

Otorohanga District Council Annual Report 2014/15



Contents

INTRODUCTION.....	3
COMMENTS FROM THE MAYOR AND CHIEF EXECUTIVE.....	4
DISTRICT PERSONNEL.....	5
MANAGEMENT STRUCTURE.....	6
DISTRICT BACKGROUND.....	7
STATISTICS	8
FINANCIAL STATEMENTS.....	9
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES.....	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.....	47
PERFORMANCE DURING 2014/15.....	48
STATEMENT OF COMPLIANCE AND RESPONSIBILITY	49
REPORT ON LONG TERM PLAN AND POLICIES.....	50
BORROWING AND INVESTMENT POLICY.....	51
OPPORTUNITIES FOR MAORI TO CONTRIBUTE TO COUNCILS' DECISION-MAKING PROCESSES.....	52
SIGNIFICANT ACTIVITIES.....	53
COMBINED COST OF SERVICE STATEMENT	54
ROADS AND FOOTPATHS	56
WATER SUPPLY	61
SEWERAGE TREATMENT AND DISPOSAL	66
FLOOD PROTECTION AND CONTROL WORKS	69
STORMWATER DRAINAGE.....	72
COMMUNITY SERVICES.....	75
REGULATORY SERVICES	89
COMMUNITY DEVELOPMENT	100
GOVERNANCE AND LEADERSHIP	104
SUPPORTING INFORMATION.....	117
EQUAL EMPLOYMENT OPPORTUNITIES POLICY	118
STATEMENT OF FINANCIAL INVOLVEMENT IN COUNCIL CONTROLLED ORGANISATIONS (CCO's).....	119
ANNUAL REPORT DISCLOSURE STATEMENT.....	123
LOCAL GOVERNMENT ACT DISCLOSURES	129
COUNCIL CONTROLLED RESERVES	130
AUDIT REPORT	131



Annual Report 2015

INTRODUCTION



COMMENTS FROM THE MAYOR AND CHIEF EXECUTIVE

2014/15 ANNUAL REPORT

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

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

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

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

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

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

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

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

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

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

Max Baxter

MAYOR

20th October 2015

Dave Clibbery

CHIEF EXECUTIVE

20th October 2015



DISTRICT PERSONNEL

OTOROHANGA DISTRICT COUNCIL

		Telephone
Mayor:	Max Baxter	(07) 871 2707
Deputy Mayor:	Deborah Pilkington	(07) 871 0654
Councillors:	Phil Tindle	(07) 873 8810
	Robert Prescott	(07) 873 8941
	Annette Williams	(07) 873 7715
	Roy Johnson	(07) 873 0909
	Ken Phillips	(07) 873 8416
	Robyn Klos	(07) 872 4594

OTOROHANGA COMMUNITY BOARD

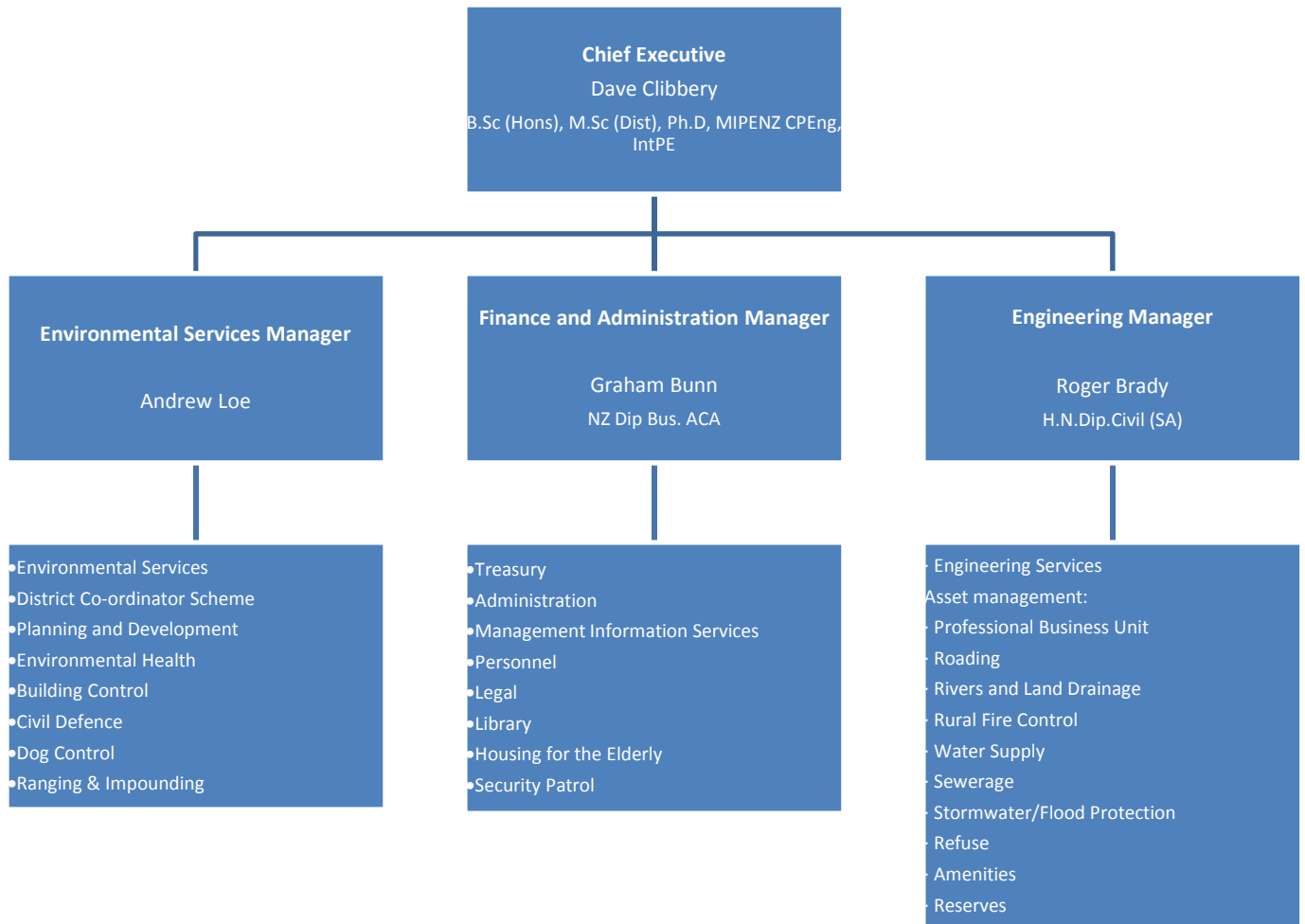
Chairperson:	Robert Prescott	(07) 873 8941
Members:	Anne Laws	(07) 873 8508
	Phil Tindle	(07) 873 8810
	Liz Cowan	(07) 873 0849
	Nigel Chetty	(07) 873 6319
	Dave Williams	(07) 873 6668

KAWHIA COMMUNITY BOARD

Chairperson:	Kit Jeffries	(07) 873 7615
Members:	Deborah Pilkington	(07) 871 0654
	Alan Rutherford	(021) 654 187
	Dave Walsh	(07) 871 0552
	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
Tompkins Wake, Hamilton



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 (2013 Census figures)	9,513

Communities

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

Valuation

Rateable Properties (No. of)	5,166
Non Rateable Properties (No. of)	305
Rateable Capital Value	\$3,491,508,150
Date of Last revision of Values	1 September 2013

Rates and Rating 2014/15

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

Public Debt Outstanding as at 30/06/15

Public Debt Outstanding	\$9,745,495
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Date of Constitution of District

1 November 1989



FINANCIAL STATEMENTS



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

Actual 30 June 2014 (000's)	Note	Budget 30 June 2015 (000's)	Actual 30 June 2015 (000's)
	Revenue		
10,695	Rates revenue 3	10,970	10,934
11	Contributions	16	11
692	Water by volume rates 3	672	689
3,370	Subsidies 4	3,016	3,231
1,577	Other income 4	1,284	1,495
(366)	Others gains/(losses) on asset disposal	40	(187)
15,979	Total revenue 5	15,998	16,173
	Expenses		
3,010	Employee benefit expenses 6	3,234	3,229
3,944	Depreciation and amortisation 7	3,954	4,651
6,584	Other expenses 8	7,266	7,484
618	Finance costs	630	473
14,156	Total expenses	15,084	15,837
1,823	Surplus/(deficit) for the year	914	336
	Other Comprehensive Revenue and Expenses		
-	Gain/(loss) on property revaluation	25,683	42,312
(2)	Gain/(loss) on available for sale financial assets	-	(1)
(2)	Total other comprehensive revenue and expenses	25,683	42,311
1,821	Total Comprehensive Revenue and Expenses for the year	26,597	42,647

The accompanying notes on pages 14-46 form part of these financial statements.



OTOROHANGA DISTRICT COUNCIL **BALANCE SHEET** **AS AT 30 JUNE 2015**

Actual 30 June 2014 (000's)	Note	Budget 30 June 2015 (000's)	Actual 30 June 2015 (000's)
Assets			
Current assets			
2,711	9	813	1,704
1,964	10	2,448	2,258
112	10	-	192
29		40	29
423	12	348	423
5,239		3,649	4,606
Non-current assets			
776	11	779	776
257,173	13	284,536	298,717
73	14	127	116
258,022		285,442	299,609
263,261		289,091	304,215
Liabilities			
Current Liabilities			
2,755	15	2,000	2,013
1	16	1	1
220	17	250	272
616	18	-	690
1,000	19	-	-
4,592		2,251	2,976
Non-current liabilities			
20	16	20	20
46	17	80	55
9,831	19	11,001	9,745
9,897		11,101	9,820
14,489		13,352	12,796
248,772		275,739	291,419
Equity			
152,830		154,840	153,091
1,490	20	479	1,675
869	20	918	864
93,583	20	119,502	135,789
248,772		275,739	291,419

Receivables and Payable presentation changes have been made with the disclosure requirements on adoption of PBE standards which have no impact on total assets or liabilities. Refer to Note 10 and 15 where these are detailed.

The accompanying notes on pages 14-46 form part of these financial statements.



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

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

The Accumulated Comprehensive Revenue and Expenses includes the Accumulated Comprehensive Revenue and Expenses of \$153,091,000, as well as Council Controlled Reserves of \$1,675,000. Council Controlled Reserves is explained on page 130.

The accompanying notes on pages 14-46 form part of these financial statements.



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

Actual 30 June 2014 (000's)	Notes	Budget 30 June 2015 (000's)	Actual 30 June 2015 (000's)
	Cash flows from operating activities		
11,420	Receipts from rates revenue	11,642	11,569
4,294	Receipts from other revenue	4,271	4,156
65	Interest received	30	98
11	Dividends received	10	11
(8,037)	Payments to suppliers and employees	(10,500)	(11,141)
(618)	Interest paid	(630)	(473)
7,135	Net cash provided by Operating Activities	4,823	4,220
	Cash flows from investing activities		
114	Proceeds from Sale of Property, Plant and Equipment	75	42
-	Proceeds from Sale of development property held for sale	115	-
(4,778)	Purchase of property, plant and equipment	(5,542)	(4,201)
(47)	Purchase of investments	-	-
(57)	Purchase of intangible assets	(20)	(87)
(4,768)	Net cash (used in) Investing Activities	(5,372)	(4,246)
	Cash flows from financing activities		
4,182	Proceeds from borrowings	1,300	19
(5,410)	Repayment of borrowings	(1,376)	(1,000)
(1,228)	Net cash provided by/(used in) Financing Activities	(76)	(981)
1,139	Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(625)	(1,007)
1,572	Cash, cash equivalents and bank overdrafts at the beginning of the year	1,438	2,711
2,711	Cash and cash equivalents at the end of the year.	813	1,704

The accompanying notes on pages 14-46 form part of these financial statements.



OTOROHANGA DISTRICT COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	15
2.	ADJUSTMENTS TO THE COMPARATIVE YEAR FINANCIAL STATEMENTS	27
3.	RATES REVENUE.....	28
4.	OTHER INCOME	28
5.	EXCHANGE AND NON-EXCHANGE REVENUE	29
6.	EMPLOYEE BENEFIT EXPENSES.....	29
7.	DEPRECIATION AND AMORTISATION.....	30
8.	OTHER EXPENSES	30
9.	CASH AND CASH EQUIVALENTS.....	31
10.	RECEIVABLES.....	31
11.	INVESTMENTS	32
12.	ASSETS HELD FOR SALE	33
13.	PROPERTY, PLANT AND EQUIPMENT	34
14.	INTANGIBLE ASSETS – COMPUTER SOFTWARE	37
15.	PAYABLES UNDER EXCHANGE TRANSACTIONS.....	37
16.	PROVISIONS.....	38
17.	EMPLOYEE BENEFIT LIABILITIES.....	39
18.	INCOME IN ADVANCE	39
19.	BORROWINGS.....	39
20.	RESERVES	40
21.	CAPITAL COMMITMENTS AND OPERATING LEASES.....	41
22.	CONTINGENCIES	42
23.	RELATED PARTY TRANSACTIONS.....	43
24.	REMUNERATION.....	44
25.	SEVERANCE PAYMENTS	45
26.	EVENTS AFTER BALANCE SHEET DATE	45
27.	FINANCIAL INSTRUMENT RISKS.....	45
28.	EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET	46



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015

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 financial reporting purposes.

The financial statements of ODC are for the year ended 30 June 2015. The financial statements were authorised for issue by Council on 20th October 2015. These financial statements comprise solely of the ODC financial results.

Basis of Preparation

These financial statements comply with the PBE standards for tier 2 entities. The measurement base applied is historical cost adjusted for revaluations of assets.

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

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).

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards. This classification has been determined as the council does not have public accountability and is not large as total expenses are less than \$30 million.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. The material adjustments arising on transition to the new PBE accounting standards are explained in note 2.

Presentation currency and rounding

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.

The specific accounting policies for significant revenue items are explained below:

Revenue from non-exchange transactions



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2015 - continued

Rates revenue

The following policies for rates revenue have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates revenue arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised when the invoices are raised.
- Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

New Zealand Transport Agency roading subsidies

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.

Other grants received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Development and Financial Contributions

Development and financial contributions are recognised as other income 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.

Vested or donated physical assets

Where a physical asset is acquired for nil or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

Direct charges – subsidised

(i) Rendering of services - subsidised

Rendering of services at a price that is not approximately equal to the value of the service provided by the Council is considered a non-exchange transaction. This includes rendering of services where the price does not allow the Council to fully recover the cost of providing the service (such as building consents, water connections, dog licencing, etc.) and where the shortfall is subsidised by income from other activities, such as rates. Generally there are no conditions attached to such revenue.

Revenue from such subsidised services is recognised when the Council issues the invoice or bill for the service. Revenue is recognised at the amount of the invoice or bill, which is the fair value of the cash received or receivable for the service. Revenue is recognised by reference to the



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

stage of completion of the service to the extent that the Council has an obligation to refund the cash received for the service (or the extent that the customer has the right to withhold the payment from the Council for the service) if the service is not completed.

(ii) Sale of goods – subsidised

A sale of goods at a price that is not approximately equal to the value of the goods provided by the Council is considered a non-exchange transaction.

This includes sales of goods where the price does not allow the Council to fully recover the cost of producing the goods and where the shortfall is subsidised by income from other activities such as rates.

Revenue from the sale of such subsidised goods is recognised when the Council issues the invoice or bill for the goods. Revenue is recognised at the amount of the invoice or bill, which is the fair value of the cash received or receivable for the goods.

Revenue from exchange transactions

Direct charges – full cost recovery

(i) Rendering of services – full cost recovery

Revenue from the rendering of services (such as resource consents, etc.) is recognised by reference to the stage of completion of the service. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

(ii) Sale of goods – full cost recovery

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.

Interest and dividends

Interest income is recognised using the effective interest method.

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

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

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. The Council's grants have no substantive conditions attached.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

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.

Receivables

Receivables are recorded at their face value, less any provision for impairment.

Other Financial Assets

Financial assets are initially recognised at fair value plus transaction costs except for those financial assets classified as fair value through surplus and deficit in which case the transaction costs are recognised in the surplus or deficit. 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.

ODC classifies its financial assets into the following four categories:

- fair value through surplus or deficit;
- 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.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit. 'Trade and other receivables' are classified as loans and receivables.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

Available for sale financial assets

Available for sale financial assets are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intended to dispose of, or realise, the investment within 12 months of balance date. The Council includes in this category:

- Investments that it intended to hold long-term but which may be realised before maturity; and
- Shareholdings that it 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 the surplus or deficit.

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 surplus or deficit.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit .

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

Non-current assets are not depreciated or amortised while they are classified as held for sale.

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.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

Restricted assets – Restricted assets are mainly parks and reserves and related buildings 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.

Land (operational and restricted) is measured at fair value, and buildings (operational and restricted), and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Revaluation

Land and buildings (operational and restricted), and infrastructural assets are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expenses.

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 the Council and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

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 disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated comprehensive revenue and expenses.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

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 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	40-100	1-2.5%
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	50-80	1.25-2%
Equipment	20-50	2-5%
Other	20	5%
<u>Water Reticulation</u>		
Piping	15-80	1.25-6.66%
Equipment	5-30	3.33-20%
Other	25	4%
<u>Wastewater</u>		
Piping	50-80	1.25-2%
Equipment	10-60	1.66-10%
Other	20-80	1.25-5%
<u>Stormwater</u>		
Piping	20-80	1.25-5%
Equipment	10-60	1.66-10%
Other	25	4%
<u>Roading</u>		
<u>Pavement (Basecourse)</u>		
- Sealed	30-60	1.66-3.33%
- Unsealed	5-10	10-20%
Seal	5-15	6.7-20%
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 2015 - continued

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

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 property, plant and equipment and intangible assets

Property, plant and equipment and Intangible assets subsequently measured at cost that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment.

