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INTRODUCTION



COMMENTS FROM THE MAYOR AND CHIEF EXECUTIVE

2011/12 ANNUAL REPORT

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

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

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

AN ENVIRONMENT OF CHANGE

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

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

Whilst this consideration is at a relatively early stage, it clearly has the potential to significantly change how local government services are delivered, particularly for small rural Councils such as Otorohanga.

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

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

SIGNIFICANT WORKS

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

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



FINANCIAL POSITION

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

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

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

CONCLUSION

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

Dale Williams
MAYOR

23 October 2012

Dave Clibbery
CHIEF EXECUTIVE

23 October 2012



DISTRICT PERSONNEL

OTOROHANGA DISTRICT COUNCIL

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

OTOROHANGA COMMUNITY BOARD

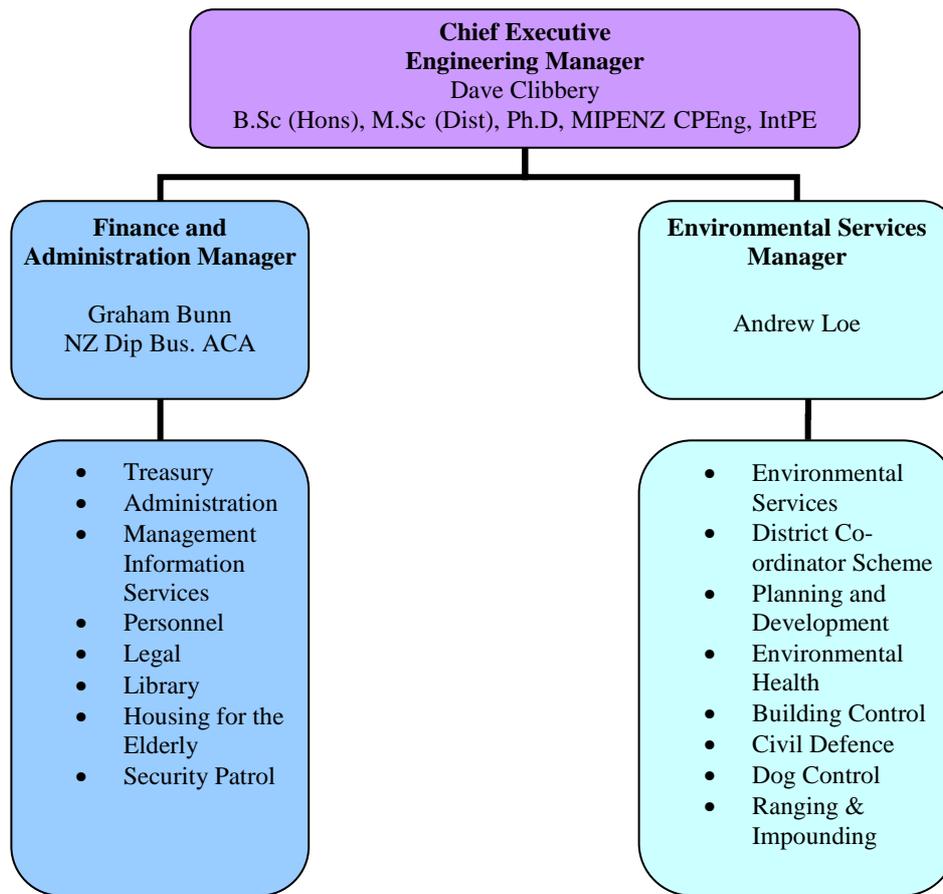
Chairperson:	Robert Prescott	(07) 873 8941
Deputy Chairperson:	Liz Cowan	(07) 873 0849
Members:	Anne Laws	(07) 873 8508
	Phil Tindle	(07) 873 8810
	Andrew Ormsby	(07) 873 8300
	Dave Williams	(07) 873 6668

KAWHIA COMMUNITY BOARD

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



MANAGEMENT STRUCTURE



Postal Address:

PO Box 11, Otorohanga 3900

Council Chambers:

Maniapoto Street, Otorohanga

Telephone Number:

07 - 873 4000

0800 Number:

0800 734 000

Fax Number:

07 - 873 4300

Email:

Info@otodc.govt.nz

Bankers:

Bank of New Zealand
Westpac

Auditors:

Deloitte, on behalf of the Office of the Auditor
General

Solicitors:

