision of Values ¹	September 2010

Rates and Rating 2011/12

Total Rates(Excluding GST)	\$10,592,885
System of Rating	Capital Value

Public Debt Outstanding as at 30/06/12

Public Debt Outstanding	\$13,180,220
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Date of Constitution of District

1 November 1989

Contact Information

Postal Address: PO Box 11,
Otorohanga, 3940

Council Chambers: 17 Maniapoto Street,
Otorohanga

Telephone Number: 07 - 873 4000

0800 Number: 0800 734 000

Fax Number: 07 - 873 4300

Email: Info@otodc.govt.nz



INDEPENDENT AUDITOR'S REPORT

**TO THE READERS OF
OTOROHANGA DISTRICT COUNCIL'S SUMMARY OF THE ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

We have audited the summary of the annual report (the summary) as set out on pages 3 to 9, which was derived from the audited statements in the annual report of the Otorohanga District Council for the year ended 30 June 2012 on which we expressed an unmodified audit opinion in our report dated 23 October 2012.

The summary comprises:

- The summary Balance Sheet as at 30 June 2012, and summaries of the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year; and
- the summary of the District Council's summary of Cost of Services 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 23 October 2012 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 we have no relationship with, or interest in, the District Council.

Graham Naylor
Deloitte
On behalf of the Auditor-General
Hamilton, New Zealand
13 November 2012

This audit report relates to the summary financial statements and significant activities information of Otorohanga District Council for the year ended 30 June 2012 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 13 November 2012 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.