Property, plant and equipment and intangible assets subsequently measured at cost 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Payables under exchange transactions

Payables under exchange transactions are recognised when ODC becomes obliged to make future payments resulting from the purchase of goods and services. Subsequent to initial recognition, payables under exchange transactions are recorded at amortised cost.

Employee entitlements

Short-term employee entitlements

Employee benefits expected to be settle within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised 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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2015 - continued

calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where the Council has a contractual obligation or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, 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.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Defined Contribution Plans

Obligations for contributions to Kiwisaver are recognised as defined contribution plans and are recognised as an expense in the surplus or deficit when incurred.

Provisions

A provision is recognised 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 an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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 and is included in “finance costs”.

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 provision.

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.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the Council to make specified payments to reimburse the holder of the contract for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contract liabilities are measured initially at their fair value. If a financial guarantee was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that the Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is practicable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

- The present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee; and
- The amount initially recognised less, when appropriate, cumulative amortisation as revenue.

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.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Equity

Equity is the community's interest in the Council 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:

- Accumulated comprehensive revenue and expenses
- Restricted reserves
- Asset revaluation reserves
- Available for sale revaluation reserve

Restricted reserves

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 the Council.

Restricted reserves include 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.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

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.

Asset revaluation reserve

The asset revaluation reserve arises on the revaluation of land, buildings and infrastructural assets to fair value.

Available for sale revaluation reserve

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 surplus or deficit.

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

The cost of service for each significant activity of ODC has been derived 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.

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:



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

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 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 2015 at \$272,856,000.

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 LTP. 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 2015:

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 2015 - continued****3. Classification of non-financial assets as cash generating assets or non-cash-generating assets**

For the purpose of assessing impairment indicators and impairment testing, ODC classifies non-financial assets as either cash-generating or non-cash-generating assets. The Council classifies non-financial assets as cash-generating assets if the primary objective of the asset is to generate commercial return. All other assets are classified as non-cash-generating assets.

All property, plant and equipment and intangible assets held by ODC are classified as non-cash-generating assets. This includes assets that generate fee revenue or other cash flows for the Council, as the cash flows generated are generally not sufficient to represent commercial return on the assets.

2. Adjustments to the comparative year financial statements

The Council has adjusted its comparative year financial statements for the year ended 30 June 2014 due to reclassification adjustments. The adjustments are shown in the table below:

	Notes	Before adjustments (000's)	Reclassification adjustments (000's)	After adjustments (000's)
Revenue				
Other gains/(losses) on asset disposal	(i)	(132)	(234)	(366)
Other comprehensive revenue and expense				
Gain/(loss) on property revaluation	(i)	(234)	234	-
Current Liabilities				
Trade and other payables	(ii)	3,371	(616)	2,755
Income in Advance	(ii)	-	616	616

- (i) Previously, reversal of revaluation for disposed assets was disclosed separately under other comprehensive revenue and expense. To more closely align with the accounting standards, this has been reclassified as part of the gain or loss on asset disposal recognised in the surplus or deficit, then treated as a transfer from revaluation reserves to accumulated comprehensive revenue and expenses in the Statement of Changes in Equity.
- (ii) Previously, income in advance was included in the trade and other payables line, however this did not truly reflect the nature of these items. Hence it was decided to separate these out in the Balance Sheet to align with the classification presentation for 30 June 2015.



Otorohanga District Council **Notes to the Financial Statements for the year ended 30 June 2015 -** **continued**

3. Rates revenue

	Actual 2014 (000's)	Actual 2015 (000's)
General Rates	4,348	4,302
Targeted rates attributable to activities		
Water	570	619
Sewerage	481	501
Refuse	264	260
Land Transport	4,700	4,960
Security	73	70
Erosion Protection	29	28
CBD Development	29	29
Halls	20	20
Rates penalties	181	145
Total revenue from rates	10,695	10,934
Metered Water Charges	692	689
Total Water by Volume Rates	692	689

4. Other Income

	Actual 2014 (000's)	Actual 2015 (000's)
Subsidies		
Land Transport NZ government grants	3,290	2,982
Ministry of Health drinking-water related subsidies	-	196
Other Subsidies	80	53
Total Subsidies	3,370	3,231
User charges	665	789
Metal Royalties	14	14
Regulatory revenue	467	505
Petrol tax	77	78
Vested assets revenue	278	-
Interest income for financial assets not at fair value through profit and loss		
- cash and cash equivalents	65	98
Dividend income	11	11
Total other income	1,577	1,495

Prior year reclassifications have been made between the individual subsidy note items for a \$59,000 subsidy received which is deemed to be better reflective of an 'Other Subsidy' rather than a 'Ministry



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

of Health drinking-water related subsidy'. This is consistent with the 30 June 2015 classification and has no impact on the surplus/deficit.

Other subsidies include waste minimisation subsidies, Sport NZ and Creative Communities funding.

5. Exchange and Non-Exchange Revenue

Total revenue from non-exchange transactions includes the revenue from rates, government grants, fines and other revenue. Total non-exchange revenue for the 2014/15 financial year is \$15,760,743 (2014: \$15,812,138).

Total revenue from exchange transactions includes the revenue from interest, rental, royalties and other revenue. Total exchange revenue for the 2014/15 financial year is \$599,141 (2014: \$533,427).

	Actual 2014 (000's)	Actual 2015 (000's)
Exchange revenue	15,812	15,761
Non-exchange revenue	533	599
Total Revenue	16,345	16,360
Total revenue per statement of comprehensive revenue and expenses	15,979	16,173
Add back: Other gains/(losses) on asset disposal	(366)	(187)
Classified revenue per statement of comprehensive revenue and expenses	16,345	16,360

6. Employee Benefit Expenses

	Actual 2014 (000's)	Actual 2015 (000's)
Salaries and wages	3,055	3,112
Employer contributions to defined contribution plans	47	56
Increase/(decrease) in employee benefit liabilities	(92)	61
Total employee benefit expenses	3,010	3,229

Severance payments as identified in Note 25 are included in the salaries and wages figure in the above table.

Employer contributions to defined contribution plans include contributions to Kiwisaver and other contribution plans. No additional liability exists to ODC related to the defined contribution plans.



Otorohanga District Council **Notes to the Financial Statements for the year ended 30 June 2015 -** **continued**

7. Depreciation and Amortisation

	Actual 2014 (000's)	Actual 2015 (000's)
Depreciation	3,908	4,605
Amortisation	36	46
Total depreciation and amortisation	3,944	4,651

Depreciation by group of activity

	Actual 2014 (000's)	Actual 2015 (000's)
Roads and Footpaths	2,802	3,299
Water Supply	362	424
Sewerage Treatment & Disposal	204	200
Flood Protection & Control Works	24	26
Stormwater Drainage	78	82
Community Services	256	323
Regulatory Services	5	5
Community Development	-	-
Governance & Leadership	213	292
	3,944	4,651

8. Other Expenses

	Actual 2014 (000's)	Actual 2015 (000's)
Deloitte fees for financial statement audit	110	113
Deloitte fees for other assurance services	2	74
Minimum lease payments under operating leases	11	11
Activity operation	1,349	1,392
Asset maintenance	614	628
Road maintenance	3,057	3,823
Other expenses	1,441	1,443
Total other expenses	6,584	7,484

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.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

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 2014 (000's)	Actual 2015 (000's)
Cash and cash equivalents	2,711	1,704
Total cash and cash equivalents	2,711	1,704

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 \$134,731 (2014: \$123,717)

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

10. Receivables

	Actual 2014 (000's)	Actual 2015 (000's)
Rates receivables	725	779
Other receivables	1,186	1,415
Sundry debtors	301	357
	2,212	2,551
Less provision for impairment of receivables	(136)	(101)
	2,076	2,450
Represented by:		
Receivables from non-exchange transactions	1,964	2,258
Receivables from exchange transactions	112	192
	2,076	2,450

Rates are struck on the 1st of July each year, and are charged in two instalments. In the year ended 30 June 2015 these instalments were due on 29th August 2014 and 30th January 2015. A charge of 10% is added to all rates levied and due for the 2013/14 year that remains unpaid after 29th August 2014 and 30th January 2015. A further 10% charge is added to all rates that have been levied in any financial year previous to 1 July 2014 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:



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

	Actual 2014 (000's)	Actual 2015 (000's)
Balance at beginning of the year	(100)	(136)
Amounts remitted	40	45
Increase in provision	(76)	(10)
Balance at end of the year	(136)	(101)

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.

11. Investments

	Actual 2014 (000's)	Actual 2015 (000's)
Available for sale Financial Assets		
Unlisted shares – Waikato Regional Airport Ltd	464	464
Unlisted shares – Ballance Agrinutrients	11	11
Unlisted shares – Local Government Funding Agency	100	100
Borrower Notes – Local Government Funding Agency	144	144
Listed shares – King Country Energy	42	42
Unlisted shares – NZ Local Government Insurance Corporation Ltd	15	15
Total equity investments	776	776

Unlisted shares

The fair value of unlisted shares of Waikato Regional Airport Ltd, Ballance Agrinutrients, the NZ Local Government Insurance Corporation Ltd and the Local Government Funding Agency 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.

ODC holds a 0.26% 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 value 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 22 – Contingencies for a discussion of the uncalled capital.

Council has considered if the investment in the available for sale financial assets is in any way impaired. Based on the information available to the Council, no impairment of the investments is believed to exist at this time.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

12. Assets Held For Sale

	Actual 2014 (000's)	Actual 2015 (000's)
Progress park	79	79
Waiwera Street	344	344
	423	423

The Progress Park development was an industrial park development and was completed in 2005 and comprised of 25 lots. Currently only 1 lot remains unsold (2014: 1 unsold). There is also a property on Waiwera Street in Kawhia that Council agreed to put on the market for sale prior to 30 June 2013.

These properties are expected to be sold within the year ended 30 June 2016, 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 sluggish nature of the commercial property market during the year, the Council was unable to sell the property at Progress Park, and are currently investigating other options to ensure it is sold within the year ended 30 June 2016.

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.

Given the current property market, Council has decided that it is not wise to undertake the development of the property on Waiwera Street at this time. Therefore they have decided to try to sell the land with the resource consent to a developer.

The development properties held for sale are shown at cost as at balance date.

Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

13. Property, plant and equipment 2015

	Cost /revaluation 1 July 2014 (000's)	Accumulated depreciation (000's)	Carrying amount (000's)	Current year additions (000's)	Current year disposals (000's)	Transfers out of Fixed Assets (000's)	Current year depreciation (000's)	Revaluation (000's)	Cost /revaluation 30 June 2015 (000's)	Accumulated depreciation (000's)	Carrying amount (000's)
Council Operational assets											
Land	6,863	-	6,863	110	-	-	-	136	7,109	-	7,109
Buildings	5,332	392	4,940	83	-	-	213	624	5,649	213	5,436
Plant & Machinery/ Motor Vehicles	910	483	427	163	26	-	112	-	953	502	451
Furniture & Equipment/ Library Books	1,868	1,257	611	137	37	-	123	-	1,905	1,318	587
Total operational assets	14,973	2,132	12,841	493	63	-	448	760	15,616	2,033	13,583
Council infrastructural assets											
Sewerage system	6,892	539	6,353	29	6	-	191	1,234	7,610	189	7,421
Water system	5,747	533	5,214	147	26	-	196	894	6,228	195	6,033
Rural water supply	6,723	504	6,219	130	42	-	221	1,702	8,012	218	7,794
Drainage network	4,688	278	4,410	13	-	-	100	1,670	6,094	100	5,994
Stopbanks	1,174	-	1,174	-	-	-	-	2,443	3,617	-	3,617
Roading, Bridges & Culverts	217,241	7,013	210,228	3,184	98	-	3,299	31,947	245,243	3,281	241,962
Work In Progress	62	-	62	35	62	-	-	-	35	-	35
Total infrastructural assets	242,527	8,867	233,660	3,538	234	-	4,007	39,890	276,839	3,983	272,856
Council restricted assets											
Land	5,817	-	5,817	3	-	-	-	600	6,420	-	6,420
Buildings	5,178	328	4,850	97	-	-	150	1,054	6,001	150	5,851
Work In Progress	5	-	5	5	5	-	-	-	5	-	5
Total restricted assets	11,000	328	10,672	105	5	-	150	1,654	12,426	150	12,276
Total ODC property, plant and equipment	268,500	11,327	257,173	4,136	302	-	4,605	42,304	304,881	6,166	298,715

Land under roads included in Roading network totals \$53,808,403.

Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

2014

	Cost /revaluation 1 July 2013 (000's)	Accumulated depreciation (000's)	Carrying amount (000's)	Cost /revaluation 30 June 2014 (000's)	Accumulated depreciation (000's)	Carrying amount (000's)
Council Operational assets						
Land	6,768	-	6,768	6,863	-	6,863
Buildings	5,284	259	5,025	5,332	392	4,940
Plant & Machinery/ Motor Vehicles	786	495	291	910	483	427
Furniture & Equipment/ Library Books	2,184	1,583	601	1,868	1,257	611
Total operational assets	15,022	2,337	12,685	14,973	2,132	12,841
Council infrastructural assets						
Sewerage system	6,515	85	6,430	6,892	539	6,353
Water system	5,717	351	5,366	5,747	533	5,214
Rural water supply	6,390	336	6,054	6,723	504	6,219
Drainage network	4,570	182	4,388	4,688	278	4,410
Stopbanks	1,089	-	1,089	1,174	-	1,174
Roading, Bridges and Culverts	214,544	4,713	209,831	217,241	7,013	210,228
Work In Progress	174	-	174	62	-	62
Total infrastructural assets	238,999	5,667	233,332	242,527	8,867	233,660
Council restricted assets						
Land	5,744	-	5,744	5,817	-	5,817
Buildings	5,068	216	4,852	5,178	328	4,850
Work In Progress	6	-	6	5	-	5
Total restricted assets	10,818	216	10,602	11,000	328	10,672
Total ODC property, plant and equipment	264,839	8,220	256,619	268,500	11,327	257,173

Land under roads included in Roothing network totals \$27,998,893.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - 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. Where possible market values were obtained, and where these couldn't be obtained, depreciated replacement cost was used. The valuation was performed in November 2014 effective as at 1 July 2014 and does not materially differ from the value at 1 July 2014. The total fair value of Land and Building's valued by Quotable Value at 1 July 2014 after the revaluation was \$24,886,000. The carrying amount prior to the revaluation was \$22,471,218.

The infrastructural assets, excluding Roothing and Stopbanks, 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 Graeme Hughson (Independent Registered Valuer). The Roothing valuation was undertaken by Opus International Consultants Ltd, using information held by Council in the RAMM database. The Stopbanks valuation was undertaken by Graeme Hughson (Independent Registered Valuer). The assets were valued by determining their depreciated replacement cost as no market value is available for these types of assets. The valuation was performed in November 2014 effective as at 1 July 2014 and does not materially differ from the value at 1 July 2014. The total fair value of Infrastructural assets valued by in-house engineering staff at 1 July 2014 after the revaluation was \$273,562,274. The carrying amount prior to the revaluation was \$233,594,926.

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 2015 is \$1,674,842 (2014: \$1,625,000).

2015

	Closing book value	Additions		Estimated replacement cost	Date of Estimate
		Constructed by Council	Assets transferred to Council		
	(000's)	(000's)	(000's)	(000's)	
Infrastructural Assets					
Water treatment plants & facilities	3,801	201	-	7,402	1 July 2014
Other water assets	10,026	76	-	19,064	1 July 2014
Wastewater treatment plants & facilities	2,095	-	-	3,905	1 July 2014
Other wastewater assets	5,325	29	-	9,104	1 July 2014
Stormwater drainage	5,631	13	-	8,921	1 July 2014
Flood protection and control works	3,981	-	-	3,617	1 July 2014
Roads & footpaths	241,962	3,184	-	317,782	1 July 2014
Total infrastructural assets	272,821	3,503	-	369,795	



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

14. Intangible assets – Computer Software

	Actual 2014 (000's)	Actual 2015 (000's)
Balance as at 1 July		
Cost	580	635
Accumulated amortisation	(526)	(562)
Opening carrying amount	54	73
Year ended 30 June		
Additions	55	87
Disposals – cost	-	(40)
Disposals – accumulated amortisation	-	42
Amortisation charge	(36)	(46)
Closing carrying amount	19	43
Balance at 30 June		
Cost	635	682
Accumulated amortisation	(562)	(566)
Closing carrying amount	73	116

Amortisation of intangibles is included in the depreciation and amortisation line within the Statement of Comprehensive Income. Refer to note 7 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.

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.

15. Payables under exchange transactions

	Actual 2014 (000's)	Actual 2015 (000's)
Trade payables	1,951	1,403
Deposits and bonds	468	384
Accrued expenses	336	226
Total payables under exchange transactions	2,755	2,013

Payables under exchange transactions 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.

**Otorohanga District Council****Notes to the Financial Statements for the year ended 30 June 2015 - continued****16. Provisions**

	Actual 2014 (000's)	Actual 2015 (000's)
Opening Balance	22	21
Maintenance and Monitoring Costs	(1)	-
Closing balance	21	21
Represented by:		
Current portion	1	1
Non-current provisions	20	20
	21	21

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:

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 landfills 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% (2014: 7.00%).