Gallie Miles, Te Awamutu



DISTRICT BACKGROUND

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

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

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

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

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

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

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

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



STATISTICS

Area and Population

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

Communities

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

Valuation

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

Rates and Rating 2011/12

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

Public Debt Outstanding as at 30/06/12

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

1 November 1989



FINANCIAL STATEMENTS



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

Actual 30 June 2011 (000's)		Note	Budget 30 June 2012 (000's)	Actual 30 June 2012 (000's)
	Income			
10,118	Rates revenue	2	10,551	10,593
4,477	Other income	3	4,295	4,446
(84)	Others gains/(losses) on asset disposal	4	37	(330)
14,511	Total income		14,883	14,709
	Expenditure			
3,239	Employee benefit expenses	5	3,074	3,026
3,560	Depreciation and amortisation	6	3,367	3,816
6,597	Other expenses	7	6,505	7,154
857	Finance costs	8	796	818
14,253	Total operating expenditure		13,742	14,814
258	Profit/(loss) for the year		1,141	(105)
	Other Comprehensive Income			
(36)	Gain/(loss) on property revaluation		22,970	13,438
(6)	Gain/(loss) on available for sale financial assets		-	2
(42)	Total other comprehensive income		22,970	13,440
216	Total Comprehensive Income for the year		24,111	13,335

The accompanying notes on pages 14-56 form part of these financial statements.



OTOROHANGA DISTRICT COUNCIL
BALANCE SHEET
AS AT 30 JUNE 2012

Actual 30 June 2011 (000's)	Note	Budget 30 June 2012 (000's)	Actual 30 June 2012 (000's)
Assets			
Current assets			
1,269	9	1,292	1,231
1,778	10	1,709	1,457
31	11	40	28
461	13	211	413
3,539		3,252	3,129
Non-current assets			
525	12	532	675
244,682	14	269,269	257,998
21	15	29	42
245,228		269,830	258,715
248,767		273,082	261,844
Liabilities			
Current Liabilities			
2,315	16	2,496	2,384
2	17	2	2
323	18	273	291
5,500	19	3,000	5,500
8,140		5,771	8,177
Non-current liabilities			
24	17	21	21
63	18	62	36
7,948	19	10,304	7,680
8,035		10,387	7,737
16,175		16,158	15,914
232,592		256,924	245,930
Equity			
151,523		152,878	151,399
81,069	20	104,046	94,531
232,592		256,924	245,930

The accompanying notes on pages 14-56 form part of these financial statements.



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

	Retained Earnings	Available for Sale Reserves	Asset Revaluation Reserves	Restricted Reserves	Total
	(000's)	(000's)	(000's)	(000's)	(000's)
Balance as at 1 July 2010	151,301	7	80,414	657	232,379
Profit/(loss) for the year	258	-	-	-	258
Other Comprehensive Income					
Gain/(loss) on revaluations	-	(6)	(36)	-	(42)
Total Comprehensive Income	258	(6)	(36)	-	216
Transfers (to)/from retained earnings	(33)	-	-	33	-
Balance 30 June 2011	151,526	1	80,378	690	232,595
Profit/(loss) for the year	(105)	-	-	-	(105)
Other Comprehensive Income					
Gain/(loss) on movement of reserves	-	2	13,438	-	13,440
Total Comprehensive Income	(105)	2	13,438	-	13,335
Transfers (to)/from retained earnings	(22)	-	-	22	-
Balance 30 June 2012	151,399	3	93,816	712	245,930

The accompanying notes on pages 14-56 form part of these financial statements.



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

Actual 30 June 2011 (000's)	Notes	Budget 30 June 2012 (000's)	Actual 30 June 2012 (000's)
	Cash flows from operating activities		
9,912	Receipts from rates revenue	10,527	10,664
4,577	Receipts from other revenue	4,235	4,113
39	Interest received	37	36
3	Dividends received	2	3
(10,360)	Payments to suppliers and employees	(9,572)	(9,795)
(876)	Interest paid	(782)	(906)
3,295	Net cash provided by Operating Activities	4,447	4,115
	Cash flows from investing activities		
62	Proceeds from Sale of Property, Plant and Equipment	47	(163)
(3,385)	Purchase of property, plant and equipment	(4,661)	(3,536)
7	Purchase of investments	-	(148)
(2)	Purchase of intangible assets	(20)	(39)
(3,318)	Net cash (used in) Investing Activities	(4,634)	(3,886)
	Cash flows from financing activities		
3,500	Proceeds from borrowings	3,187	3,733
(3,500)	Repayment of borrowings	(3,000)	(4,000)
-	Net cash provided by/(used in) Financing Activities	187	(267)
(23)	Net (decrease)/increase in cash, cash equivalents and bank overdrafts	-	(38)
1,292	Cash, cash equivalents and bank overdrafts at the beginning of the year	1,292	1,269
1,269	Cash and cash equivalents at the end of the year.	1,292	1,231

The accompanying notes on pages 14-56 form part of these financial statements.



OTOROHANGA DISTRICT COUNCIL NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2012 – continued

1. Summary of significant accounting policies.

Reporting Entity

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

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

The financial statements of ODC are for the year ended 30 June 2012. The financial statements were authorised for issue by Council on 23rd October 2012. These financial statements comprise solely of the ODC financial results.

