

# Otorohanga District Council

## Summary Annual Report for the year ended 30 June 2009

### COMMENTS FROM THE MAYOR AND THE CHIEF EXECUTIVE

The past year has been a challenging one for Council, with the District feeling the effects of the global recession, resulting in a tightening of the local economy and causing Council to focus even more strongly on the effective delivery of core services and the elimination of non-essential costs.

Preparation of a new Long Term Council Community Plan (LTCCP), and the ongoing review of the District Plan have required Council to make a number of significant strategic decisions during the course of the year, which will have an important role in shaping the future of the District.

Amongst the decisions made through the District Plan Review has been in-principle agreement to a significantly modified planning framework, which better recognises the requirements of the Resource Management Act and associated case law in respect of property development. The associated discussions have required Council representatives to come to grips with difficult and complex issues, such as the balance between environmental protection and economic growth, and extensive guidance has been sought from relevant parties, including landowners, to assist in this process. Significant progress has been made towards a new District Plan, but much more - including further public consultation - remains to be done.

Issues of affordability have also had a high profile during the year, and this is likely to continue for the foreseeable future. The buoyant national economy that persisted through the middle years of this decade fuelled a trend of steadily increasing costs of materials, labour and services, which has in some respects only started to abate well after the recessionary cycle was entered. The resultant combination of increasing costs to Council and decreasing ratepayer ability to pay has, and will, continue to create challenges.

Council has a history of prudent financial management, and provision of efficient 'no frills' services. Such an approach does however reduce the range of options that are available in circumstances such as those faced at present, since the absence of 'luxuries' in Council's budgets means that any further significant cost reductions are likely to be difficult without reducing the levels of core services, which we know the community values highly.

This focus on affordability was reflected in Council's LTCCP in the form of reduced expenditure on roading improvements, and also through emphasis on 'making the most of what we have' in respect of the District's people, economy and environment.

The most notable example of such an approach being successful is the range of youth training initiatives in Otorohanga, which are delivering both direct social and economic benefits for the youth and employers involved, and which are also having a much broader benefit in respect of establishing a very positive national profile for the community.

The positive profile of the Otorohanga community has also been recognised through Otorohanga being judged the best town of under 10,000 population in the national 2009 'Keep NZ Beautiful'/'Four Square' best town awards. This result is testament to the sustained and coordinated efforts of community groups such as the Otorohanga District Development Board, Project Kiwiana, the Otorohanga Business Association and the Otorohanga Community Board, which have been supported by a positive attitude amongst residents.

A greater emphasis on the promotion of the District, through support of an initiative coordinated by Hamilton International Airport and other means, is another way in which Council is seeking to extract greater value from the assets of our District at relatively low cost. It is believed that there is much in the District that could be more effectively promoted, including the increasingly vibrant Kawhia community, with its rich history and 'authentic' bach culture.



## SIGNIFICANT WORKS

No particularly large physical works were scheduled for completion in the 2008/9 year, but as in 2007/8 a much larger unscheduled project had to be completed, in this case to remedy a very large drop-out failure on Waipapa Road. The additional unscheduled cost of over \$400,000 provided a further difficulty in an already financially challenging year.

Some of the other significant works carried out in the 2008/9 year included -

- \* Seal extension on Ranginui Road
- \* Unsealed improvements to Loop and Bromley Roads
- \* Sealed improvements to Te Tahī Road
- \* Renewal of sewer on Haerehuka Street, Otorohanga
- \* Construction of Ed Hillary walkway in Otorohanga

## FINANCIAL POSITION

Council's Financial Position continues to be sound. The operating surplus of \$203,782 was significantly lower than forecast. The biggest contributor to this was increased operating expenditure, related to the preparation of the LTCCP, as well as the emergency works associated with the slip of Waipapa Road in August 2008.