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

17. Employee benefit liabilities

	Actual 2014 (000's)	Actual 2015 (000's)
Accrued pay	12	25
Annual leave	208	247
Long service leave	44	50
Sick leave	2	5
Total employee benefit liabilities	266	327
Comprising:		
Current	220	272
Non-current	46	55
Total employee benefit liabilities	266	327

18. Income in advance

	Actual 2014 (000's)	Actual 2015 (000's)
Rates	470	477
Metered Water Charges	15	6
Debtors	68	136
Dog Registrations	43	48
Trade Waste	5	7
Health Licences	15	16
Total income in advance	616	690

19. Borrowings

	Actual 2014 (000's)	Actual 2015 (000's)
Current		
Secured loans	1,000	-
Total current borrowings	1,000	-
Non-current		
Secured loans	9,383	9,297
Concessionary loan	448	448
Total non-current borrowings	9,831	9,745

Fixed-rate debt

The majority of ODC's secured debt of \$9,745,495 (2014: \$10,830,972) is issued at fixed rates of interest ranging from 5.00% - 6.00% (2014: 5.00% - 6.00%).

Total borrowing from the Local Government Funding Agency (LGFA) as at 30 June 2015 is \$9,297,882 (2014: \$9,383,359).



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

Security

The overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is \$200,000 (2014: \$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 Plan (LTP).

Concessionary loan

This concessionary loan was advances to the Council by the Government in order to fund repairs on Council social housing in Otorohanga. This loan was advanced in two amounts, \$165,000 on 29th June 2007, and \$283,000 on 14th March 2008. The interest rate on this loan is 0% (2014: 0%). This loan is a suspensory loan with a 20 year term. Should ODC meet the conditions of the loan, including retaining ownership of the pensioner housing units, the loan will not be required to be repaid at the end of the term.

20. Reserves

	Actual 2014 (000's)	Actual 2015 (000's)
Asset revaluation reserves		
Asset revaluation reserves consist of:		
<i>Operational assets</i>		
Land	4,126	4,472
Buildings	1,082	1,706
<i>Infrastructural assets</i>		
Sewerage system	2,322	3,550
Water system	3,122	3,997
Drainage network	1,986	3,655
Rural Water Supply	2,406	4,087
Bridges and Culverts	-	-
Roading network	72,970	104,869
Floodbank	-	2,443
<i>Restricted assets</i>		
Land	2,121	2,721
Buildings	3,227	4,281
Asset Held For Resale	212	-
Total Asset Revaluation Reserves	93,574	135,781
Other Reserves		
Restricted Reserves	869	864
Available for Sale Revaluation Reserve	9	8
Total Reserves	94,452	136,653

Restricted reserves relate to:



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

- 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 LTP or Annual Plan. This reserve is typically used for one-off non-operational items.

21. Capital commitments and operating leases

	Actual 2014 (000's)	Actual 2015 (000's)
Capital commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	-	2,252
Other Expenditure Commitments		
Maintenance Contracts	4,599	3,916

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:

	Actual 2014 (000's)	Actual 2015 (000's)
Non-cancellable operating leases as lessee		
Not later than one year	11	11
Later than one year and not later than five years	22	11
Later than five years	-	-
Total non-cancellable operating leases	33	22

**Otorohanga District Council****Notes to the Financial Statements for the year ended 30 June 2015 - continued****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 2014 (000's)	Actual 2015 (000's)
Non-cancellable operating leases as lessor		
Not later than one year	126	53
Later than one year and not later than five years	187	64
Later than five years	88	72
Total non-cancellable operating leases	401	189

22. Contingencies**Contingent Liabilities**

	Actual 2014 (000's)	Actual 2015 (000's)
Guarantees	70	420
Uncalled Capital – Waikato Regional Airport Limited	300	300
Uncalled Capital – Local Government Funding Agency	100	100
Uncalled Capital – Local Authority Shared Services	1	1
	471	471

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.

New Zealand Local Government Funding Agency

Otorohanga District Council is a shareholder of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

ODC is one of 30 shareholders of the LGFA. In that regard it has uncalled capital of \$100,000. When aggregated with the uncalled capital of other shareholders, \$20m is available in the event that an imminent default is identified. Also, together with the other shareholders, Council is a guarantor of all of LGFA's borrowings. At 30 June 2015, LGFA had borrowings totalling \$4,979m (2014: \$3,696m).

**Otorohanga District Council****Notes to the Financial Statements for the year ended 30 June 2015 - continued**

The Council considers the risk of LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- a. We are not aware of any local authority debt default events in New Zealand; and
- b. local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

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 2015. At present ODC is not aware of any plan to call the capital in the near future.

23. Related party transactions

The following transactions were carried out with related parties:

Key management personnel

Key management personnel include the Mayor, Councillors, Chief Executive and other senior management personnel.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Council would have adopted in dealing with the party at arm's length in the same circumstances.

No provision has been required, nor any expense recognised for impairment of receivables to related parties (2014: \$nil).

Key management personnel compensation

	Actual 2014 (000's)	Actual 2015 (000's)
Salaries and other short term employee benefits	681	774
Post-employment benefits (defined contribution plan)	11	15
	692	789



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

24. Remuneration

Chief Executive

The Chief Executive received the following remuneration:

	Cost during the financial year	
	Actual 2014	Actual 2015
	(000's)	(000's)
Salary	205	205
Motor Vehicle	4	4
Telephone rental	1	1
Memberships	1	1
Fringe Benefit Tax	2	2
Total Chief Executive's remuneration	213	213

Elected representatives

	Total remuneration	
	Actual 2014	Actual 2015
	(000's)	(000's)
Dale Williams, Mayor (until October 2013)	20	-
Deborah Pilkington, Deputy Mayor (since October 2013)	20	24
Sue Blackler, Deputy Mayor (until October 2013)	7	-
Robert Prescott	26	29
Ken Phillips	14	15
Roy Johnson	14	15
Robyn Klos	11	15
Phil Tindle	17	22
Annette Williams	11	15
Max Baxter, Mayor (since October 2013)	49	65
Andrew Ormsby (until October 2013)	6	-

Council Employees

	Actual 2014	Actual 2015
Total remuneration by band for employees as at 30 June		
< \$60,000	26	33
\$60,000 - \$80,000	10	9
\$80,000 - \$100,000	7	6
\$100,000 - \$200,000	3	4
Total Employees	46	52

Total remuneration includes non-financial benefits provided to employees.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

At balance date, the Council employed 42 (2014: 36) full-time employees, with the balance representing 2 (2014: 2) full-time equivalent employees. A full-time employee is determined on the basis of a 40 hour working week.

25. Severance payments

For the year ended 30 June 2015 ODC made no severance payments (2014: \$nil) to employees.

26. Events after balance sheet date

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

27. Financial instrument risks

Financial instruments categories

	Actual 2014 (000's)	Actual 2015 (000's)
FINANCIAL ASSETS		
Cash and cash equivalents	2,711	1,704
Receivables from non-exchange transactions	1,964	2,258
Receivables from exchange transactions	112	192
	4,787	4,154
Available for sale financial assets		
Listed shares	42	42
Unlisted shares	590	590
<i>Total available for sale financial assets</i>	632	632
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Payables under exchange transactions	2,755	2,013
Borrowings		
- secured loans	10,831	9,745
<i>Total financial liabilities at amortised cost</i>	13,586	11,758

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.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2015 - continued

28. Explanation of major variances against budget

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

Statement of Comprehensive Revenue and Expenses

Subsidies were \$215,000 above budget. This is due to subsidy of \$196,000 from the Ministry of Health being received in the current year that was budgeted to be received in 2013/14.

Other income was \$211,000 above budget. This is due to a number of factors, including lump sum contributions for connection to rural water supply schemes, as well as additional funding from Waikato Regional Council for floodbank protection schemes. Also income from interest was \$68,000 over budget due to favourable interest terms and timing of cash flows.

Depreciation and amortisation was \$697,000 over budget due to a greater than predicted increase in the valuation of property, plant and equipment during the year, resulting in increased depreciation costs.

Other expenses were \$218,000 above budget. This is due to a number of factors, mostly due to increased road maintenance costs due to the repainting of the Mangawhio Bridge, which has been offset by savings in other activities.

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

Balance Sheet

Cash and cash equivalents is up on budget by \$891,000. This is due in large part to the savings in interest costs, as well as saving in a number of activities and increased revenue during the year.

Property, plant and equipment has increased on budget by \$14,181,000. This is due to a much larger movement in valuations, particularly around infrastructural assets, than was anticipated. This has also contributed to revaluation reserves being \$16,287,000 above budget.

Borrowings overall are down on budget by \$1,256,000 as a result of repaying loans due to better cash flow management.

Statement of Cash Flows

Cash flows from operating activities was down on budget by \$603,000, as a result of increased cash payments to suppliers reflected in the decrease in payables balances. It is also attributable to decreased cash revenue inflows, as reflected in the increased receivables balances.

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

Cash flows from financing activities is \$905,000 under budget due to better cash flow management requiring less borrowing and enabling paying off more loans.



PERFORMANCE/ STATEMENT OF COMPLIANCE AND RESPONSIBILITY



PERFORMANCE DURING 2014/15

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 2014/15 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 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 Statement of Service Performance 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 2015 fairly reflect the financial position and operations of Otorohanga District Council.

Max Baxter
MAYOR

Dave Clibbery
CHIEF EXECUTIVE

Graham Bunn
FINANCE AND
ADMINISTRATION MANAGER

20th October 2015



REPORT ON LONG TERM PLAN AND POLICIES

Introduction

Each local authority is required to prepare and adopt a long term 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 2014/15 the Council made significant progress toward the achievement of objectives and policies for the year as set out in the Long Term Plan, Funding Policy and Borrowing and Investment Policy. Details of achievement against the objectives and policy are set out below.

Long Term Plan

Background

The Long Term Plan (LTP) 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 LTP 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 2014/15 year was the third year of the 2012/22 LTP.



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 2012/22 Long Term Plan.



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 LTP 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 2015

2014 Actual \$ (000's)		2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
	OPERATING REVENUE		
4,673	Activity Revenue	4,285	4,726
6,860	Targeted Rates	7,210	7,175
11	Development Contributions	16	8
4,529	General Rates	4,432	4,447
5,098	Other General Sources	5,264	5,239
21,171	TOTAL OPERATING REVENUE	21,207	21,595
	Reconciling Items:		
(5,104)	Internal Recoveries	(5,264)	(5,235)
(132)	Gains/(losses) on asset disposal	40	(187)
278	Assets vested in Council	-	-
-	Income on Special Funds	15	-
16,213	TOTAL OPERATING REVENUE PER STATEMENT OF COMPREHENSIVE INCOME	15,998	16,173
	OPERATING EXPENDITURE		
7,589	Roading	7,953	8,877
1,611	Water Supply	1,727	1,813
566	Sewerage	540	513
190	Stormwater	173	185
177	Flood Protection	174	123
1,346	Regulatory Services	1,452	1,504
2,282	Community Services	2,418	2,477
295	Community Development	283	292
5,124	Governance and Leadership	5,628	5,282
19,180	TOTAL OPERATING EXPENDITURE	20,348	21,066
	Reconciling Items:		
(5,104)	Internal Recoveries	(5,264)	(5,235)
	Interest difference	-	-
2	Landfill Aftercare Provision	-	1
78	Doubtful Debt Provision adjustment	-	5
14,156	TOTAL OPERATING EXPENDITURE PER STATEMENT OF COMPREHENSIVE INCOME	15,084	15,837
2,057	NET PROFIT/(LOSS)	914	336

Whole of Council Funding Impact Statement

	2013/14 Long Term Plan \$ (000's)	2013/14 Actual \$ (000's)	2014/15 Annual Plan \$ (000's)	2014/15 Actual \$ (000's)
Sources of Operating Funding				
General rates, uniform annual general charges, rates penalties	4,437	4,007	4,432	4,447
Targeted Rates (other than a targeted rate for water supply)	6,175	6,166	6,477	7,175
Subsidies and grants for operating purposes	1,431	1,610	1,502	1,827
Fees charges and targeted rates for water supply	687	702	735	702
Interest and dividends from investments	28	77	40	109
Local authorities fuel tax, fines, infringement fees and other receipts	1,087	1,180	1,178	652
Total Operating Funding	13,845	13,742	14,364	14,912
Applications of operating funding				
Payments to staff and suppliers	9,400	8,878	10,002	10,056
Finance Costs	790	618	630	472
Other operating funding applications	660	624	713	787
Total application of operating funding	10,850	10,120	11,345	11,315
Surplus (deficit) of operating funding	2,995	3,622	3,019	3,597
Sources of Capital Funding				
Subsidies and grants for capital expenditure	1,989	1,793	1,514	1,431
Development and financial contributions	91	18	68	8
Increase (decrease) in debt	(566)	(607)	(481)	(712)
Gross proceeds from sale of assets	264	114	190	42
Lump sum contributions	-	-	-	-
Total sources of capital funding	1,778	1,318	1,291	769
Application of capital funding				
Capital expenditure				
- To meet additional demand	50	-	92	24
- To improve the level of service	606	505	299	553
- To replace existing assets	4,182	4,332	4,886	3,607
Increase (decrease) in reserves	(65)	103	(967)	182
Increase (decrease) of investments	-	-	-	-
Total application of capital funding	4,773	4,940	4,310	4,366
Surplus (deficit) of capital funding	(2,995)	(3,622)	(3,019)	(3,597)
Funding balance	-	-	-	-

ROADS AND FOOTPATHS

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.

Capital Expenditure

	2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	3,536	2,818
- Growth (Improving Service Capacity)	52	-
- Level of Service (Improvements to Service)	718	359

Internal Borrowing

The Roads and Footpaths group of activities has internal borrowing as at 30 June 2015 of \$5,408,492. During the year no additional borrowing was taken, but repayments totalling \$417,146 were made. Interest on internal borrowings was paid of \$317,364.

Key Roads and Footpaths Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2014/15 Target	Achieved/ Not Achieved	2014/15 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 for both current and future generations	Road smoothness of roads in the district compare favourably with other local authorities in the Waikato Region	New Measure	Equal or better than average Waikato Region results	Not measured	Not measured
		Number of complaints received regarding roading issues recorded in the service request system	New Measure	<50 complaints per annum	Achieved	14 complaints recorded
		The recorded number of defects on sealed rural roads per 10km of lane length*	Average of 9.36 defects	Average of 10 defects or less	Achieved	3.68 per 10 km of lane length
		The recorded number of defects on sealed urban roads per 10km of lane length*	Average of 1.04 defects	Average of 3 defects or less	Achieved	1.25 per 10 km of lane length
		Unsealed road bulk metalling programme completed	Achieved	Annual bulk metal programme completed	Achieved	Annual bulk metal programme completed

* Defects include things such as bleeding, shoving, ruts/hollows/ edge breaks/ potholes/ inadequate drainage and loose surface material



Sealed Rural Roads

Council's roads maintenance engineering staff undertakes regular cyclic inspections of all roads with the target of a minimum of 4 inspections of each road per year, which was a reduction from the previous year of a minimum of 6 inspections, due to a move towards cost reductions and greater efficiency. 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 4 inspections is achieved. All roads in each area are inspected during each round. From the inspections records, all the areas were inspected between 3-4 times each. This was done due to the initial inspections showing relatively consistent conditions on the roading network, requiring less regular inspections. This freed up the staff to work on other work commitments, including training and establishing the new maintenance contract.

Defects on both urban and rural roads, sealed and unsealed are dealt with in the same manner; i.e. the Engineer will inspect roads and list by road and by Route position the defects located. All defects, scheduled and cyclic items are then entered into the cyclic inspection database.

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 Inframax under contract 963 which runs from 2012/13 – 2014/15. 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 completes 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 3.68 per 10 km of road lane which met the target.

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 1.25 per 10 kilometres of road lane which meets the target of three or less.

Complaints received

In total 14 complaints were received related to the roading activity. This is favourable against the target of less than 50 per annum. The reasons for this are difficult to determine, it could be that our roading network does not have the level of fault as we expect, or complaints are not being made by ratepayers. The favourable results shown in our triennial level of service survey suggest that most ratepayers are happy with the level of service provided by the council in roading, which is a likely contributor to why complaints are down on expectations.



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 annual 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 980 which is a three year contract 2012/13 – 2014/15.