Statement of Compliance

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

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Standards and Interpretations issued and not yet effective

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Council, are:

Financial Reporting Standard	Effective for annual reporting periods beginning or after*	Expected to be initially adopted in the financial year ending
NZ IFRS 9 Financial Instruments	1 January 2015	30 June 2016
*Revised NZ IFRS 9 Financial Instruments	1 January 2015	30 June 2016
Amendments to IAS 1 'Presentation of Financial Statements' – Presentation of Items of Other Comprehensive Income	1 July 2012	30 June 2013

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

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Council is classified as a Tier 2 reporting entity and it will be required to apply Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for the public sector entities is expected to be the reporting period beginning on or after 1 July 2014. This means the Council expects to transition to the new standards in preparing its 30



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2012 – continued

June 2015 financial statements. As the PAS are still under development, the Council is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial accounting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Basis of Preparation

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

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

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

Revenue

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

Rates revenue

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

Other income

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

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

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

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

Interest income is recognised using the effective interest method.

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

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



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2012 – continued

Borrowing costs

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

Grant expenditure

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

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

Operating Leases

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

Cash and cash equivalents

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

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

Financial Assets

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

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

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

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

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

The categories of financial assets held by ODC are:

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

After initial recognition they are measured at amortised cost using the effective interest method. The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2012 – continued

interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of a financial asset or where appropriate, a shorter period to the carrying amount of the financial asset.

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

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

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

This category encompasses:

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

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

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

Impairment of financial assets

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

Inventory

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

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

Assets Held For Sale

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

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



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2012 – continued

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

Property, plant and equipment

Property, plant and equipment consist of:

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

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

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

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

Additions

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

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

Disposals

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

Subsequent costs

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

Depreciation

Depreciation is provided on a straight-line basis or diminishing value basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

	Useful Life (Years)	Depreciation Rate
Buildings – Concrete	100	1%
Buildings – Wooden	40	2.5%
Improvements	20	5%
Vehicles	6.6	15%
Computers	3-4	25-33.33%



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2012 – continued

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

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

Revaluation

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

Operational land and buildings

At fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by Quotable Value (Registered Valuers) and the valuation took effect in the financial year ended 30 June 2012.

Restricted land and buildings

At fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by Quotable Value (Registered Valuers), and the valuation took effect in the financial year ended 30 June 2012.

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

At fair value determined on a depreciated replacement cost basis by sufficiently experienced in-house engineering staff. The valuation was independently reviewed and confirmed to have met the appropriate valuation and financial reporting standards, and deemed suitable for inclusion in the financial statements by Maunsell (now known as AECOM) (Registered Valuers). The most recent valuation took effect in the financial year ended 30 June 2012.

Land under roads

Land under roads, was valued based on land value of land within the ward the road is in. This valuation was performed by sufficiently experienced in-house engineering staff, based on information obtained from Quotable Value (Registered Valuers), and the average for each ward is used as the basis of the valuation of land under roads. This valuation was independently reviewed by Maunsell (now known as AECOM) (Registered Valuers). The most recent valuation took effect in the financial year ended 30 June 2012.

Accounting for revaluations

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

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

Intangible assets

Software acquisition

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

Amortisation

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

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

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

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

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

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

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

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

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

Employee benefits

Short-term benefits

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

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

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

Long-term benefits

Long service leave and retirement leave

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

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

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

Superannuation schemes

Defined contribution schemes

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

Provisions

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

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

Borrowings

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

Equity

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

The components of equity are:

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

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

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

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

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

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

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

Landfill post-closure costs

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

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

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

Goods and Services Tax (GST)

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

Commitment and contingencies are disclosed exclusive of GST.

Budget figures

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

Cost Allocation

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

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

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

Trade and other payables

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

Financial Instruments issued by the Council

Debt and Equity instruments

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

Interest

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

Financial guarantee contract liabilities

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

Statement of Cashflows

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

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

Critical accounting estimates and assumptions

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

Infrastructural assets

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

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

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

During the year, management reconsidered the recoverable value of its infrastructural assets, which are included in the balance sheet as at 30 June 2012 at \$234,080,728.

Useful lives of Property, Plant and Equipment

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

Critical judgements in applying ODC's accounting policies

Management has exercised the following critical judgements in applying the ODC's accounting policies for the period ended 30 June 2012:

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 2012 –
continued

2. Rates revenue

	Actual 2011	Actual 2012
	(000's)	(000's)
General Rates	3,890	4,113
Targeted rates attributable to activities		
Water	438	455
Metered Water Charges	600	582
Sewerage	405	464
Refuse	265	252
Land Transport	4,246	4,428
Security	68	78
Erosion Protection	30	30
CBD Development	28	28
Halls	22	23
Rates penalties	126	140
Total revenue from rates	10,118	10,593

3. Other Income

	Actual 2011	Actual 2012
	(000's)	(000's)
User charges	632	622
Metal Royalties	11	15
Land Transport NZ government grants	3,067	2,901
Regulatory revenue	439	473
Petrol tax	78	80
Vested assets revenue	146	257
Interest income for financial assets not at fair value through profit and loss		
- cash and cash equivalents	39	36
Dividend income	3	3
Other	62	59
Total other income	4,477	4,446