Public Debt was \$12,966,082 at 30 June 2009. This was \$580,000 down on the previous financial year. The Council is keenly aware of the high level of public debt, relative to our peers. Our projections demonstrate that debt levels are likely to increase slightly in the medium term, but in the long term will decrease substantially.

Debt is an important financial mechanism. It helps to ensure that ratepayers enjoying the benefits of a capital project over time also assist in paying for it. The Council will continue to use debt to ensure intergenerational equity, as it has in the past.

## FUTURE GOVERNANCE ARRANGEMENTS

Council recognises that the formation of the Auckland 'Super City' may be just a first step in a central government plan for broader reform of local government, and is not afraid to consider alternative governance models, recognising that there is invariably scope for improvement in almost every situation.

For any alternative governance model to be supported by the Council it would however be essential that this model offers real and significant benefits for ratepayers over the current arrangements, and thus far no presented proposal has satisfied these criteria.

## CONCLUSION

Council, like most other organisations, is currently facing a range of challenges, but remains confident that it can deliver satisfactory outcomes for the District.

*Dale Williams*  
**MAYOR**

*Dave Clibbery*  
**CHIEF EXECUTIVE**





## Summary Financial Statements

### OTOROHANGA DISTRICT COUNCIL SUMMARY INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

Actual 30 June 2008		Budget 30 June 2009	Actual 30 June 2009
	<b>Income</b>		
8,260,195	Rates revenue	8,577,009	8,712,134
6,506,284	Other income	5,469,882	5,468,586
14,766,479	<b>Total income</b>	14,046,891	14,180,720
	<b>Expenditure</b>		
936,756	Finance Costs	878,884	884,764
11,547,289	Other Operating Expenditure	11,682,343	13,092,174
12,484,045	<b>Total operating expenditure</b>	12,561,227	13,976,938
2,282,434	Profit before income tax expense	1,485,663	203,782
-	Tax expense	-	-
2,282,434	<b>Profit for the year</b>	1,485,663	203,782

### OTOROHANGA DISTRICT COUNCIL SUMMARY BALANCE SHEET AS AT 30 JUNE 2009

Actual 30 June 2008		Budget 30 June 2009	Actual 30 June 2009
	<b>Assets</b>		
3,630,718	Total current assets	4,150,000	3,243,186
198,219,545	Total non-current assets	218,130,730	245,658,811
201,850,263	<b>Total assets</b>	222,280,730	248,901,997
	<b>Liabilities</b>		
7,020,280	Total current liabilities	6,437,710	10,109,469
9,047,658	Total non-current liabilities	9,592,078	6,013,584
16,067,938	<b>Total liabilities</b>	16,029,788	16,123,053
185,782,325	Net Assets	206,250,942	232,778,944
	<b>Equity</b>		
150,725,012	Retained earnings	150,846,421	151,286,832
35,057,313	Other reserves	55,404,521	81,492,112
185,782,325	<b>Total equity attributable to ODC</b>	206,250,942	232,778,944



**OTOROHANGA DISTRICT COUNCIL  
SUMMARY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2009**

Actual 30 June 2008		Budget 30 June 2009	Actual 30 June 2009
183,496,912	<b>Balance at 1 July</b>	184,528,988	185,782,325
2,979	Gains recognised through equity	20,236,290	46,792,837
2,282,434	Surplus for the year	1,485,664	203,782
2,285,413	Total recognised income and expense for the year ended 30 June	21,721,954	46,996,619
<b>185,782,325</b>	<b>Balance at 30 June</b>	<b>206,250,942</b>	<b>232,778,944</b>

**OTOROHANGA DISTRICT COUNCIL  
SUMMARY STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2009**

Actual 30 June 2008		Budget 30 June 2009	Actual 30 June 2009
3,798,632	Net cash provided by Operating Activities	4,576,563	4,547,390
(3,653,299)	Net cash used in Investing Activities	(5,323,000)	(3,998,479)
145,245	Net cash provided by/(used in) Financing Activities	746,437	(433,566)
<b>290,578</b>	<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>	<b>-</b>	<b>115,345</b>
	Made up as follows:		
981,595	Cash at beginning of the year	1,150,000	1,272,173
1,272,173	Cash at the end of the year	1,150,000	1,387,518
<b>290,578</b>	<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>	<b>-</b>	<b>115,345</b>