ROAD	START RP	END RP	LENGTH km	QUANTITY m ³
Bonner Rd	0.008	1.590	1.582	183
Braine Rd	0.003	0.861	0.858	106
Bromley Rd	0.017	3.017	3.000	550
Bromley Rd	3.017	4.110	1.093	150
Grice Rd	0.015	1.828	1.813	110
Hauturu Rd	4.855	7.955	3.100	620
Hikuparea Rd	0.000	0.528	0.528	60
Hoddle Rd	0.030	4.860	4.830	774
Kihi Rd	0.026	2.126	2.100	420
Kihi Rd	2.126	3.742	1.616	300
Kihi Rd	3.742	5.005	1.289	200
Lake Rd (Kawhia)	0.166	0.889	0.723	105
Landing Rd	0.005	2.550	2.550	316
MacFarlane Rd	0.000	0.110	0.110	10
MacKenzie Rd	0.015	2.680	0.268	28
Mangawhio Rd	0.020	4.151	4.131	873
Moerangi Rd	0.010	3.010	3.000	600
Ngaio Rd	0.020	0.527	0.507	55
Otoru Rd	0.833	4.363	3.530	547
Owhiro Rd	2.200	4.900	2.700	500
Owhiro Rd	4.900	6.548	1.648	236
Puketawai Rd	6.960	8.783	1.823	259
Raglan Rd	0.003	2.920	2.917	700
Raglan Rd	2.920	5.330	2.410	580
Raglan Rd	5.330	7.740	2.410	580
Raglan Rd	7.740	11.305	3.565	847
Tauraroa Valley Rd	3.788	5.873	2.085	492
Te Kauri Rd	0.010	0.360	0.350	41
Te Raumauku Rd	2.420	4.120	1.700	350
Te Raumauku Rd	4.120	6.920	2.800	500
Te Raumauku Rd	6.920	9.050	2.130	348
Waipari Rd - South	0.010	1.020	1.010	120
Totals			64.126	11,560



Roads and Footpaths – Cost of Service Statement

2014 Actual \$ (000's)		2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
	OPERATING INCOME		
3,388	Activity Revenue	3,081	3,065
4,700	Targeted Rates	4,951	4,960
-	Development Contributions	-	-
-	General Rates	-	-
741	Other General Sources	770	745
8,829	TOTAL OPERATING INCOME	8,802	8,770
	OPERATING EXPENDITURE		
6,832	Roading	7,132	8,078
13	Footpath	56	73
743	Engineering Business Unit	765	726
7,588	TOTAL OPERATING EXPENDITURE	7,953	8,877
1,241	NET COST OF SERVICE	849	(107)

Roads and Footpaths Funding Impact Statement

	2013/14 Long Term Plan \$ (000's)	2014/15 Long Term Plan \$ (000's)	2014/15 Actual \$ (000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted Rates (other than a targeted rate for water supply)	4,694	5,054	4,960
Subsidies and grants for operating purposes	1,506	1,600	1,551
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	846	883	721
Local authorities fuel tax, fines, infringement fees and other receipts	104	108	83
Total Operating Funding	7,150	7,645	7,315
Applications of operating funding			
Payments to staff and suppliers	3,192	3,376	3,785
Finance costs	397	369	317
Internal charges and overheads applied	1,396	1,435	1,443
Other operating funding applications	7	8	9
Total application of operating funding	4,992	5,188	5,554
Surplus (deficit) of operating funding	2,158	2,457	1,761
Sources of capital funding			
Subsidies and grants for capital expenditure	1,562	1,805	1,431
Development and financial contributions	52	54	-
Increase (decrease) in debt	(422)	(422)	(417)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	1,192	1,437	1,014
Application of capital funding			
Capital expenditure			
- To meet additional demand	52	53	-
- To improve the level of service	378	437	359
- To replace existing assets	2,944	3,413	2,818
Increase (decrease) in reserves	(24)	(9)	(402)
Increase (decrease) of investments	-	-	-
Total application of capital funding	3,350	3,894	2,775
Surplus (deficit) of capital funding	(2,158)	(2,457)	(1,761)
Funding balance	-	-	-

WATER SUPPLY

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.

Capital Expenditure

	2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	351	242
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	-	39

Internal Borrowing

The Water Supply group of activities has internal borrowing as at 30 June 2015 of \$758,984. During the year no additional borrowing was taken, but repayments totalling \$69,311 were made. Interest on internal borrowings was paid of \$44,841.

Key Water Supply Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
The water provided is safe to drink	Providing continuous, efficient, quality water supply to communities	Instances of illness indicated to be associated with consumption of water from Council supplies per annum	0	0	Achieved	0
		Instances of water disinfection failure, on Council water supplies with	Compliance in all areas,	< 2 instances per water	Achieved	0 instances

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
	ensures the health of consumers of both current and future generations	disinfection per annum	except Kawhia, which had 5 instances	scheme per annum		
		Instances of bacteriological contamination of water from Council supplies per annum	2 instances	< 2 instances	Achieved	0 instances
		Council administered water supplies achieving compliance with Drinking Water Standards for New Zealand 2005 (Revised 2008)	None Comply	Otorohanga, Waipa RWS and Kawhia comply	Achieved	Otorohanga, Waipa RWS and Kawhia 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	2 instances in Kawhia and 2 instances in Otorohanga Community	< 3 instances in all areas	Achieved	1 instance
		Number of instances of interruptions to water supply through reported pipe breaks	New Measure	<3 breaks per 10km of pipes, per scheme	Achieved	0.5 breaks per 10km of pipes



Water Disinfection Failure

No instances of disinfection failure were noted during the year.

Instances of disinfection failure would arise when the chlorination of drinking water during the treatment plant process does not provide adequate free available chlorine (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 case during the current year, the necessary action was taken to remedy the failure, 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.

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.

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.

Currently the Otorohanga, Kawhia and Waipa rural water supplies in the Otorohanga District meet the new drinking water standards. Given the size of the other schemes, the requirements to meet the new drinking water standards do not take effect until 30 June 2016 at the earliest.



Reservoir Levels

One instance of low reservoir levels was noted during the year.

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. Actions 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 Supply Cost of Service Statement

2014 Actual \$ (000's)		2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
	OPERATING INCOME		
14	Activity Revenue	5	266
1,263	Targeted Rates	1,351	1,308
-	Development Contributions	-	-
27	General Rates	29	32
277	Other General Sources	301	289
1,581	TOTAL OPERATING INCOME	1,686	1,895
	OPERATING EXPENDITURE		
178	Arohena RWS	184	211
70	Ranginui RWS	76	106
182	Tihiroa RWS	193	197
92	Waipa RWS	97	93
263	Otorohanga Water Supply	298	317
324	Otorohanga Water Treatment Station	328	322
37	Otorohanga Water Supply Loan	32	32
169	Kawhia Water Supply	217	222
296	Water Services	301	313
1,611	TOTAL OPERATING EXPENDITURE	1,726	1,813
(30)	NET COST OF SERVICE	(40)	82



Water Supply Funding Impact Statement

	2013/14 Long Term Plan \$ (000's)	2014/15 Long Term Plan \$ (000's)	2014/15 Actual \$ (000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	32	31	32
Targeted rates (other than a targeted rate for water supply)	532	562	620
Subsidies and grants for operating purposes	-	-	-
Fees charges and targeted rates for water supply	690	744	704
Internal charges and overheads recovered	569	592	635
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	54
Total operating funding	1,823	1,929	2,045
Applications of operating funding			
Payments to staff and suppliers	868	895	785
Finance costs	59	79	45
Internal charges and overheads applied	508	531	869
Other operating funding applications	75	78	37
Total application of operating funding	1,510	1,583	1,736
Surplus (deficit) of operating funding	313	346	309
Sources of capital funding			
Subsidies and grants for capital expenditure	1,540	-	196
Development and financial contributions	15	15	-
Increase (decrease) in debt	497	107	(69)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	2,052	122	127
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	2,463	473	39
- To replace existing assets	199	84	242
Increase (decrease) in reserves	(297)	(89)	155
Increase (decrease) of investments	-	-	-
Total application of capital funding	2,365	468	436
Surplus (deficit) of capital funding	(313)	(346)	(309)
Funding balance	-	-	-

SEWERAGE TREATMENT AND DISPOSAL

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.

Capital Expenditure

	2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	45	46
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	-	-

Internal Borrowing

The Sewerage Treatment and Disposal group of activities has internal borrowing as at 30 June 2015 of \$1,755,861. During the year no additional borrowing was taken, and repayments totalling \$117,954 were made. Interest on internal borrowings was paid of \$102,538.

Key Sewerage Treatment and Disposal Levels of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2014/15 Target	Achieved/ Not achieved	2014/15 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	Frequency of sewerage overflows caused by failure or blockage of Council assets per annum	4 instances reported	<5 reported overflows	Achieved	3 instances reported
		By measuring compliance with Wastewater discharge	Non compliance	Full Compliance	Achieved	Full Compliance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
		consent				
Wastewater disposal as provided by the Council does not create any smells, spills or health issues and causes minimal impact on the natural environment		Number of complaints received of smells or spills from wastewater recorded in the service request system	New measure	<12 per annum	Achieved	1 complaint reported

Sewerage Overflows

3 instances occurred within the current year. These related to blocked pipes, and were fixed by jetting the pipes to remove the blockage.

Complaints Received

One complaint was received during the year for smells or spills. This is favourable compared to the target of less than 12 per annum. Given the nature of complaints it is difficult to ascertain exactly why fewer complaints were received. Given there have been no large spills reported and smells can be affected by all sorts of factors, fluctuation from the target is to be expected.



Sewerage Treatment and Disposal Cost of Service Statement

2014 Actual \$		2014 AP Estimate \$	2014 Actual \$
(000's)		(000's)	(000's)
	OPERATING INCOME		
59	Activity Revenue	45	79
481	Targeted Rates	499	501
-	Development Contributions	-	-
22	General Rates	21	16
-	Other General Sources	-	(2)
562	TOTAL OPERATING INCOME	565	594
	OPERATING EXPENDITURE		
443	Otorohanga Sewerage	431	406
123	Otorohanga Sewerage Loan	110	108
566	TOTAL OPERATING EXPENDITURE	541	514
(4)	NET COST OF SERVICE	24	80

Sewerage Treatment and Disposal Funding Impact Statement

	2013/14 Long Term Plan \$	2014/15 Long Term Plan \$	2014/15 Actual \$
	(000's)	(000's)	(000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	25	23	16
Targeted rates (other than a targeted rate for water supply)	556	563	501
Subsidies and grants for operating purposes	-	-	-
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	31	32	79
Total operating funding	612	618	596
Applications of operating funding			
Payments to staff and suppliers	176	181	105
Finance costs	127	119	103
Internal charges and overheads applied	60	62	90
Other operating funding applications	37	38	18
Total application of operating funding	400	400	316
Surplus (deficit) of operating funding	212	218	280
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(117)	(117)	(118)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	(117)	(117)	(118)
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	31	11	46
Increase (decrease) in reserves	64	90	116
Increase (decrease) of investments	-	-	-
Total application of capital funding	95	101	162
Surplus (deficit) of capital funding	(212)	(218)	(280)
Funding balance	-	-	-

FLOOD PROTECTION AND CONTROL WORKS

A system of flood control works to protect the Otorohanga community was constructed after a devastating flood in 1958, and Council is committed to working with the Waikato Regional Council to continue to operate and maintain these works.

Capital Expenditure

	2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	-	-
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	-	-

Internal Borrowing

The Flood Protection and Control Works group of activities has internal borrowing as at 30 June 2015 of \$232,544. During the year no additional borrowing was taken, and repayments totalling \$13,998 were made. Interest on internal borrowings was paid of \$13,534.

Key Flood Protection and Control Works Levels of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
Retention of assets in substantially the same form as when they were initially constructed	Effective maintenance of flood protection systems will ensure that communities are safe and healthy and ensure that efficient and effective water services are provided, to meet both current and future demands.	Quantitative assessment of condition and serviceability of flood protection assets based on an annual inspection conducted by Council staff and elected members	New Measure	95% against quantifiable standardised assessment criteria as set by Council	Not achieved	92% against assessment criteria



Quantitative assessment of flood protection assets

Council achieved a 92% compliance with the assessment criteria. This was less than the target of 95%, which can be attributed to a flood protection pump being observed to be non-functional on one assessment, as well as a flood pump station inlet being obstructed. The obstructed inlet was cleared and the non-functional pump was removed and refurbished, and is now functional again.

Flood Protection and Control Works Cost of Service Statement

2014 Actual \$ (000's)		2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
	OPERATING INCOME		
124	Activity Revenue	118	160
29	Targeted Rates	28	28
-	Development Contributions	-	-
14	General Rates	26	2
-	Other General Sources	-	-
167	TOTAL OPERATING INCOME	172	190
	OPERATING EXPENDITURE		
21	Drainage Legalisation	26	2
118	Otorohanga Flood Protection	92	96
32	Aotea Erosion Maintenance	50	20
7	Aotea Erosion Loan	6	6
178	TOTAL OPERATING EXPENDITURE	174	124
(11)	NET COST OF SERVICE	(2)	66



Flood Protection and Control Works Funding Impact Statement

	2013/14 Long Term Plan \$ (000's)	2014/15 Long Term Plan \$ (000's)	2014/15 Actual \$ (000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	-	5	2
Targeted rates (other than a targeted rate for water supply)	30	30	28
Subsidies and grants for operating purposes	-	-	-
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	1	1	-
Local authorities fuel tax, fines, infringement fees and other receipts	115	119	160
Total operating funding	146	155	190
Applications of operating funding			
Payments to staff and suppliers	75	77	61
Finance costs	27	31	14
Internal charges and overheads applied	13	13	24
Other operating funding applications	3	3	-
Total application of operating funding	118	124	99
Surplus (deficit) of operating funding	28	31	91
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	17	25	(14)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	17	25	(14)
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	46	43	-
Increase (decrease) in reserves	(1)	13	77
Increase (decrease) of investments	-	-	-
Total application of capital funding	45	56	77
Surplus (deficit) of capital funding	(28)	(31)	(91)
Funding balance	-	-	-

STORMWATER 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.

Capital Expenditure

	2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	15	13
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	6	-

Internal Borrowing

The Stormwater Drainage group of activities has internal borrowing as at 30 June 2015 of \$855,876. During the year no additional borrowing was taken, and repayments totalling \$53,505 were made. Interest on internal borrowings was paid of \$49,869.

Key Stormwater Drainage Levels of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
			New Measure	Full compliance with resource consent conditions	Achieved	Full compliance with resource consent conditions
Council stormwater systems are well operated and	Sound planning of appropriate stormwater systems will ensure that communities are safe and healthy and ensure that efficient and effective water services are	Measuring compliance of stormwater discharge with conditions of applicable stormwater discharge resource consents				

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
			New Measure	<5 complaints	Achieved	No complaints
maintained	provided, to meet both current and future demands.	Number of complaints of widespread flooding as recorded in the service request system				

Compliance with Resource Consents

For the period 1 July 2014 to 30 June 2015 compliance with the stormwater resource consents has been recorded as full compliance.



Stormwater Drainage Cost of Service Statement

2014 Actual \$ (000's)		2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
	OPERATING INCOME		
10	Activity Revenue	10	10
-	Targeted Rates	-	-
-	Development Contributions	6	-
162	General Rates	204	175
-	Other General Sources	-	-
172	TOTAL OPERATING INCOME	220	185
	OPERATING EXPENDITURE		
147	Otorohanga Stormwater	136	139
44	Kawhia Stormwater	38	46
191	TOTAL OPERATING EXPENDITURE	174	185
(19)	NET COST OF SERVICE	46	-

Stormwater Drainage Funding Impact Statement

	2013/14 Long Term Plan \$ (000's)	2014/15 Long Term Plan \$ (000's)	2014/15 Actual \$ (000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	197	182	175
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	10	10	10
Total operating funding	207	192	185
Applications of operating funding			
Payments to staff and suppliers	17	17	15
Finance costs	59	56	50
Internal charges and overheads applied	20	20	22
Other operating funding applications	27	28	15
Total application of operating funding	123	121	102
Surplus (deficit) of operating funding	84	71	83
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	6	6	-
Increase (decrease) in debt	(53)	(53)	(54)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	(47)	(47)	(54)
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	25	-	-
- To replace existing assets	10	16	13
Increase (decrease) in reserves	2	8	16
Increase (decrease) of investments	-	-	-
Total application of capital funding	37	24	29
Surplus (deficit) of capital funding	(84)	(71)	(83)
Funding balance	-	-	-

COMMUNITY SERVICES

Capital Expenditure

	2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	215	194
- Growth (Improving Service Capacity)	40	24
- Level of Service (Improvements to Service)	76	78

Internal Borrowing

The Community Services group of activities has internal borrowing as at 30 June 2015 of \$1,111,493. During the year \$41,000 of additional borrowing was taken, and repayments totalling \$81,229 were made. Interest on internal borrowings was paid of \$62,778.

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.

Key Parks, and Reserves (including Public Conveniences) Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
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	Outdoor reserve structures comply with relevant standards	33%	66% compliance	Achieved	75% compliance
		Paths and tracks comply with relevant standards	15%	30% compliance	Achieved	60% compliance
		Park furniture meets safety and maintenance criteria	54.5% 22/34 picnic tables 2/2 barbecues 0/8 seats	70% meet safety criteria	Achieved	70% meet safety criteria
Public toilets as provided by Council are maintained in good condition	Having safe toilets helps achieve safe communities	Number of complaints received about public conveniences recorded in the service request system	New measure	<12 complaints	Achieved	No complaints received

Safe Outdoor Structures

Currently 75% of outdoor structures meet the criteria of being safe and high quality. This is due to the removal of a large number of older structures over the past few years, and the addition of new, complying structures. Six new picnic tables were installed in the 2014/15 year, and one rotten picnic table was removed.

Paths and Tracks

Currently 60% of our paths and tracks meet the criteria of being adequate, well-formed and maintained. This is significantly higher than the target, as a large number of paths and tracks have low foot traffic volumes. The low volume tracks were not taken into account when the target was established and are substantially better quality than the minimum standards required by NZS 8630.

Safe High Quality Park Furniture

Currently 70% of our park furniture meets the criteria of being safe and high quality.

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 core roles;

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.

Key Library Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
Relevance of library services to the community is measured by: <ul style="list-style-type: none"> • Material issued • Physical visits • Website visits • Computer sessions 	Healthy, cohesive, and informed communities have access to a wide range of up to date library materials, in a variety of formats. People in the community have access to public spaces offering programmes and activities which contribute to local identity, lifelong learning and recreation	Statistical data is maintained to record material issued	Decrease of 6.7% in material issued	2% increase over previous year issues	Not achieved	Decrease of 11.4% over previous year
		Statistical data is maintained to record website visits	New Measure	2% increase over previous year visits	Not measured	Not measureable
Currency of physical book stock is maintained		Book stock has an average publication date of 10 years or less	69%	>75% have publication date less than 10 years	Achieved	80% have a publication date less than 10 years

Number of Books Issued

42,784 books were issued between 1 July 2014 and 30 June 2015. This is a 11.4% reduction on the 2013/14 year when 48,301 books were issued. The decrease in materials issued this year corresponds with national trends.