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2012 – continued

4. Other gains/(losses) on asset disposals

	Actual 2011 (000's)	Actual 2012 (000's)
Gain/(loss) on disposal of development property held for sale	-	12
Gain/(loss) on disposal of property, plant and equipment	(84)	(342)
Total other gains/(losses) on asset disposal	(84)	(330)

5. Employee Benefit Expenses

	Actual 2011 (000's)	Actual 2012 (000's)
Salaries and wages	3,156	3,038
Employer contributions to defined contribution plans	53	47
Increase/(decrease) in employee benefit liabilities	30	(59)
Total employee benefit expenses	3,239	3,026

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

6. Depreciation and Amortisation

	Actual 2011 (000's)	Actual 2012 (000's)
Depreciation	3,536	3,798
Amortisation	24	18
Total depreciation and amortisation	3,560	3,816

7. Other Expenses

	Actual 2011 (000's)	Actual 2012 (000's)
Deloitte fees for financial statement audit	102	105
Deloitte tax fees	10	-
Impairment of receivables	134	69
Increase in provision for doubtful debts	(150)	(64)
Minimum lease payments under operating leases	49	21



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2012 – continued

Activity Operation	1,140	1,155
Asset Maintenance	549	549
Road Maintenance	3,175	3,405
Other expenses	1,588	1,914
Total other expenses	6,597	7,154

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

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

8. Finance costs

	Actual 2011 (000's)	Actual 2012 (000's)
Interest expense		
Interest on bank borrowings	857	818
	857	818

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 2011 (000's)	Actual 2012 (000's)
Cash and cash equivalents	1,269	1,231
Total cash and cash equivalents	1,269	1,231

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 \$102,710 (2011: \$85,936)

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



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2012 – continued

10. Trade and other receivables

	Actual 2011 (000's)	Actual 2012 (000's)
Rates receivables	691	620
Other receivables	941	806
Sundry debtors	261	141
	1,893	1,567
Less provision for impairment of receivables	(115)	(110)
	1,778	1,457

Rates are struck on the 1st of July each year, and are charged in two instalments. In the year ended 30 June 2012 these instalments were due on 5th August 2011 and 6th January 2012. A charge of 10% is added to all rates levied and due for the 2011/12 year that remains unpaid after 26th August 2011 and 27th January 2012. A further 10% charge is added to all rates that have been levied in any financial year previous to 1 July 2011 which remained unpaid as at that date.

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

Impairment

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

	Actual 2011 (000's)	Actual 2012 (000's)
Balance at beginning of the year	(99)	(115)
Amounts written off as uncollectible	134	69
Increase in provision	(150)	(64)
Balance at end of the year	(115)	(110)



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

Ageing of Trade and other receivables

	2011			2012		
	Gross (000's)	Impairment (000's)	Net (000's)	Gross (000's)	Impairment (000's)	Net (000's)
Not past due	1,190	-	1,190	877	-	877
Past due 1-60 days	9	-	9	15	-	15
Past due 61-90 days	6	-	6	5	-	5
Past due > 90 days	688	(115)	573	670	(110)	560
Total	1,893	(115)	1,778	1,567	(110)	1,457

The impairment relates entirely to rates receivables.

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

	Actual 2011 (000's)	Actual 2012 (000's)
Individual impairment	(45)	(35)
Collective impairment	(70)	(65)
Total provision for impairment	(115)	(110)

An analysis of the individually impaired debtors is as follows:

	Actual 2011 (000's)	Actual 2012 (000's)
Past due 1-60 days	-	-
Past due 61-90 days	-	-
Past due >90 days	(45)	(35)
Total individual impairment	(45)	(35)

11. Inventory

	Actual 2011 (000's)	Actual 2012 (000's)
Held for distribution inventory		
- water and sewerage reticulation spare parts	31	28
Total inventory	31	28

No inventories are pledged as security for liabilities (2011: \$nil).



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2012 – continued

12. Investments

	Actual 2011 (000's)	Actual 2012 (000's)
Available for sale Financial Assets		
Unlisted shares – Waikato Regional Airport Ltd	465	465
Unlisted shares – Ballance Agrinutrients	12	12
Unlisted shares – Local Government Funding Agency	-	100
Borrower Notes – Local Government Funding Agency	-	48
Listed shares – King Country Energy	33	35
Unlisted shares – NZ Local Government Insurance Corporation Ltd	15	15
Total equity investments	525	675

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. Refer to note 23 for discussion regarding the increase in the Waikato Regional Airport Ltd value.

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 23 – Contingencies for a discussion of the uncalled capital.