**Explanation of major variances against budget**

Explanations for major variations from the Council estimate figures in the 2008-2009 Annual Plan are as follows:

**Income Statement**

Rates revenue is higher than estimates by \$135,125 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 gains/losses were \$212,945 under budget. This comprised of loss on sales of Westridge and properties of \$3,709 and losses

on disposal of property, plant and equipment of \$209,236. Given the nature of property sales and asset disposals the gains and losses were not estimated.

Depreciation and amortisation was \$469,197 over budget due to the effects of the revaluation of property, plant and equipment.

Other expenses, excluding finance costs and employee benefit expenses are \$911,927 over budget, which is due to a number of factors. The main increase has been in land transport due to emergency works after the slip of Waipapa Road in August 2008. There have also been increased corporate planning costs associated with LTCCP work.



### **Balance Sheet**

Development property held for sale is down on the budgeted figure by \$1,050,993. This is due to the Waiwera Street development not being completed during the year, which was budgeted for.

Property, plant and equipment is up on budget by \$27,130,663 due to the movement as a result of the revaluation being larger than budgeted for.

Equity investments are up on the budget for other financial assets as a result of the payment of some of the uncalled capital of the Waikato Regional Airport Limited.

Current borrowings are up on the estimate due to the timing of repaying of loans being underestimated. Overall borrowings are down on the total borrowings estimate by \$1,125,996, which is due to the loans for Waiwera Street not being raised, as well as less borrowings required during the year.

Trade and other payables is \$1,010,649 over budget, which is a result of the timing of works performed and payment of invoices.

Retained earnings are \$440,411 over budget, while the other reserves are up on budget by \$26,087,591. This is due to the revaluation increase, as well the timing of the budgeting cycle.

### **Statement of Cashflows**

Purchase of property, plant and equipment is under budget by \$1,925,077, which is in part attributable to the Waiwera Street development, with the rest related to underspending in Land Transport as a result of the increase in operating expenditure for the Waipapa slip.

Cashflows from financing activities is \$1,180,003 under budget due to the Waiwera St development not going ahead, as well as better cashflow management requiring less borrowing.

### **Basis of Preparation**

These summary financial statements 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 financial statements cannot provide as complete an understanding as the full Annual Report which is available at the Council Offices and District Libraries.

These summary financial statements have been extracted from the full Otorohanga District Council 2008/2009 Annual Report (the full set of financial statements) which was authorised for issue on 27 October 2009. The full set of financial statements received an unqualified audit opinion dated 27 October 2009. The financial statements are presented in New Zealand dollars. The summary Annual Report was adopted and authorised by the Otorohanga District Council on 30 November 2009.

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 set of financial statements included in the full Annual Report have been prepared in accordance with NZ GAAP. During the year ODC has changed its accounting policies regarding the Statement of Cash Flows. A change in policy has meant that the comparatives have been restated to remove the GST portion from income and expenditure from the Statement of Cashflows. The effect of this change in policy has resulted in a \$2,151,469 decrease in receipts from other revenue and payments to suppliers and employees. The reason for this change is that ODC is no longer required to include GST figures in the Statement of Cashflows.

The full set of financial statements complies with NZ IFRS, and other applicable financial reporting standards, as appropriate for public benefit entities.



**Summary of Other Notes**

**Contingencies**

**Contingent Liabilities**

	Actual 2008	Actual 2009
Guarantees	112,000	112,000
Uncalled Capital – Waikato Regional Airport Limited	675,000	300,000
Uncalled Capital – Local Authority Shared Services	1,000	1,000
	788,000	413,000

*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. The directors of WRAL approved in March 2009 to make a call on the shareholders, with the Otorohanga District Council share being \$375,000 which was paid by the due date of 14 July 2009. The contingent liability for the remaining uncalled capital is \$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 2009. 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).