Current Book Stock

As of 30 June 2014, 80% of the stock has been published since 2004. This measure has not been applied to the Kawhia Library book stock – the Kawhia Library holdings consist primarily of donated materials, most of which are not of recent publication.

Website visits

A figure for annual website visits is not available owing to our library having migrated to the Kotui consortium in March 2015.

Housing for the Elderly

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

Key Housing for the Elderly Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
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 the year units are occupied	Otorohanga 96.3% Kawhia 99.4%	>95% occupied	Achieved	Otorohanga 96.3% Kawhia 99.4%
Good standards of maintenance and accommodation are maintained by Council		Maintenance items identified during annual inspections remedied to residents satisfaction, as measured by annual survey	New measure	>95% satisfaction	Not measured	Inspection carried out November 2014, no survey undertaken.

Occupancy Rates

During the year, units in Otorohanga were unoccupied for an approximate total of 43 weeks across the 22 units, averaging just under 2 weeks per unit. In Kawhia, one unit was unoccupied during the year for 2 weeks. Council attempts to maintain waiting lists for these units in order to reduce the instances of empty units, however even this takes time to process and empty units will occur.

Other Property

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

Key Other Property Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
Ensure that all buildings and structures are maintained in a sound, sanitary and safe condition	Having safe buildings that are maintained in a sound, sanitary and safe condition – ensures our communities are safe	Building maintenance is regularly assessed and carried out	Urgent maintenance carried out within 5 working days	Urgent maintenance carried out within 5 working days	Achieved	All urgent maintenance carried out within 5 working days
Ensure that all buildings with a Compliance Schedule meet the requirements of the Building Act		All applicable buildings have a current Building Warrant of Fitness (BWOFF)	5 of 5 applicable buildings have current BWOFF*	Current BWOFF in place	Achieved	Current BWOFF for all council buildings

* Buildings are Otorohanga Council Building, Swimming Pools, Kawhia Community Hall, and Otorohanga Public Library.

Of the council buildings which require a compliance schedule under the Building Act 2004 and Fire Safety and Evacuation of Buildings Regulations 2006 all 4 are up-to-date with their building warrants of fitness.

Swimming Pool

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

Key Swimming Pool Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
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	The water quality of the pools meets acceptable standards* for the safety and health of users	Non compliance	Daily testing meets acceptable standards* 85% of each month	Achieved	>85% of monthly tests meet acceptable standards.

* Acceptable standards as defined in the contract including NZS 5826

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.

Water Quality Tests

From the testing completed by the pool contractor, the indoor and outdoor pools fully complied with the requirements of NZS 5826. It has also met all requirements of the Aquatic Facilities Quality Management Scheme (AFQMS) each month.

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.

Key Cemeteries Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
The Cemeteries are well maintained and developed for future use	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	Number of complaints received regarding maintenance of the cemeteries	New Measure	Less than 10 complaints	Achieved	5 complaints received
Information about cemeteries and internments are readily available	Providing information about internments at the cemeteries provides a link to the history of the District	Number of page views of cemetery information on Council website	New measure	500 more page views than previous year	Not achieved	1,220 fewer page views

Number of Complaints

5 complaints were received during the year, 1 in Kawhia and 4 for the Otorohanga cemetery. These predominately related to issues around the upkeep of the cemeteries, with one also referring a potential hazard of a drop near one row in the Otorohanga cemetery.

Website Page Views

A total of 2,767 page views were received for cemetery information pages on www.otodc.govt.nz, down on 3,987 in the previous year. A total of 2,729 page views were recorded to the Cemetery Search page. This was made of 1,925 unique page views, being unique visitors, with the average time spent on the page being 1 minute 46 seconds.

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 the Waste Management and Minimisation Plan 2012-2018 on 19 June 2012, which sets out Council's proposals for achieving effective and efficient waste diversion throughout the District. Council receives Waste Minimisation funding by way of a Waste Disposal Levy from the Ministry for the Environment. Council is required to report on this spending to them and to spend this levy as it has proposed in the plan.

Key Solid Waste Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2014/15 Target	Achieved/ Not achieved	2014/15 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 values of our District	Increase in recycling volumes over previous year	New Measure	1% increase	Achieved	12.9% increase
		Complaints received from people whose rubbish was not collected during kerbside collection as recorded in the service request system	New Measure	<10 complaints	Achieved	3 complaints
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	Partially achieved	Otorohanga - Partial Compliance Kawhia – Full Compliance

Recycling Volumes

Overall there was an increase in recycling volumes over the previous year of 12.9%. This can be attributed to the opening of some additional rural recycling centres, as well as continued recycling education efforts.

Number of Complaints

A total of 3 complaints have been recorded as being received related to kerbside collection. These all related to missed pickups. The contractor returned to pick up the refuse/recycling after being informed.

Landfill Resource Consents

The sampling contractor, Food and Health Environmental, has completed the sampling and testing at both closed landfills for 2014/15 and all reports have been forwarded to Waikato Regional Council with Council's report as required. Partial compliance was received for the Otorohanga landfill due to a misunderstanding between the sampling contractor and instructions from a staff member whereby they ceased water sampling and testing.

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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
			New Measure	<12 complaints	Achieved	5 complaints
Provide a roadside litter collection service throughout the rural area	This service ensures that Otorohanga's clean green image is maintained and the rural environment is not a dumping ground	Number of complaints received regarding roadside litter				

Complaints regarding litter

A total of five complaints about litter on roadsides were received. All were related to the dumping of litter or larger items on roadsides.

Security Patrol

A Security Patrol service is provided 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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 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	Number of crimes against property in the patrolled area (excluding graffiti)	New measure	<10 reported crimes	Not achieved	10 reported crimes
		Number of reported instances of graffiti within the patrolled area	New Measure	<10 reported graffiti instances	Achieved	8 reported graffiti instances

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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
Delivery of sport and leisure activities as per agreement between Sport Waikato and Otorohanga District Council	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 and active	100% compliance with agreement monitored through quarterly reports to Council	100% Compliance	100% Compliance	Achieved	100% compliance



Community Services Cost of Service Statement

2014 Actual \$		2015 AP Estimate \$	2015 Actual \$
(000's)		(000's)	(000's)
	OPERATING REVENUE		
480	Activity Revenue	414	473
369	Targeted Rates	362	360
11	Development Contributions	10	8
1,532	General Rates	1,771	1,650
(1)	Other General Sources	3	1
2,391	TOTAL OPERATING REVENUE	2,560	2,492
	OPERATING EXPENDITURE		
658	Parks and Reserves (including Public Conveniences)	719	713
323	Library	340	329
342	Swimming Pools	343	354
133	Pensioner Housing	141	165
56	Halls	57	70
34	Harbour Services	42	53
74	Cemeteries	70	84
129	Other Council Property	147	157
359	Solid Waste Management	383	383
101	Security Patrol	101	111
74	Sport Waikato	76	60
2,283	TOTAL OPERATING EXPENDITURE	2,419	2,479
108	NET COST OF SERVICE	141	13



Community Services Funding Impact Statement

	2013/14 Long Term Plan \$ (000's)	2014/15 Long Term Plan \$ (000's)	2014/15 Actual \$ (000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	1,705	1,697	1,651
Targeted rates (other than a targeted rate for water supply)	375	398	360
Subsidies and grants for operating purposes	26	27	58
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	9	9	7
Local authorities fuel tax, fines, infringement fees and other receipts	392	405	410
Total operating funding	2,507	2,536	2,486
Applications of operating funding			
Payments to staff and suppliers	1,685	1,725	1,475
Finance costs	81	75	63
Internal charges and overheads applied	287	294	419
Other operating funding applications	148	152	180
Total application of operating funding	2,201	2,246	2,137
Surplus (deficit) of operating funding	306	290	349
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	10	10	8
Increase (decrease) in debt	(83)	(83)	(40)
Gross proceeds from sale of assets	76	200	-
Lump sum contributions	-	-	-
Total sources of capital funding	3	127	(32)
Application of capital funding			
Capital expenditure			
- To meet additional demand	10	-	24
- To improve the level of service	53	48	78
- To replace existing assets	177	131	194
Increase (decrease) in reserves	69	238	21
Increase (decrease) of investments	-	-	-
Total application of capital funding	309	417	317
Surplus (deficit) of capital funding	(306)	(290)	(349)
Funding balance	-	-	-

REGULATORY SERVICES

Capital Expenditure

	2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	3	8
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	-	-

Internal Borrowing

The Regulatory Services group of activities has no internal borrowing as at 30 June 2015. Subsequently, no interest was paid during the year.

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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
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	Achieve BCA accreditation	Achieve BCA accreditation	Achieved	BCA accreditation achieved
	The Fencing of Swimming Pools Act is enforced	Annual recorded pool inspections of the properties listed on the	No inspections undertaken	>10% of pools on register	Achieved	23% of pools on the register were inspected

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
		Swimming Pool Register				
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	Percentage of consents processed within 20 working days	96.44%	100%	Achieved	100%
		Average time to process a building consent	8 days	<10 days	Achieved	9 days

Accreditation

An audit and review of Councils building consent process was undertaken in August 2014. International Accreditation New Zealand reported a total of ten corrective actions requests which were addressed and signed off in November 2014. This assessment of the BCA functions covers all aspects of plan review and building inspections.

Swimming Pool Inspections

During the year substantial resources were engaged to update the information held on Councils swimming pool register. A total of 283 pools are currently listed on the swimming pools register. During the year it was identified that 28 pools listed on the register no longer exist. Inspections of pool fences at 66 properties were completed. This represents 23% of all the pools on the register. It is planned to maintain property visits at this level which approximates to an inspection cycle of 5-6 years.

Building Consent Applications

During the year Council issued 208 building consents. All consent applications were completed within 20 working days. The average processing time was 9 days.

Enforcement

Enforcement of building issues is carried out by the Building Inspectors. This can include a number of measures, ranging from a notice to fix up to a stop work notice. Building consents are monitored with monthly reporting, as building consents have a two year time frame before they expire, however extensions can be granted if applied for.

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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 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 (Land use 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	93%	100%	Achieved	100%
		All decisions are prepared, signed and mailed to applicants within three days of the signing of the Planner's Report and Recommendation.	< 3 days	< 3 days to sign Planner's Report	Achieved	< 3 days
Good advice will be delivered to help people understand the District Plan rules	Good advice from the Council, in accordance with the District Plan, will contribute to ensuring that growth and development is managed appropriately and that the natural environment of the District is treated respectfully	Current and consistent information available to the public	New Measure	Updated information available on Council website	Achieved	Planning and policy information posted on website

Non-notified Consents

A total of 52 non-notified consents were issued during the year. All were processed within 20 working days. Detailed information on resource consents and planning policy is provided annually to the Ministry for the Environment.

Planners Decisions

Planner's decisions are usually sent out on the day that they are signed. After being signed, the documents are scanned into Council's document management system, which is used for measuring this performance measure.

Information Available

The District Plan became operative on 30 October 2014. Council provided 25 copies of the new plan and planning maps to various organisations and planning consultants. The District Plan and planning maps can be viewed and downloaded from Council's website. Application forms and other planning information are also available online. Viewers are directed to the Quality Planning Website for more detailed and technical advice on the Resource Management Act 1991. Application packs for land use and subdivision application are available over the counter or can be mailed out upon request. The information and forms in these packs are reviewed on a regular basis or when there is a change of legislation or policy.

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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
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	1	2 formal training exercises	Not achieved	1 training exercise in October 2014
		The Civil Defence action team comprising key staff will meet at least once between formal exercises to ensure preparedness and training schedules are maintained.	One meeting	Once between exercises	Achieved	One meeting in April 2015

Waipa, Waitomo and Otorohanga are members of a shared service arrangement which we call the Western Waikato Emergency Operating Area. The member councils have signed a service level agreement and jointly fund an Emergency Management Officer that is based Te Awamutu, but has office space in both Te Kuiti and Otorohanga. Senior managers from all three councils meet regularly to coordinate emergency management issues and the implementation of the Waikato Civil Defence Plan. This year the focus has been on three projects. The first two projects are the preparation of one Community response plan in each District and the development of a local Recovery plan for each District. The drafts of these plans have been completed. The third project is strengthening the welfare support functions and networks in local communities. Considerable effort has been made to train staff and connect with local volunteer groups.

In addition to the training exercises a number of staff with key roles in emergency response have attended specialist training events i.e. Controller training, Public information, post disaster building assessment.

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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 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 registered dogs impounded	<5%	<5%	Achieved	3.93%
		Complaints about roaming dogs that are responded to	100%	100%	Achieved	100%

Dog registrations and Impounding

Approximately 2,519 dogs are registered every year in the Otorohanga District. During the year 99 dogs, many of which were not registered, were impounded.

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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 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	100%	100%	Achieved	100%

Stock on Roads and Highways

In addition to responding to callouts and complaints about stock on Council controlled roads, the Animal Control Officer is contracted by the New Zealand Transport Agency to provide afterhours response for all State Highways within the Otorohanga District.

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, the Local Government Act 2002 and the Resource Management Act 1991.

Key Environmental Health Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
Any cases of communicable disease identified are investigated	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 10 working days. The result of the investigation is reported back to the Medical Officer of Health no later than 14 working days from receiving the report.	100%	100%	Achieved	100%
Premises are inspected to ensure they are producing safe food	Having healthy food services, helps achieve safe communities	All premises in which food is sold or processed that require registration, hold a current licence.	100%	100%	Achieved	100%
		All licenced premises receive at least one annual inspection. All inspections recorded in the NCS database.	1 annual inspection per licensed premise	1 annual inspection per licensed premise	Achieved	1 annual inspection per licensed premise
		All premises in the District that require a Food Control Plan will undertake at least one annual audit	100% compliance	100% compliance	Not measured	There are no premises operating under a food control plan
The sale and supply of liquor is controlled to	The Council will help to achieve safe and healthy	A liquor licence is held in respect of all premises at which liquor is sold or	100%	100%	Achieved	100%

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
prevent bad behaviour	communities through preventing bad behaviour as a result of liquor supply	supplied, and every premise licensed for the sale or supply of liquor is managed by an appropriately qualified person				

Communicable Diseases

During the year thirteen communicable disease notifications were received. No cases took longer than seven working days to report back to the Medical Officer of Health.

Food Premise Inspections

During the 2014/15 year all food premise were inspected. A record of the inspection and the outcome is recorded in the Councils database.

Liquor Licenses

All premises involved in the selling of alcohol are required to have a licence, which has to be renewed every three years. These licences are recorded in the Councils database, and reminders are generated when a licence renewal is required. Any new premises that were to open would be identified by any of a number of organisations involved in liquor monitoring, including Council, Public Health Officers, NZ Police or the Alcohol Regulatory and Licensing Authority. Any premises found to be operating without a licence is committing an offence under the Sale and Supply of Alcohol Act 2013 and would be liable for prosecution.

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 1987. The public's expectation is Council will provide rural fire protection and fire prevention services.

Key Rural Fire Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 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.	>95%	>90%	Not achieved	89%
		Recovery of the costs of fires from those responsible for lighting fire or their insurers.	>100%	>90%	Achieved	100%

Permits Issued

In total, 89% or 24 of 27 fire permits were issued within 3 working days. This was just below target of greater than 90%, due to one of the responsible staff members leaving during the fire season and competing work priorities for other staff.

Recovery of Costs

A total of three fires took place during the year, of which all had the costs fully recovered from those responsible or their insurers.



Regulatory Services Cost of Service Statement

2014 Actual \$		2015 AP Estimate \$	2015 Actual \$
(000's)		(000's)	(000's)
	OPERATING REVENUE		
467	Activity Revenue	523	516
-	Targeted Rates	-	-
-	Development Contributions	-	-
616	General Rates	684	688
272	Other General Sources	223	313
1,355	TOTAL OPERATING INCOME	1,430	1,517
	OPERATING EXPENDITURE		
484	Building Control	478	573
233	Planning & Development	263	254
75	Civil Defence	82	66
143	Dog Control	146	139
13	Stock Ranging & Impounding	16	18
117	Environmental Health	142	106
56	Rural Fire Control	49	47
242	Environmental Services Manager	276	300
1,363	TOTAL OPERATING EXPENDITURE	1,452	1,503
(8)	NET COST OF SERVICE	(22)	14



Regulatory Services Funding Impact Statement

	2013/14 Long Term Plan \$ (000's)	2014/15 Long Term Plan \$ (000's)	2014/15 Actual \$ (000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	655	631	688
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	256	262	622
Local authorities fuel tax, fines, infringement fees and other receipts	495	515	515
Total operating funding	1,406	1,408	1,825
Applications of operating funding			
Payments to staff and suppliers	757	777	846
Finance costs	-	-	-
Internal charges and overheads applied	619	633	956
Other operating funding applications	7	7	6
Total application of operating funding	1,383	1,417	1,808
Surplus (deficit) of operating funding	23	(9)	17
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	-	-	-
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	21	3	8
Increase (decrease) in reserves	2	(12)	9
Increase (decrease) of investments	-	-	-
Total application of capital funding	23	(9)	17
Surplus (deficit) of capital funding	(23)	9	(17)
Funding balance	-	-	-

COMMUNITY DEVELOPMENT

Capital Expenditure

	2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	-	-
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	-	-

There was no capital expenditure in the current year as no property development projects are currently underway by the Council.