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

Maturity analysis and effective interest rates

Refer to note 30 – Financial Instruments Risk

13. Assets Held For Sale

	Actual 2011 (000's)	Actual 2012 (000's)
Progress park*	199	151
Turongo Street	262	262
	461	413

*Development properties held for sale represent properties within the Progress Park subdivisions, which were developments done by Otorohanga District Council. The Progress Park development was an industrial park development and was completed in 2005 and comprised of 25 lots. Currently only 2



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2012 –
continued**

lots remain unsold (2011: 3 unsold). There is also a property on Turongo Street in Otorohanga that Council agreed to put on the market for sale prior to 30 June 2010.

These properties are expected to be sold within the year ended 30 June 2013, 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 two properties at Progress Park, and are currently investigating other options to ensure they are sold within the year ended 30 June 2013.

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

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

Also refer to subsequent event note 29 on page 48

Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

14. Property, plant and equipment 2012

	Cost /revaluation 1 July 2011 (000's)	Accumulated depreciation (000's)	Carrying amount (000's)	Current year additions (000's)	Current year disposals (000's)	Current year impairment charges (000's)	Current year depreciation (000's)	Revaluation (000's)	Cost /revaluation 30 June 2012 (000's)	Accumulated depreciation (000's)	Carrying amount (000's)
Council Operational assets											
Land	7,178	-	7,178	-	66	-	-	(1,178)	7,112	-	7,112
Buildings	5,219	-	5,219	28	-	-	129	321	5,246	129	5,117
Plant & Machinery/ Motor Vehicles	766	386	380	30	22	-	85	-	742	439	303
Furniture & Equipment/ Library Books	2,145	1,466	679	111	5	-	145	-	2,244	1,604	640
Total operational assets	15,308	1,852	13,456	169	93	-	359	(857)	15,344	2,172	13,172
Council infrastructural assets											
Sewerage system	5,462	-	5,462	1,216	11	-	152	573	6,664	149	6,515
Water system	5,558	-	5,558	12	8	-	179	1,110	5,562	179	5,383
Rural water supply	6,334	-	6,334	31	2	-	168	715	6,363	168	6,195
Drainage network	4,284	-	4,284	131	-	-	90	66	4,415	90	4,325
Stopbanks	1,089	-	1,089	-	-	-	-	-	1,089	-	1,089
Roading, Bridges & Culverts	211,724	-	211,724	2,651	1,056	-	2,745	13,150	212,857	2,283	210,574
Work In Progress	163	-	163	-	103	-	-	-	60	-	60
Total infrastructural assets	234,614	-	234,614	4,041	1,180	-	3,334	15,614	237,010	2,869	234,141
Council restricted assets											
Land	5,726	-	5,726	10	-	-	-	(1,950)	5,736	-	5,736
Buildings	5,034	-	5,034	14	-	-	105	681	5,048	105	4,943
Work In Progress	81	-	81	-	75	-	-	-	6	-	6
Total restricted assets	10,841	-	10,841	24	75	-	105	(1,269)	10,790	105	10,685
Total ODC property, plant and equipment	260,763	1,852	258,911	4,234	1,348	-	3,798	13,488	263,144	5,146	257,998

Land under roads included in Roothing network totals \$27,995,893.

Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

2011

	Cost /revaluation 1 July 2010	Accumulated depreciation	Carrying amount	Current year additions	Current year disposals	Current year impairment charges	Current year depreciation	Revaluation	Cost /revaluation 30 June 2011	Accumulated depreciation	Carrying amount
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Council Operational assets											
Land	8,356	-	8,356	-	-	-	-	-	8,356	-	8,356
Buildings	5,173	215	4,958	32	-	-	92	-	5,205	307	4,898
Plant & Machinery/ Motor Vehicles	757	304	453	83	42	-	114	-	766	386	380
Furniture & Equipment/ Library Books	1,997	1,335	662	156	1	-	138	-	2,145	1,466	679
Total operational assets	16,283	1,854	14,429	271	43	-	344	-	16,472	2,159	14,313
Council infrastructural assets											
Sewerage system	5,316	306	5,010	32	1	-	153	-	5,303	415	4,888
Water system	4,863	287	4,576	18	-	-	146	-	4,881	433	4,448
Rural water supply	5,910	300	5,610	172	2	-	157	-	6,064	441	5,623
Drainage network	4,377	129	4,248	41	2	-	69	-	4,417	199	4,218
Stopbanks	1,089	-	1,089	-	-	-	-	-	1,089	-	1,089
Roading network	174,752	3,550	171,203	2,604	131	-	2,101	-	176,709	5,134	171,575
Bridges and culverts	27,097	662	26,435	333	26	-	488	-	27,090	836	26,254
Work In Progress	84	-	84	79	-	-	-	-	163	-	163
Total infrastructural assets	223,488	5,234	218,255	3,279	162	-	3,114	-	225,716	7,458	218,258
Council restricted assets											
Land	7,678	-	7,678	1	1	-	-	-	7,678	-	7,678
Buildings	4,570	152	4,418	13	-	-	78	-	4,583	230	4,352
Work In Progress	73	-	73	8	-	-	-	-	81	-	81
Total restricted assets	12,321	152	12,169	22	1	-	78	-	12,342	230	12,111
Total ODC property, plant and equipment	252,092	7,240	244,853	3,572	206	-	3,536	-	254,530	9,847	244,682

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – 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 2011 and does not materially differ from the value at 1 July 2011. The total fair value of Land and Building's valued by Quotable Value at 1 July 2011 after the revaluation was \$25,711,460. The carrying amount prior to the revaluation was \$23,156,927.