During the year Council had transactions with Whip Limited, of which the Mayor was a director. These transactions were arms length transaction by the management team, and not the Council.

No provision has been required, nor any expense recognised for impairment of receivables to related parties (2008: \$nil).

*Key management personnel compensation*

	Actual 2008	Actual 2009
Salaries and other short term employee benefits	748,636	806,460
Post employment benefits (defined contribution plan)	8,954	9,740
Other long term benefits	-	-
Termination benefits	-	-
	757,590	816,200



**Capital commitments and operating leases**

	Actual 2008	Actual 2009
<b>Capital commitments</b> Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	31,058	185,670
<b>Other Expenditure Commitments</b> Maintenance Contracts	4,083,121	3,300,456

**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. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Actual 2008	Actual 2009
<b>Non-cancellable operating leases as lessee</b>		
Not later than one year	48,929	48,854
Later than one year and not later than two years	48,929	33,814
Later than two year and not later than five years	63,638	29,899
Later than five years	-	-
<b>Total non-cancellable operating leases</b>	<b>161,496</b>	<b>112,567</b>

**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 2008	Actual 2009
<b>Non-cancellable operating leases as lessor</b>		
Not later than one year	206,376	193,778
Later than one year and not later than two years	149,143	55,511
Later than two year and not later than five years	67,813	60,987
Later than five years	149,186	131,151
<b>Total non-cancellable operating leases</b>	<b>572,518</b>	<b>441,427</b>

**Equity**

	Actual 2008	Actual 2009
<b>Retained Earnings</b>	<b>150,725,012</b>	<b>151,286,832</b>
Restricted reserves	1,068,410	861,754
Available for Sale Revaluation Reserves	13,682	9,459
Asset Revaluation Reserves	33,975,221	80,620,899
<b>Total Reserves</b>	<b>35,057,313</b>	<b>81,492,112</b>



## Significant Activities

### SUMMARY COMBINED COST OF SERVICE STATEMENT For the Year ended 30 June 2009

2008 Actual \$		2009 Estimate \$	2009 Actual \$
	<b>EXPENDITURE</b>		
5,895,422	District Roading	5,970,083	6,896,557
1,957,308	Drainage & Utility Services	1,965,879	2,059,491
1,368,855	Community Services	1,306,849	1,396,811
1,633,989	Environmental Services	1,727,312	1,731,718
1,097,687	Democratic Process	1,039,946	1,113,149
1,327,815	Other Activities	1,497,532	1,714,818
2,035,732	Support Services	2,056,138	2,048,941
654,689	Professional Engineering Services Business Unit	720,181	676,351
<b>15,971,497</b>	<b>TOTAL ACTIVITY EXPENDITURE</b>	<b>16,283,920</b>	<b>17,637,836</b>
(3,610,963)	Less Internal Charges	(3,722,693)	(3,739,367)
123,512	Other Expenditure	-	291,414
<b>12,484,046</b>	<b>TOTAL EXPENDITURE</b>	<b>12,561,227</b>	<b>14,189,883</b>
	<b>INCOME</b>		
	<b>User Fees and Charges, Funding Assistance and Internal Recoveries</b>		
3,412,174	District Roading	3,387,538	3,238,949
714,790	Drainage & Utility Services	908,391	787,479
159,411	Community Services	138,539	102,432
773,925	Environmental Services	665,746	722,625
190	Democratic Process	200	260
431,088	Other Activities	275,371	368,926
22,311	Support Services	29,100	19,155
1,877	Professional Engineering Services Business Unit	15,000	1,936
5,515,767		5,419,885	5,241,762
	<b>Internal Recoveries</b>		
183,362	Environmental Services	219,600	252,431
283,845	Democratic Process	266,834	294,656
509,450	Other Activities	509,221	511,578
2,013,421	Support Services	2,027,038	2,029,786
620,886	Professional Engineering Services Business Unit	700,000	650,916
3,610,963		3,722,693	3,739,367
<b>9,126,730</b>	<b>TOTAL ACTIVITY INCOME</b>	<b>9,142,578</b>	<b>8,981,129</b>
(3,610,963)	Less Internal Recoveries	(3,722,693)	(3,739,367)
8,260,195	Rates	8,577,009	8,712,134
990,518	Other income	49,995	439,769
<b>14,766,480</b>	<b>TOTAL INCOME</b>	<b>14,046,889</b>	<b>14,393,665</b>
<b>2,282,434</b>	<b>NET SURPLUS</b>	<b>1,485,662</b>	<b>203,782</b>