Depreciation Expense

There was no depreciation for Community Development group of activities.

Internal Borrowing

The Community Development group of activities has no internal borrowings as at 30 June 2015 and, subsequently, no interest paid.

Property Development

Council has undertaken 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. This undertaking is dependent on favourable market conditions for these types of developments.

Key Property Development Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
That identified opportunities to address significant perceived shortages in the availability of particular types of property in the District are explored.	Contributes towards a vibrant community with available property	Decision making on physical works stage in respect of identified opportunities	Not measured	Market assessment report completed and presented to Council	Not achieved	Not achieved

The property market in the Otorohanga District continues to be depressed as at 30 June 2015. Therefore, Council saw no necessity to carry out a market assessment. During the year no sections at Progress Park were sold.

District Promotion

This group of activities is undertaken to:

- 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.
- 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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
District is effectively promoted as a place to visit or live 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	13,835 visitors	15,000 visitors	Not achieved	13,462
		Total number of visits to otorohanga.co.nz website, previous year to 31 December	93,256 website visits	105,000 website visits	Not achieved	78,570 website visits
Tourism activity in District is supported		Total accommodation guest stay nights in District for previous year to 31 December (Ministry of Tourism data)	31,378 guest stay nights	40,000 guest stay nights	Not achieved	30,127

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. There are no plans by Council to address this reduction on target at this point, as it is not seen to be core Council business.

Community Development

Community development is an area that Council is currently reviewing, including how this service is delivered, and determining the best way forward to ensure maximum value for dollar in terms of spending, as well as improve our performance in this area. This review is currently underway and is expected to be completed within the 2015/16 financial year.



Community Development Cost of Service Statement

2014 Actual \$ (000's)		2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
	OPERATING REVENUE		
-	Activity Revenue	-	-
-	Targeted Rates	-	-
-	Development Contributions	-	-
294	General Rates	153	315
(4)	Other General Sources	-	(3)
290	TOTAL OPERATING REVENUE	153	312
	OPERATING EXPENDITURE		
29	Property Development	12	6
266	District Promotion	271	286
295	TOTAL OPERATING EXPENDITURE	283	292
(5)	NET COST OF SERVICE	(130)	20

Community Development Funding Impact Statement

	2013/14 Long Term Plan \$ (000's)	2014/15 Long Term Plan \$ (000's)	2014/15 Actual \$ (000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	294	292	315
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
Total operating funding	294	292	315
Applications of operating funding			
Payments to staff and suppliers	48	39	3
Finance costs	41	63	-
Internal charges and overheads applied	29	36	12
Other operating funding applications	254	262	279
Total application of operating funding	372	400	294
Surplus (deficit) of operating funding	(78)	(108)	21
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	1,250	(600)	-
Gross proceeds from sale of assets	-	1,000	-
Lump sum contributions	-	-	-
Total sources of capital funding	1,250	400	-
Application of capital funding			
Capital expenditure			
- To meet additional demand	1,250	-	-
- To improve the level of service	-	-	-
- To replace existing assets	-	-	-
Increase (decrease) in reserves	(78)	292	21
Increase (decrease) of investments	-	-	-
Total application of capital funding	1,172	292	21
Surplus (deficit) of capital funding	78	108	(21)
Funding balance	-	-	-

GOVERNANCE AND LEADERSHIP

Capital Expenditure

	2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	422	287
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	84	76

Depreciation Expense

Total depreciation for Governance and Leadership group of activities was \$224k.

Internal Borrowing

The Governance and Leadership group of activities has no internal borrowings as at 30 June 2015 and, subsequently, no interest paid.

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.

Democratic 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 complementary 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 four 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 LTP) 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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
Communicate and consult with the community on key issues	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	Produce six-monthly Council newsletter	2 newsletters per annum	Minimum 2 newsletters per annum	Achieved	2 newsletters produced
		Number of negative submissions received on Long Term Plan/Annual Plan	New measure	<10 negative submissions	Achieved	4 negative submissions received

Negative Submissions

A total of 4 negative submissions were received during the 2015/25 Long Term Plan process. All these submissions related to the proposed water metering of properties within the Otorohanga township. Negative submissions are considered to be those where the majority of the submission is against Council proposals as outlined in the Annual Plan or Long Term Plan.

Council Support

Council is required by legislation to disperse grants. It facilitates the distribution of funds from Sport New Zealand 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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 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	100% allocated from both schemes	> 85% allocated	Partially achieved	Creative communities 66% allocated Sport NZ 100% allocated
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 within budget allocation	Within budget allocation	Within annual budget allocation	Achieved	Within budget allocation

All the Sport NZ funding was allocated; however, there were insufficient applicants to fully allocate all the Creative Communities funding. This money will be carried over to be allocated in the 2015/16 year.

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 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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
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 LTP/Annual Plan to be adopted by 30 June each year Annual Report to be adopted by 31 October each year	100% compliance	100% compliance	Achieved	100% compliance
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	2014 survey, target 50% response	Not achieved	7% response from ratepayers

Triennial Survey Responses

7% of ratepayers responded to our triennial survey of levels of service. This is consistent with the previous survey in 2011/12, when 7% responded as well. This is well below the target of 50%, which was a very optimistic target.

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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 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%	Achieved	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	Achieved	100% available
		Meetings and statutory hearing are conducted in accordance with all relevant legislation	New measure	100% compliance	Achieved	100% compliance
Provide location legislation	Put in place management controls that address issues and are consistent with Council policies, Central	Assess need to review, and where necessary review bylaws	Traffic bylaw reviewed	Assessment undertaken of need for bylaw	Achieved	Assessment completed

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
	Government legislation, and which reflect the Community Outcomes			reviews		
Council meets statutory planning requirements	Ensures processes and policies are developed in a consistent manner and reflective of community input	All relevant statutory plans and reports are produced and made available to the public in accordance with statutory requirements and timeframes under relevant legislation	New Measure	100% compliance	Achieved	100% compliance

District Plan

The Otorohanga District Plan was declared operative on 30 October 2014.

Local Alcohol Policy (LAP)

Following public consultation and a hearing on 3 October 2013, Council publically notified a Provisional Local Alcohol Policy *LAP) on February 2014. Three appeals against the policy were lodged with the Alcohol Regulatory and Licencing Authority (ARLA). Following mediation with the appellants an amended policy (reconsidered version) was presented to the ARLA on 5 June 2015. In July 2015 the Authority ordered Council to formally reconsider those elements of the policy subject to amendment and circulate the amended policy to all original submitters for a final round of consultation. This period of consultation closes on 30 September 2015.

Bylaws

The Keeping of Stock Poultry and Bees Bylaw 2009 was reviewed in November 2014. As a result of the review process Council decided to amend the bylaw and introduce additional controls on beehives being placed on or near road reserves and public places. Following consultation and a public hearing in March 2015 these changes were adopted.

A draft bylaw which would allow Council to direct or action maintenance and repairs to shopfront verandahs was approved for public consultation in March 2015. No submissions had been received when submissions closed. The Structure and Works in Public Places Bylaw 2015 was formally adopted by Council on 21 July 2015.

Policy Development

In conjunction with the Long Term Plan, Council adopted a new Significance and Engagement Policy, Revenue and Financing Policy, Rates Remission Policy, Policy on Remission or Postponement of Rates on Maori Freehold Land and reviewed the Development Contributions Policy.

The Delegations and Policy Manual which contains a register of all Council policies was revised and updated in March 2015.

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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 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	Progress made with an information sharing agreement (ISA) being put in place between Council and an Iwi authority	2 partnerships formally adopted by 1 July 2015	Achieved	Participation in meetings with iwi groups involved in joint management agreements adopted in previous years.
Acknowledge the relationship of Tangata Whenua with the natural	Recognise the unique relationship of Maori with the natural environment	Have in place agreed processes of consultation and opportunities for	Processes were agreed with one Iwi authority. Work is	Cultural Impact Assessments (CIA's) are commissioned	Achieved	All relevant consent application were referred to affected iwi

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2014/15 Target	Achieved/ Not achieved	2014/15 Actual
environment		input into consent processes with Tangata Whenua authorities	progressing with others	by applicants or Council where proposed consents may adversely affect an Iwi Authority site of significance		authorities
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)	Issue identified in River Settlement processes	Participate as required in respective forums	Achieved	Participation by staff and elected members in River settlement agreements.
		Establishment and operation of representation forum(s) as agreed to by Iwi/Maori authorities and Council	Scope agreed to. Commitment made for further consideration.	Meetings at least annually	Achieved	Annual meetings held with Maniapoto Maori Trust Board and Raukawa Charitable Trust

Joint Management Agreements

Council staff and elected members have attended regular meetings in accordance with the requirements of the individual Joint Management Agreements with Maniapoto Maori Trust Board and Raukawa Charitable Trust. These joint management agreements relate to the Waipa River Settlement and Waikato River Settlement. These agreements were signed in previous years, meeting the target of Council having 2 partnerships formally adopted by 1 July 2015.



Governance and Leadership Cost of Service Statement

2014 Actual \$ (000's)		2015 AP Estimate \$ (000's)	2015 Actual \$ (000's)
	OPERATING REVENUE		
132	Activity Revenue	90	157
17	Targeted Rates	18	18
-	Development Contributions	-	-
1,844	General Rates	1,545	1,569
3,814	Other General Sources	3,967	3,897
5,807	TOTAL OPERATING INCOME	5,620	5,641
	OPERATING EXPENDITURE		
732	Otorohanga District Council	763	719
137	Otorohanga Community Board	147	143
54	Kawhia Community Board	58	58
117	Council Support	142	145
180	Corporate Planning	344	392
175	Resource Management Policy Development	119	40
3,724	Support Services	4,055	3,784
5,119	TOTAL OPERATING EXPENDITURE	5,628	5,281
688	NET COST OF SERVICE	(8)	360



Governance and Leadership Funding Impact Statement

	2013/14 Long Term Plan \$ (000's)	2014/15 Long Term Plan \$ (000's)	2014/15 Actual \$ (000's)
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	1,562	1,684	1,569
Targeted rates (other than a targeted rate for water supply)	18	18	18
Subsidies and grants for operating purposes	21	22	21
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	4,069	4,151	4,349
Local authorities fuel tax, fines, infringement fees and other receipts	70	69	136
Total operating funding	5,740	5,944	6,093
Applications of operating funding			
Payments to staff and suppliers	2,998	3,067	2,979
Finance costs	877	941	473
Internal charges and overheads applied	1,314	1,492	1,764
Other operating funding applications	187	193	244
Total application of operating funding	5,376	5,693	5,460
Surplus (deficit) of operating funding	364	251	633
Sources of capital funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	80	104	42
Lump sum contributions	-	-	-
Total sources of capital funding	80	104	42
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	58	17	76
- To replace existing assets	255	329	287
Increase (decrease) in reserves	131	9	312
Increase (decrease) of investments	-	-	-
Total application of capital funding	444	355	675
Surplus (deficit) of capital funding	(364)	(251)	(633)
Funding balance	-	-	-



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 individual's ability to carry out the job.

This policy will remain consistent with:

- Good personnel policy and practices.
- The Human Rights Act 1993.
- Employment Relations Act 2000.
- Local Government Act 2002.

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



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 \$169,000 for the year ended 30 June 2015 (2014: \$232,000 deficit).

No dividend was paid in 2015 (2014: nil).

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 2015 is summarised below:

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

	Actual to 30 June 2015	Statement of Corporate Intent
Net profit/(loss) after tax to Average Shareholders' Funds	0.28%	0.00%
Net profit/(loss) after taxation to total assets	0.22%	0.00%
Percentage of Non-Landing Charges Revenue	81.03%	64.44%
Earnings before Interest, Taxation and Depreciation	\$3.294m	\$2.88m
Net cash flow *(operating and investing)	\$2.225m	(\$0.375m)
Interest Rate Cover	3.38x	2.91x
Total Liabilities/Shareholders Funds: (Debt/Equity Ratio)	24:76	26:74

Local Authorities Shared Services (LASS)

	Ownership Interest	
	Actual 2014	Actual 2015
Local Authority Shared Services	0.26%	0.26%



The contingent liability arising from ODC's interest is disclosed in note 22. 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.

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.

Performance Measures as per 2014/15 Annual Report

Performance Measure	Actual Outcome
The Statement of Intent is informed by the annual survey and independent benefits review.	Achieved. A draft Statement of Intent (SOI) for 2015/16 was distributed to all shareholding councils for comment and feedback on 26 February 2015. The annual survey of shareholders was completed and presented to the Board at their meeting on 22 May. The draft benefits review was presented to the Board at their meeting on 22 May. The final SOI was adopted by the Board on 26 June 2015 and distributed to all shareholders on 29 June.
Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the Directors.	Achieved, actual expenditure was \$16,439 favourable to budget.
The company maintains an overall positive cash flow position.	Not achieved. Cash flow was intentionally operated at a negative level in order to use up surpluses. The company still maintains a safe cash position with the cash, cash equivalents and bank account balances at the end of June 2015 being \$693,617.
The board will provide a written report on the business operations and financial position of the LASS as a minimum on a six monthly basis.	Achieved. The 2013/14 Annual Report was sent to all shareholders on 22 September 2014. A 6-month report was sent to all shareholders on 26 February 2015.
There will be an annual report to directors that all statutory requirements of the LASS are	Achieved. All parties have confirmed there were no legislative breaches during the year, and this will be



being adhered to.	reported to the LASS Board at their August meeting when the annual report is presented.
That SVDS is available to users at least 99% of normal working hours	Achieved. SVDS was available to users 99.8% of normal working hours.
That at least 98% of agreed timelines are met for sale and property files that have been delivered to the FTP server for access to customers.	Achieved. 100% of agreed timelines were met.
All capital SVDS enhancement development work is supported by a business case approved by the advisory group.	Not applicable this year, as only minor work items of \$5,000 or less have been undertaken as per the road map approved by the SVDS Advisory Group.
That all required WRTM modelling reports are actioned within the required timeframe.	Achieved. All modelling services were delivered within the required timeframe, or time extensions were agreed with the model partner/third party concerned.
That the base WRTM model adheres to "Screenline Validation Standards" as set out in the NZTA Economic Evaluation Manual (EEM) as indicated by an external independent peer review.	Achieved. The WRTM is going through an update process to bring it up to the 2013 census base. The peer reviewer has reviewed all technical notes and has advised that the revised base model meets the EEM standards. This has been documented in the peer reviewer's report. The modelling services undertaken were all done using WRTM version 7, which was last peer reviewed in 2013. No changes have been made to the model since that time.
That a full report on progress of the WRTM model be provided to the LASS Board twice each year.	Achieved. The WRTM Contract Manager reported to the LASS Board in September 2014, October 2014, December 2014 and May 2015.
The key performance indicators from appendix 4 of the insurance brokerage contract are met.	<p>Achieved. The KPIs in the brokerage contract are as follows:</p> <ol style="list-style-type: none"> 1. Failure to undertake Gap Analysis and Risk profiling for each of the Councils. Achieved. The Gap Analysis was completed. 2. Not Achieving at least an overall saving of 15% based on like for like coverage in non-property areas of the insurance profiles of LASS. Achieved. 3. Failure to give appropriate strategic advice on programme structure and improve coverage for the councils in the LASS. Achieved. A number of discussions and amendments have been made to and around the programme since the appointment of Aon. An example would be the infrastructure insurance programme that has been put in place and the current work being done on the JLT/Riskpool offering. 4. Failure to provide adequate and



	<p>reasonable day to day service to the councils in the LASS group.</p> <p>Achieved. Most of the time, all councils receive this level of service. Occasionally there are times when the response to queries may be slightly delayed. To address this, more resource has been applied to the Aon team handling the LASS account. Regular advice is provided on specific areas. e.g. Contract terms and conditions, policy responses to specific scenarios put forward, claims.</p>
That any joint procurement projects deliver as per project approved objectives.	Achieved. A joint procurement initiative was completed as per project's objective for a Professional Services Panel for four of the shareholding councils.
In response to requests from shareholders, the company will provide regular reports and updates to the Waikato Mayoral Forum regarding progress with shared service initiatives.	Achieved. Written and verbal update reports were provided to the Mayoral Forum at their meetings on 30 July, 15 September and 4 November 2014, 23 February, 20 April, and 15 June 2015.
Those independent benefit review timetabled in the plan for the current year be completed by the end of the year.	Achieved. The draft benefits review was presented to the Board at their meeting on 22 May. A copy of the final benefits report will be sent to shareholders with the Annual Report.

New Zealand Local Government Funding Agency Ltd (LGFA)

New Zealand Local Government Funding Agency Ltd was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current rating from Standard and Poor's of AA+.

Council became a shareholder in the LGFA along with 30 other local authorities. Council contributed \$100,000 for its shareholding in LGFA.

Six performance targets are specified for LGFA in the Statement of Intent. Progress against each of these targets for 30 June 2015 is discussed below.

Current Performance Targets	Target	Result
Average cost of funds relative to NZGS	<0.50%	0.83%
Average base on-lending margin above LGFA's cost of funds	<0.15%	0.13%
Annualised operating overheads	<\$4.67 million	\$4.67 million
Lending to participating councils	>\$4,400 million	\$4,979 million



ANNUAL REPORT DISCLOSURE STATEMENT

Annual report disclosure statement for year ending 30 June 2015.

What is the purpose of this statement?