The infrastructural assets were valued by sufficiently experienced in-house engineering staff. The valuations were independently reviewed and confirmed to have met the appropriate valuation and financial reporting standards, and deemed suitable for inclusion in the financial statements by Maunsell (now known as AECOM) (Registered Valuers). The 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 2011 and does not materially differ from the value at 1 July 2011. The total fair value of Infrastructural assets valued by in-house engineering staff at 1 July 2011 after the revaluation was \$234,449,724. The carrying amount prior to the revaluation was \$218,096,142.

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 2012 is \$1,554,000 (2011: \$1,554,000).

15. Intangible assets – Computer Software

	Actual 2011 (000's)	Actual 2012 (000's)
Balance as at 1 July		
Cost	522	494
Accumulated amortisation	(479)	(473)
Opening carrying amount	43	21
Year ended 30 June		
Additions	9	37
Disposals – cost	(37)	-
Disposals – accumulated amortisation	30	-
Amortisation charge	(24)	(18)
Closing carrying amount	(22)	19
Balance at 30 June		
Cost	494	533
Accumulated amortisation	(473)	(491)
Closing carrying amount	21	42

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

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

Other intangibles

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

16. Trade and other payables

	Actual 2011 (000's)	Actual 2012 (000's)
Trade payables	1,156	1,141
Deposits and bonds	414	463
Accrued expenses	371	333
Rates in advance	374	447
Total trade and other payables	2,315	2,384

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

17. Provisions

	Actual 2011 (000's)	Actual 2012 (000's)
Opening Balance	28	26
Maintenance and Monitoring Costs	(2)	(3)
Closing balance	26	23
Represented by:		
Current portion	2	2
Non-current provisions	24	21
	26	23

Landfill aftercare provision

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

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



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2012 –
continued**

Closure responsibilities

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

Post-closure responsibilities

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

Capacity of the Site

The Otorohanga and Kawhia landfill's have been capped.

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

18. Employee benefit liabilities

	Actual 2011 (000's)	Actual 2012 (000's)
Accrued pay	103	106
Annual leave	220	185
Long service leave	28	30
Retirement gratuities	17	-
Sick leave	18	6
Total employee benefit liabilities	386	327
Comprising:		
Current	323	291
Non-current	63	36
Total employee benefit liabilities	386	327



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2012 –
continued

19. Borrowings

	Actual 2011 (000's)	Actual 2012 (000's)
Current		
Secured loans	5,500	5,500
Total current borrowings	5,500	5,500
Non-current		
Secured loans	7,948	7,680
Total non-current borrowings	7,948	7,680

Fixed-rate debt

The majority of ODC's secured debt of \$13,180,220 (2011: \$13,447,613) is issued at fixed rates of interest ranging from 3.75% - 6.73% (2011: 3.95% - 7.97%). Included in this amount is a Housing NZ loan of \$447,613 which is at an interest rate of 0% (2011: 0%). This loan is a suspensory loan with a 20 year term. The loan was taken in 2006 for the upgrade of pensioner housing units. 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.

Security

The overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is \$200,000 (2011: \$200,000). There are no restrictions on the use of this facility.

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

Refinancing

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

Maturity analysis

Refer to note 30 – Financial Instruments Risk

Fair value is disclosed in Note 30.



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2012 –
continued

20. Reserves

	Actual 2011	Actual 2012
	(000's)	(000's)
Asset revaluation reserves		
Asset revaluation reserves consist of:		
<i>Operational assets</i>		
Land	5,554	4,336
Buildings	762	1,083
<i>Infrastructural assets</i>		
Sewerage system	1,757	2,324
Water system	2,024	3,129
Drainage network	1,920	1,986
Rural Water Supply	1,692	2,407
Bridges and Culverts	6,207	-
Roading network	53,844	73,203
<i>Restricted assets</i>		
Land	4,072	2,121
Buildings	2,546	3,227
Total Asset Revaluation Reserves	80,378	93,816
Other Reserves		
Restricted Reserves	690	712
Available for Sale Revaluation Reserve	1	3
Total Reserves	81,069	94,531

Restricted reserves relate to:

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



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2012 –
continued

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

	Actual 2011 (000's)	Actual 2012 (000's)
Surplus/(deficit) after tax	258	(105)
Add/(less) non-cash items:		
Depreciation and amortisation	3,560	3,816
Net (gain)/loss on sale of property, plant and equipment	84	330
Impairment of receivables	16	64
Vested assets	(146)	(257)
Add/(less) movements in working capital items:		
Trade and other receivables	14	257
Inventory	(31)	2
Trade and other payables	(460)	8
Net cash inflow/(outflow) from operating activities	3,295	4,115

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

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

22. Capital commitments and operating leases

	Actual 2011 (000's)	Actual 2012 (000's)
Capital commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	757	40
Other Expenditure Commitments		
Maintenance Contracts	2,653	5,114

Operating leases as lessee

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



Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2012 –
continued

	Actual 2011 (000's)	Actual 2012 (000's)
Non-cancellable operating leases as lessee		
Not later than one year	33	11
Later than one year and not later than two years	12	11
Later than two year and not later than five years	-	33
Later than five years	-	-
Total non-cancellable operating leases	45	55

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 2011 (000's)	Actual 2012 (000's)
Non-cancellable operating leases as lessor		
Not later than one year	192	181
Later than one year and not later than two years	185	166
Later than two year and not later than five years	370	211
Later than five years	136	120
Total non-cancellable operating leases	883	678

23. Contingencies

Contingent Liabilities

	Actual 2011 (000's)	Actual 2012 (000's)
Guarantees	70	70
Uncalled Capital – Waikato Regional Airport Limited	300	300
Uncalled Capital – Local Government Funding Agency	-	100
Uncalled Capital – Local Authority Shared Services	1	1
	371	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. Refer to note 30 – credit risk for more details of the guarantees.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

New Zealand Local Government Funding Agency

Otorohanga District Council is a shareholder of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA 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 19 shareholders of the NZLGFA. 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 NZLGFA's borrowings. At 30 June 2012, NZLGFA had borrowings totaling \$835m (2011: \$Nil).

Financial reporting standards require ODC to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

- We are not aware of any local authority debt default events in New Zealand; and
- 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 2012. At present ODC is not aware of any plan to call the capital in the near future.

24. Related party transactions

The following transactions were carried out with related parties:

Key management personnel

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

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

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

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

No provision has been required, nor any expense recognised for impairment of receivables to related parties (2011: \$nil).

Key management personnel compensation

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

25. Remuneration

Chief Executive

The Chief Executive of ODC appointed under section 42 of the Local Government Act 2002 received a salary per their contract of \$173,000 (2011: \$170,000).

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

	Cost during the financial year	
	Actual 2011 (000's)	Actual 2012 (000's)
Motor Vehicle	5	4
Telephone rental	1	1
Memberships	1	1
Superannuation Contribution	-	-
Fringe Benefit Tax	2	2

For the year ended 30 June 2012, the total annual cost including fringe benefit tax to the ODC of the remuneration package being received by the Chief Executive is calculated at \$176,622 (2011: \$173,641).

Elected representatives

	Total remuneration	
	Actual 2011 (000's)	Actual 2012 (000's)
Dale Williams, Mayor	60	65
Hugh Earwaker, Deputy Mayor (to October 2010)	9	-
Deborah Pilkington	20	21
Sue Blackler, Deputy Mayor (from October 2010)	23	30
Leveson Gower	4	-



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

Robert Prescott	20	21
Ken Phillips	8	12
Roy Johnson	8	12
Max Baxter	8	12
Andrew Ormsby	18	19

26. Severance payments

For the year ended 30 June 2012 ODC made no (2011: 1 - \$27,400) severance payments to employees.

27. Transit NZ Amendment Act Disclosure

	Actual 2011	Actual 2012
	(000's)	(000's)
ODC Professional Engineering Services Business Unit		
In-House Professional Services for New Zealand Transport Authority Works	403	368
In-House Professional Services for other Works	372	431
Total Works/Services provided	775	799
Total Operating Costs	(818)	(782)
Net Gain/(Loss) on Operations	(43)	17

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

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

Waikato Regional Airport Limited (WRAL)

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

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

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 \$378,000 for the year ended 30 June 2012 (2011: \$322,000 surplus).

No dividend was paid in 2012 (2011: 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 2012 is shown below:

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

	Actual to 30 June 2012	Statement of Corporate Intent
Net profit/(loss) after tax to Average Shareholders' Funds	0.64%	0.43%
Net profit/(loss) after taxation to total assets	0.48%	0.32%
Percentage of Non Landing Charges Revenue	81.85%	78.76%
Earnings before Interest, Taxation and Depreciation	\$3.05m	\$2.22m
Interest Rate Cover	2.97x	2.88x
Total Liabilities/Shareholders Funds: (Debt/Equity Ratio)	24:76	24:76

Local Authorities Shared Services (LASS)

	Ownership Interest	
	Actual 2011	Actual 2012
Local Authority Shared Services	0.26%	0.26%

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

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

LASS objective

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

Introduction

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

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

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

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 19 other local authorities. Council contributed \$100,000 for its shareholding in LGFA. Further local authorities are expected to invest in the entity.