## Summary of Significant Service Levels and Performance Targets

### District Rooding

For the year ending 30 June 2009 there were twelve (12) performance measures related to District Rooding. Of these six measures were achieved, one was partially achieved and four were not achieved. The other measure was not measured, as it is a bi-annual survey for pavement rehabilitation. The main performance targets achieved included ongoing inspections and maintenance of

roads, our annual construction and improvements programme being implemented as intended and marking schedules being completed as programmed. Those that were not achieved included contractor performance ratings and completion of service requests within specified timeframes.

### Drainage and Utility Services

Drainage and Utility services covers 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 Achieved
Solid Waste	6	3	1	2
Water Supply	13	6	3	4
Waste Water	12	5	1	6
Flood Protection/Stormwater	13	8	1	4

The Solid Waste targets that were achieved included efficient and cost effective service contracts, achievement of compliance with Resource Consent conditions on closed solid waste facilities and zero waste promotion. The performance targets not achieved related to reducing the quantities of waste taken to landfill and reducing the extent of illegal dumping.

Within the Water Supply targets achieved were items such as compliance with water testing standards monitored, flow and pressure adequacy, a low frequency of failure in pipes and number of high priority requests.

Water Supply targets not achieved included fire hydrants flow and pressure complying with NZ Fire Service Code of Practice, responses to enquiries within specified timeframes and contractor performance rating.

Waste Water targets achieved include planned service disruptions within specified timeframes, low frequency of system failure and number of high priority requests.

Those Waste Water targets not achieved include low complaints regarding adverse

odours, responses to enquiries within specified timeframes, contractor performance rating and number of properties for which connections are available.

Flood protection and Stormwater targets that were achieved for the year include monitoring of compliance with stormwater discharge consent conditions, planned service disruptions within specified timeframes, no instances of flooding recorded and number of high priority requests.

Of those not achieved, these included responses to public enquiries within specified timeframes, availability of connections and contractor performance rating.

### Community Activities

Overall across all community activities a total of 13 performance targets exist, of which twelve (12) were achieved and one was not achieved. Those achieved included development of reserves in accordance with plans, positive feedback from users of the pool, compliance





## 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 2009 fairly reflect the financial position and operations of Otorohanga District Council.

*Dale Williams*

**MAYOR**

*Dave Clibbery*

**CHIEF EXECUTIVE**

*Graham Bunn*

**FINANCE AND  
ADMINISTRATION  
MANAGER**

## 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
	<b>197,600 ha</b>	<b>9,516</b>

### Valuation

Rateable Properties (No. of)	5,189
Non Rateable Properties (No. of)	228
Rateable Capital Value	\$3,598,766,700
Date of Last revision of Values <sup>1</sup>	September 2007

### Rates and Rating 2008/09

Total Rates(Excluding GST)	\$8,712,134
System of Rating	Capital Value

### Public Debt Outstanding as at 30/06/09

Public Debt Outstanding	\$12,996,082
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### Date of Constitution of District

1 November 1989

## Contact Information

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Otorohanga

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*Summary Annual Report 2009*