The purpose of this statement is to disclose the council's financial performance in relation to various benchmarks to enable the assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The council is required to include this statement in its annual report in accordance with Local Government (Financial Reporting and Prudence) Regulations 2014 (the **regulations**). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

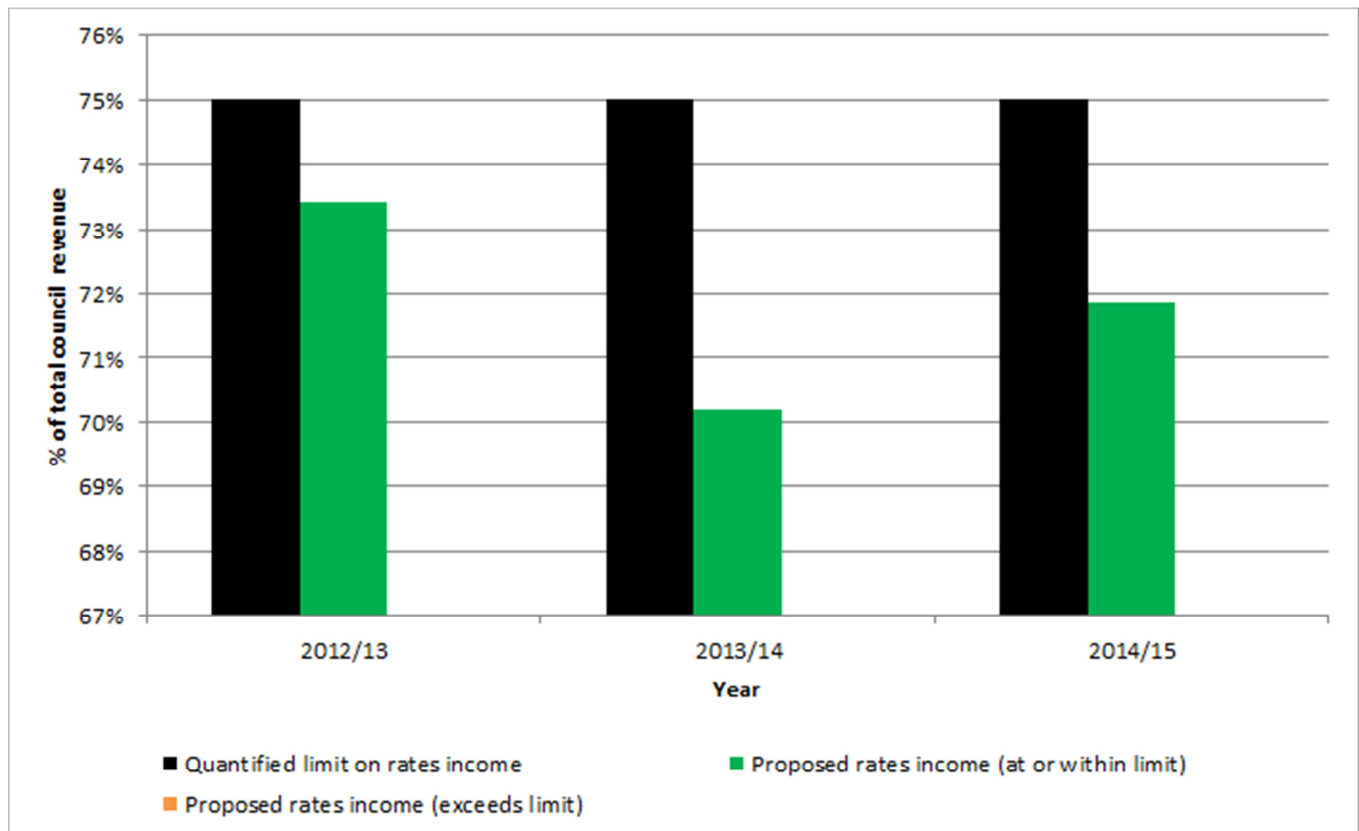
Rates affordability benchmark

The council meets the rates affordability benchmark if-

- Its actual rates income equals or is less than each quantified limit on rates; and
- Its actual rates increases equal or are less than each quantified limit on rates increases.

Rates (income) affordability

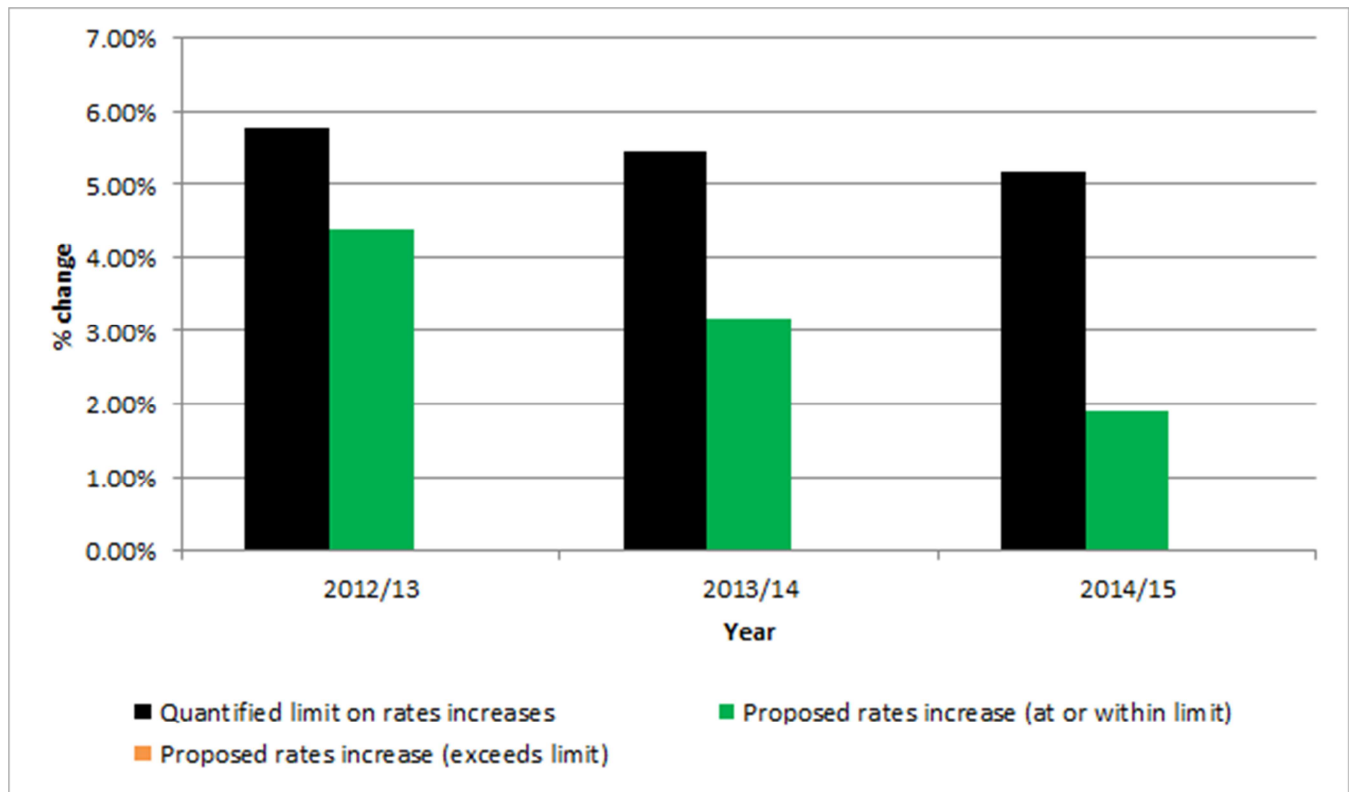
The following graph compares the council's actual rates income with a quantified limit on rates contained in the financial strategy included in the council's long-term plan. The quantified limit is 75% of total council revenue.





Rates (increases) affordability

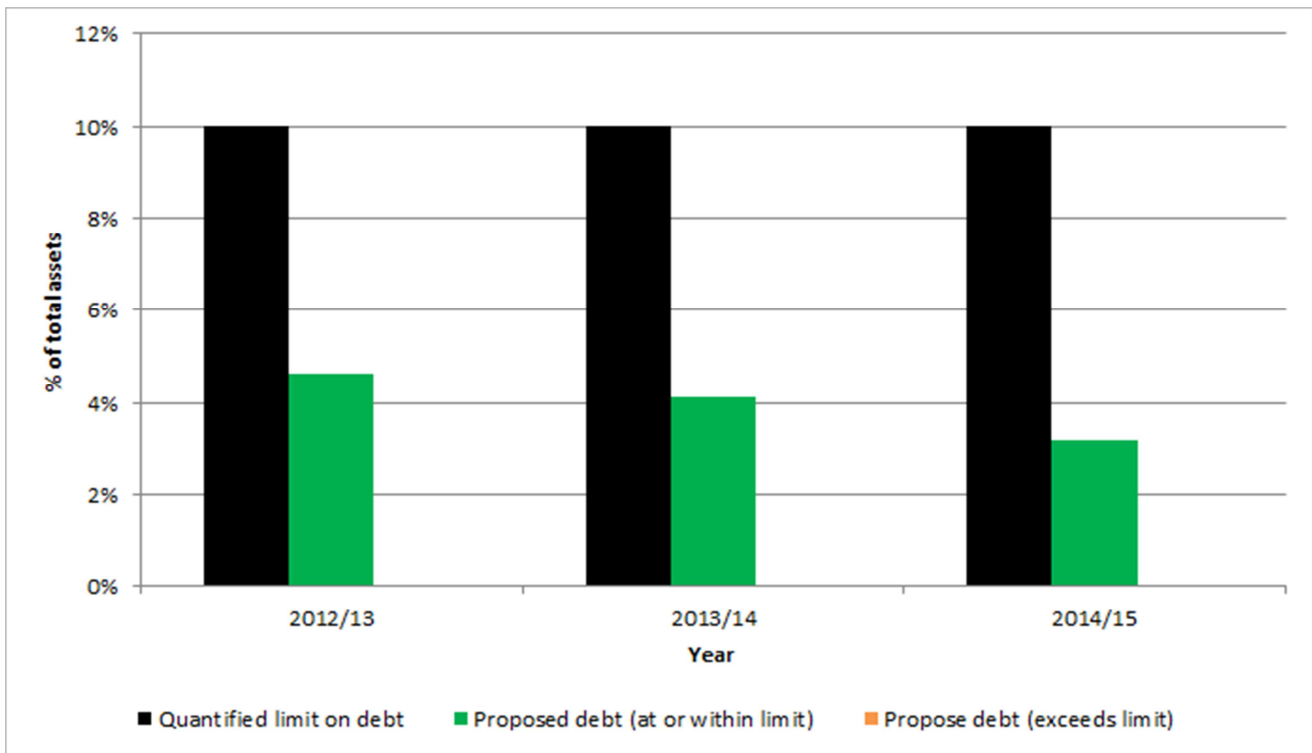
The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy in the council's long-term plan. The quantified limit is LGCI plus 2%. For the actual figures used refer to the council's long-term plan.



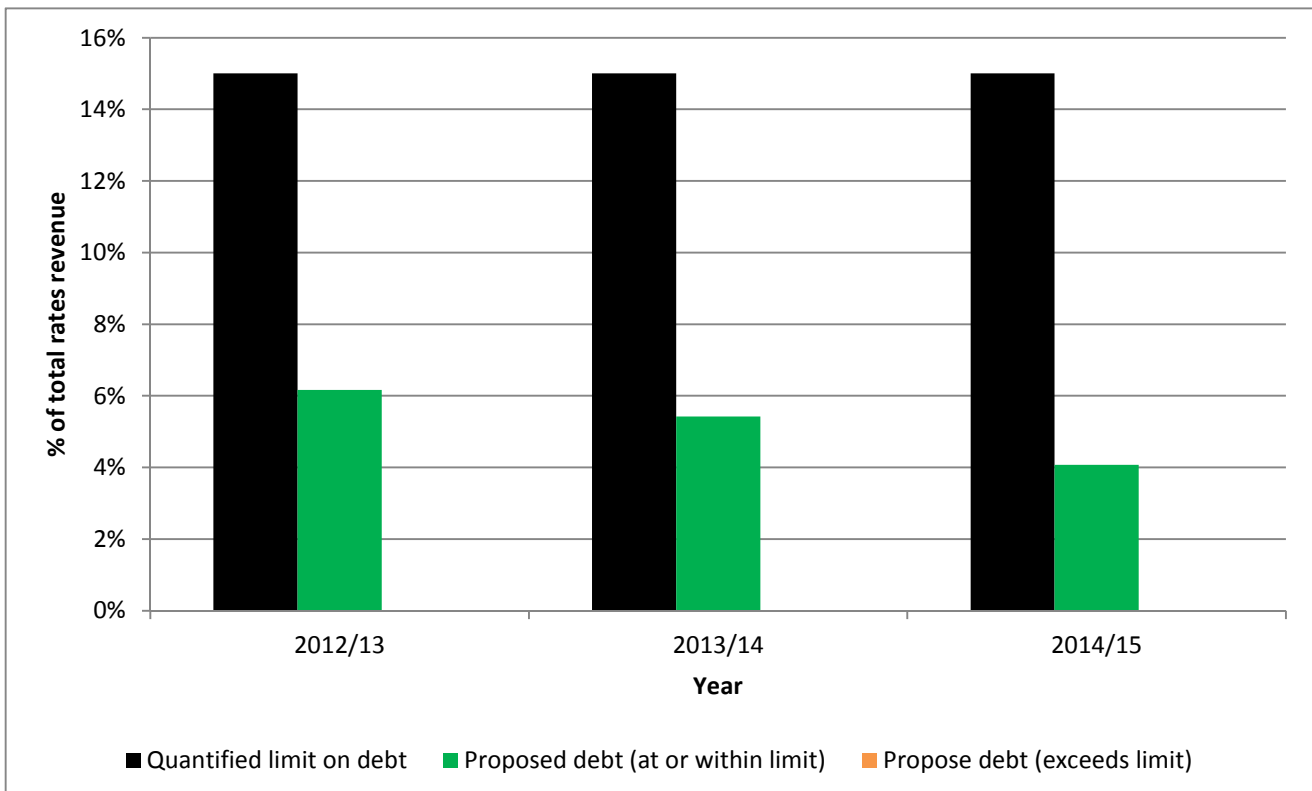
Debt affordability benchmark

The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit is borrowing cannot exceed 10% of total assets.



The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit is that interest on borrowing cannot exceed 15% of annual rates.

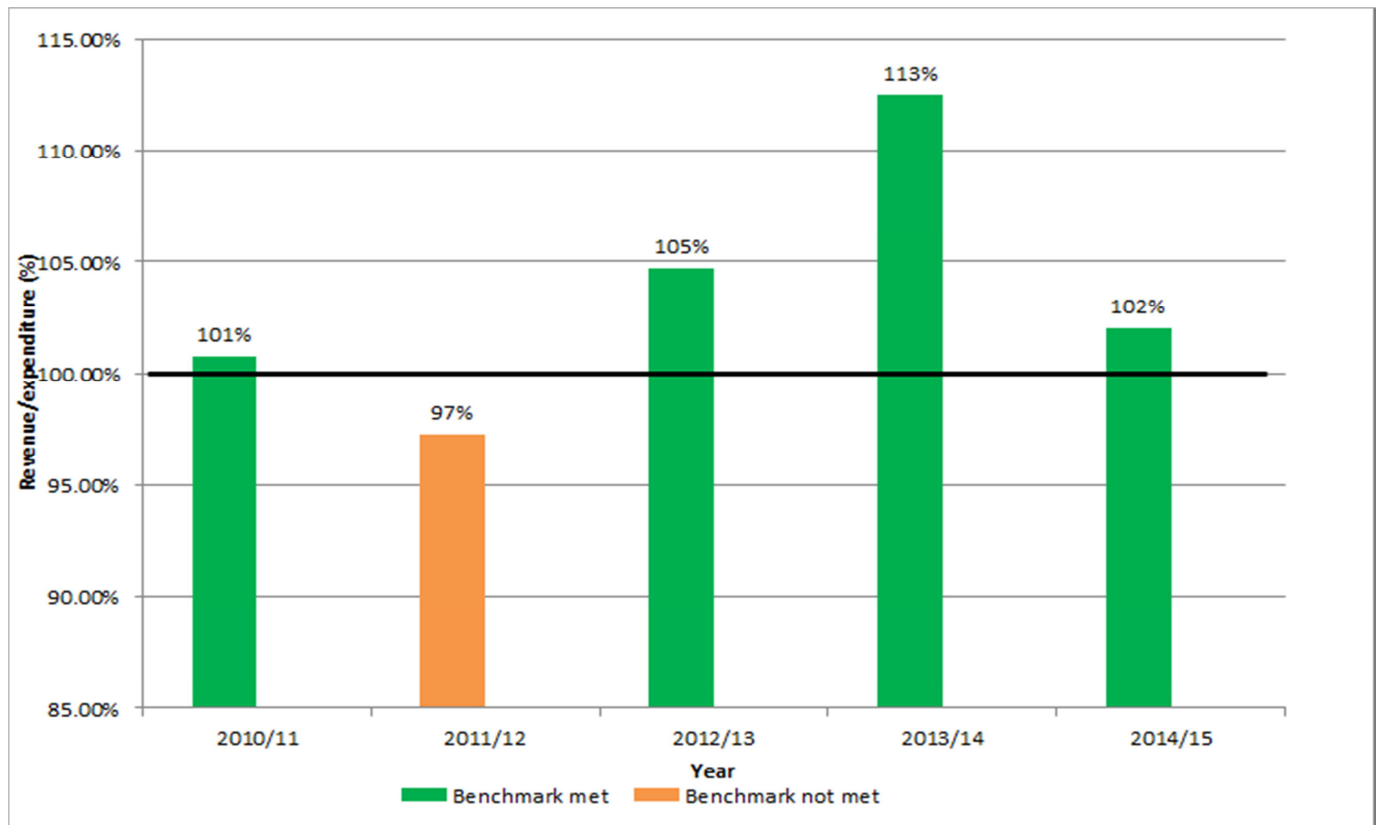




Balanced budget benchmark

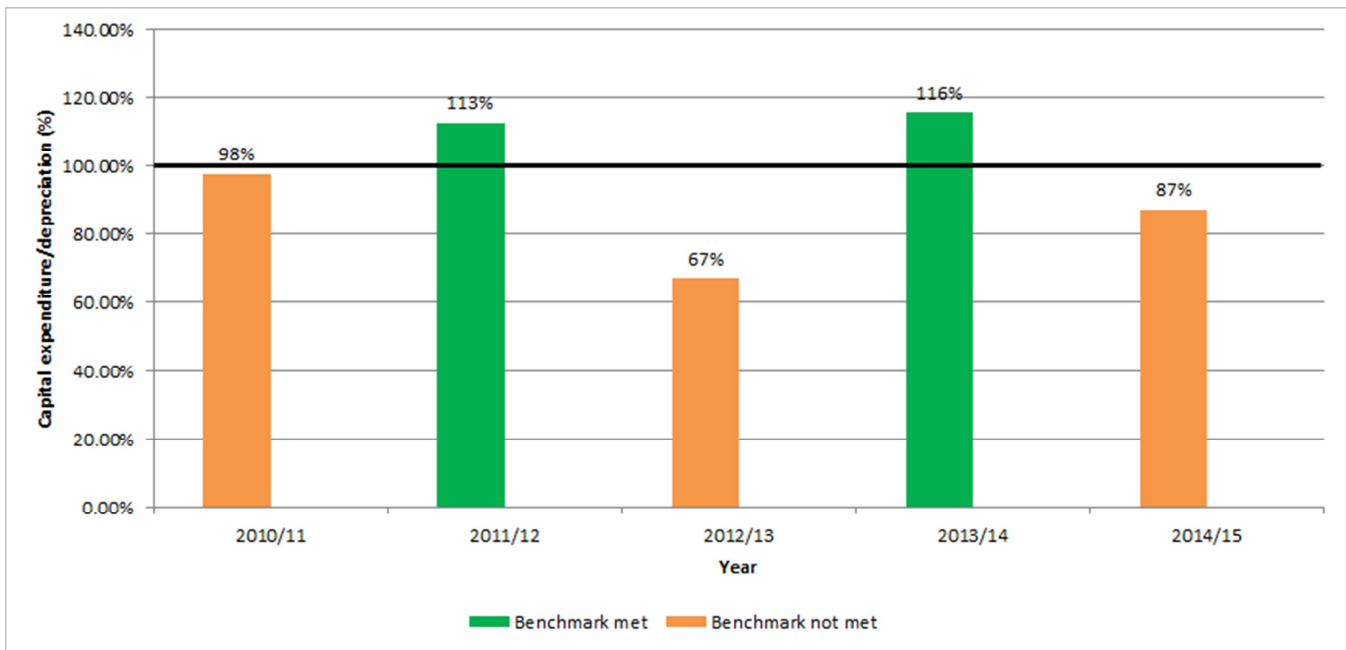
The following graph displays the council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment)

The council meets this benchmark if its revenue equals or is greater than its operating expenses.



Essential services benchmark

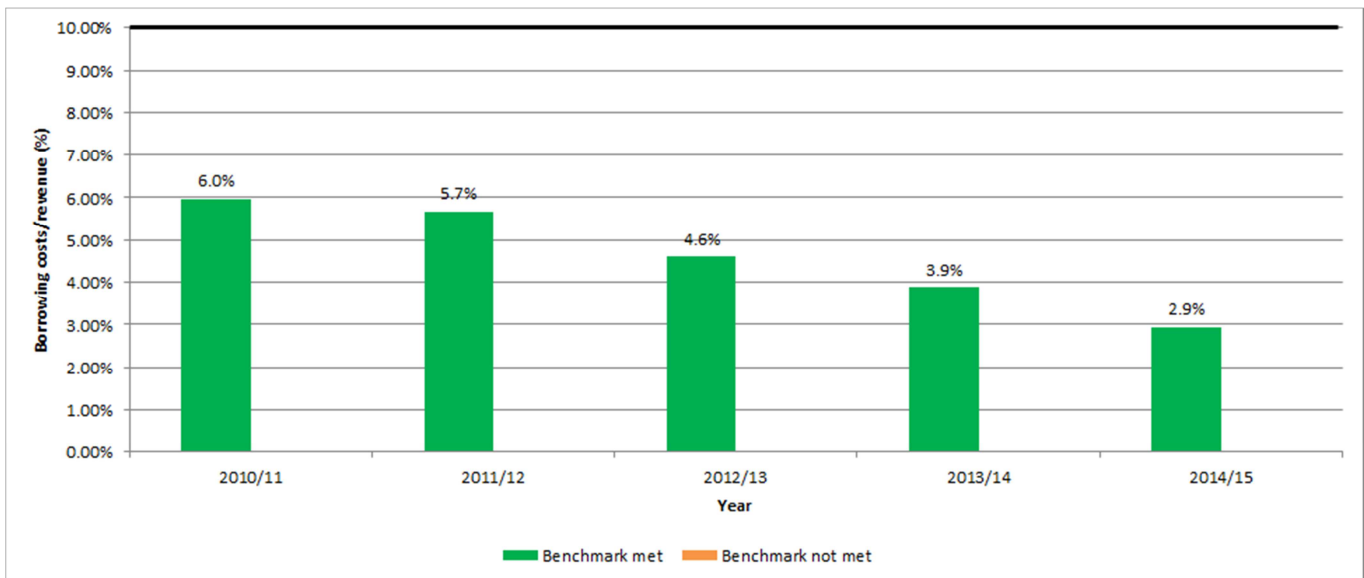
The following graph displays the council's capital expenditure on network services as a proportion of depreciation on network services. The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt servicing benchmark

The following graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment).

Because Statistics New Zealand projects the council's population will grow more slowly than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.

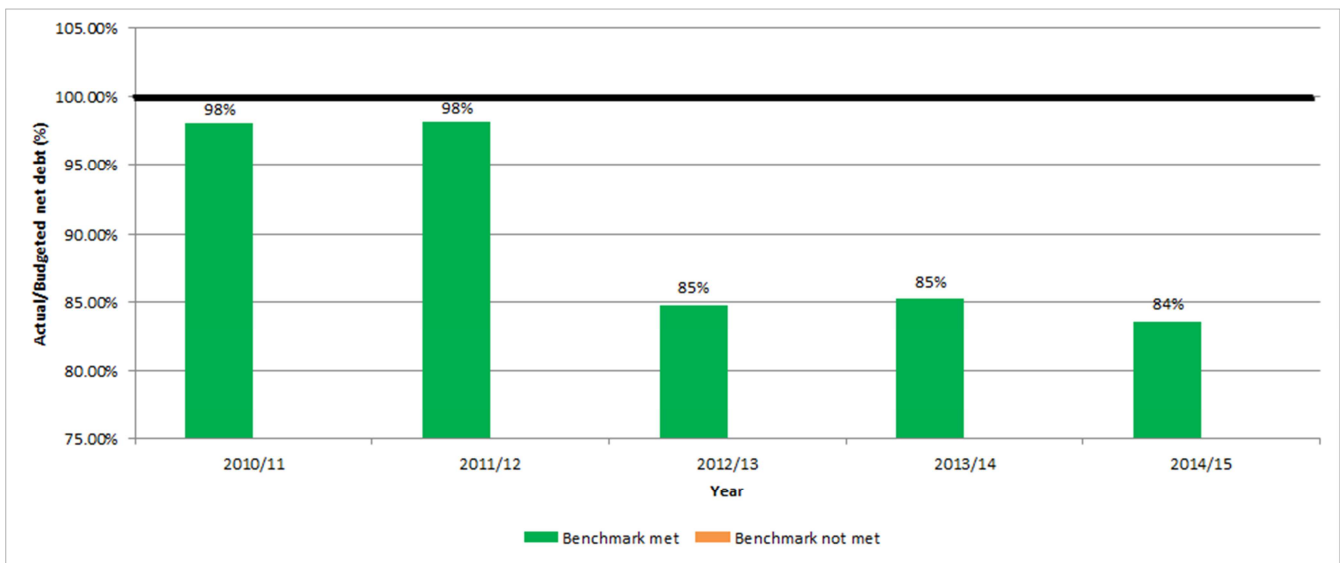


Debt control benchmark

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, **net debt** means financial liabilities less financial assets (excluding trade and other receivables).



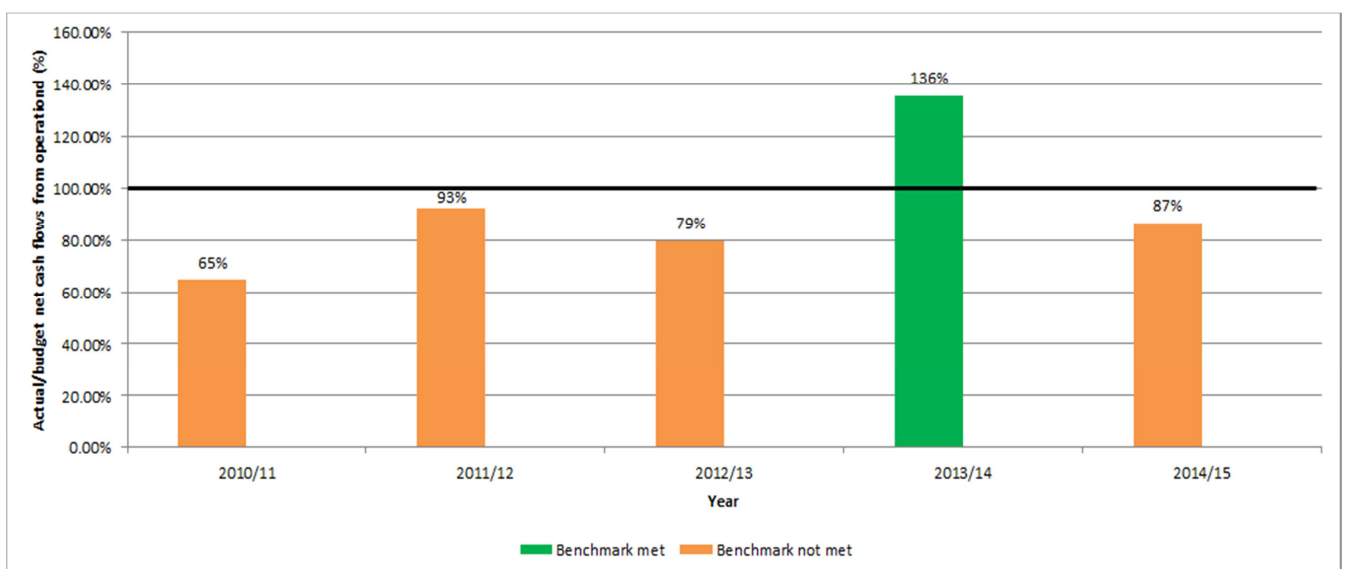
The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



Operations control benchmark

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.





LOCAL GOVERNMENT ACT DISCLOSURES

Rating base information

Under the Local Government Act 2002, the Council is required to disclose the following information:

	2015
Number of rating units	5,471
Total Capital value of rating units	\$3,554,376,600
Total Land value of rating units	\$2,433,952,550

Insurance

	Carrying value 30 June 2015	Covered by Insurance Contracts	Covered by Financial Risk Sharing Arrangement	Covered by Self Insurance
	(000's)	(000's)	(000's)	(000's)
Total Assets covered	39,567	60,394	-	-

Please note for motor vehicles the cover is up to \$200,000 for any one vehicle, and \$10,000,000 for Third Party Liability in any one accident. The covered by insurance contracts figure above includes \$200,000, not the \$10,000,000.



COUNCIL CONTROLLED RESERVES

Information about Council controlled reserves is provided below

	Balance 1 July	Transfer into fund	Transfers out of fund	Balance 30 June
2015	(000's)	(000's)	(000's)	(000's)
Roads and Footpaths	1,112	12,070	(12,471)	711
Water Supply	(386)	2,257	(2,164)	(293)
Sewerage	(35)	757	(677)	45
Flood Protection	4	196	(137)	63
Regulatory Services	(18)	148	(140)	(10)
Community Services	31	626	(638)	19
Governance and Leadership	599	1,714	(1,492)	821
Community Development	(52)	23	(3)	(32)
General Funds	235	4,453	(4,337)	351
Total Council Controlled Reserves - 2015	1,490	22,244	(22,059)	1,675
2014				
Roads and Footpaths	808	11,630	(11,326)	1,112
Water Supply	(189)	1,851	(2,048)	(386)
Sewerage	(3)	771	(803)	(35)
Flood Protection	19	294	(309)	4
Regulatory Services	(9)	134	(143)	(18)
Community Services	(11)	612	(570)	31
Governance and Leadership	403	1,862	(1,666)	599
Community Development	(73)	26	(5)	(52)
General Funds	(278)	4,540	(4,027)	235
Total Council Controlled Reserves - 2014	667	21,720	(20,897)	1,490

Purpose of each Council Controlled Reserve fund

All Council Controlled Reserves arise from situations where the income generated from an activity is larger than the expenditure, or expenditure has been higher than income, and these savings or deficits are ring-fenced to the related activity. The reserves are grouped by Group of Activities and can only be spent for those purposes they were collected for.



AUDIT REPORT



INDEPENDENT AUDITOR'S REPORT

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

The Auditor-General is the auditor of Otorohanga District Council (the District Council). The Auditor-General has appointed me, Bruno Dente, using the staff and resources of Deloitte to audit:

- the financial statements of the District Council that comprise:
 - the balance sheet as at 30 June 2015 on page 10;
 - the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ending 30 June 2015 on pages 9, 11 and 12;
 - the funding impact statement of the District Council on page 54;
 - the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 55, 60, 65, 68, 71, 74, 88, 99 and 103; and
 - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 13 to 45;
- the statement of service provision, referred to as the level of service targets and performance in the significant activities section, on pages 52 to 115 and the funding impact statements in relation to each group of activities of the District Council on pages 59, 64, 67, 70, 73, 87, 98, 102 and 115;
- the disclosures of the District Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 122 to 127.

In addition, the Auditor-General has appointed me to report on whether the District Council's annual report complies with the *Other Requirements* of schedule 10 of the Local Government Act 2002, where applicable, by including:

- information about:
 - internal borrowing on page 55, 60, 65, 68, 71, 74, 88, 99 and 103;
 - reserve funds on page 129;
 - each group of activities carried out by the District Council on pages 55 to 115;
 - remuneration paid to the elected members and certain employees of the District Council on page 42 and 43;
 - employee staffing levels and remuneration on page 43 and 44;
 - severance payments on page 44;
 - rating base units on page 128; and
 - insurance of assets on page 128;



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- a report on the activities undertaken by the District Council to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 51; and
- a statement of compliance signed by the mayor of the Council, and by the District Council's chief executive on page 48.

Opinion

Audited information

In our opinion:

- the financial statements of the District Council on pages 9 to 45:

Present fairly, in all material respects:

- the District Council's financial position as at 30 June 2015; and
- the results of its operations and cash flows for the year ended on that date; and
- comply with generally accepted accounting practice in New Zealand.
- the funding impact statement of the District Council on page 54, fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 55, 60, 65, 68, 71, 74, 88, 99 and 103 fairly reflects, by each group of activities, the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan.
- the levels of service targets and performance of the District Council on pages 52 to 115:
 - presents fairly reflects the District Council's levels of service for the year ended 30 June 2015, including:
 - the levels of service as measured against the intended levels of service adopted in the long-term plan; and
 - the reasons for any significant variances between the actual service and the expected service; and
 - complies with generally accepted accounting practice in New Zealand; and
- the funding impact statements in relation to each group of activities of the District Council on pages 59, 64, 67, 70, 73, 87, 98, 102 and 115 fairly reflects by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan.
- the disclosures on pages 122 to 127 represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information.

Compliance with the other requirements of schedule 10

The District Council's annual report complies with the *Other Requirements* of schedule 10 that are applicable to the annual report.



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Our audit was completed on 20 October 2015. 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 we 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 information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the levels of service targets and performance. 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 information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District Council's preparation of the information we audited that fairly reflect the matters to which they relate. We consider internal control in order to design 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.

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 information we audited;
- determining the appropriateness of the reported levels of service targets and performance within the Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the annual report complies with the *Other Requirements* of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*. As a result we do not express an audit opinion on the District Council's compliance with the requirements of schedule 10.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We have sufficient and appropriate evidence to provide a basis for our audit opinion.

Responsibilities of the Council

The Council is responsible for preparing:



- financial statements levels of service targets and performance that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the District Council's financial position, financial performance and cash flows;
 - present fairly reflect its service performance, including achievements compared to forecast;
- a funding impact statement that fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;
- funding impact statements in relation to each group of activities that fairly reflects by each group of activities the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan;
- statements about budgeted and actual capital expenditure in relation to each group of activities that fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan; and
- disclosures in accordance with the requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

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

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on, the information we are required to audit, and whether the Council has complied with the *Other Requirements* of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001.

Independence

When carrying out this audit, which includes our report on the *Other Requirements*, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Other than this audit, which includes our report on the *Other Requirements*, we have no relationship with, or interests, in the District Council.

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