29. Events after balance sheet date

In August 2012, one of the properties held for resale at Progress Park was sold. This property sold for \$115k, providing a profit from sale of development land of just under \$40k. This transaction will be reflected in the 2012/13 Annual Report.

In August 2012, the Council signed a guarantee for a loan being taken by the Otorohanga Zoological Society, to be used towards redevelopment of the Otorohanga Kiwi House. The guarantee is for an amount up to \$350,000, with the loan having a term of 15 years.



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2012 –
continued**

30. Financial instrument risks

Financial instruments categories

	Actual 2011 (000's)	Actual 2012 (000's)
FINANCIAL ASSETS		
Cash and cash equivalents	1,269	1,231
Trade and other receivables	1,778	1,457
	3,047	2,688
Available for sale financial assets		
Listed shares	33	35
Unlisted shares	492	592
<i>Total available for sale financial assets</i>	525	627
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables	2,315	2,384
Borrowings		
- secured loans	13,448	13,180
<i>Total financial liabilities at amortised cost</i>	15,763	15,564

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

Fair values of Financial Instruments

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

	Carrying Value		Fair Value	
	2011 (000's)	2012 (000's)	2011 (000's)	2012 (000's)
Cash and Cash Equivalents	1,269	1,231	1,269	1,231
Trade and other receivables	1,778	1,457	1,778	1,457
Investments	525	675	525	686
Trade and other payables	2,315	2,384	2,315	2,384
Employee Benefit Liabilities	386	327	386	327
Borrowings – current	5,500	5,500	5,626	5,692
Borrowings – term	7,948	7,680	9,102	8,885

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

Cash and cash equivalents, receivables, investments, employee benefit liabilities and trade and other payables: The carrying value of these items is equivalent to the fair value
The fair values of borrowings are based on cash flows discounted using a rate based on the official cash rate of 2.50% (2011: 2.50%).

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

The fair value of listed shares is determined by reference to published price quotations in an active market. The market value of ODC's King Country Energy shares as at 30 June 2012 was \$35,535 (2011: \$33,578).

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

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

2012

	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	Total (000's)
Available-for-sale financial assets				
Shares	35	-	-	35
	35	-	-	35

2011

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

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

Market risk

Price risk

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

Currency risk

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

Interest rate risk

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

Fair value interest risk

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

Cash flow interest rate risk

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

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

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

Credit risk

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

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

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

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

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

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



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2012 –
continued**

Maximum exposure to credit risk

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

	Actual 2011	Actual 2012
	(000's)	(000's)
Cash at bank and term deposits	1,269	1,231
Trade and other receivables	1,778	1,457
Financial guarantees	70	70
	3,117	2,758

Credit quality of financial assets

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

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

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

Liquidity risk

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

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

ODC has a maximum amount that can be drawn down against its overdraft facility of \$200,000 (2011: \$200,000). There are no restrictions on the use of this facility.

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

Contractual maturity analysis of financial liabilities

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

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
2012						
Trade and other payables	2,384	2,384	2,384	-	-	-
Borrowings	13,180	14,577	5,692	4,461	-	4,424

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
2011						
Trade and other payables	2,315	2,315	2,315	-	-	-
Borrowings	13,448	14,728	5,625	3,294	4,731	448



**Otorohanga District Council
Notes to the Financial Statements for the year ended 30 June 2012 –
continued**

Sensitivity analysis

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

	2011				2012			
	-100bps		+100bps		-100bps		+100bps	
	Profit	Other Equity						
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
INTEREST RATE RISK								
Financial Assets								
Cash and cash equivalents	(10)	-	10	-	(2)	-	2	-
Financial Liabilities								
Secured loans	35	-	(35)	-	20	-	(20)	-
Total sensitivity to interest rate risk	25	-	(25)	-	18	-	(18)	-
	-10%		+10%		-10%		+10%	
	Profit	Other Equity						
EQUITY PRICE RISK								
Financial assets								
Other financial assets - quoted share investments	-	(3)	-	3	-	(4)	-	4
Total sensitivity to equity price risk	-	(3)	-	3	-	(4)	-	4

Explanation of sensitivity analysis.

1. Cash and cash equivalents

Cash and cash equivalents includes deposits on call totalling \$176,853 (2011: \$1,034,853) which are at floating rates. A movement in interest rates of plus or minus 1.0% has an effect on interest income of \$1,769 (2011: \$10,349)

2. Secured loans

Council has \$2,000,000 floating rate debt (2011: \$3,500,000). A movement in interest rates of plus or minus 1.0% has a \$20,000 effect on interest expense (2011: \$35,000). A movement in market interest rates on fixed debts does not have any impact because secured loans are accounted for at amortised cost using the effective interest method.



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

3. Listed shares

ODC holds listed equity instrument in King Country Energy, which are publicly traded. If there was a movement of plus or minus 10% in the share price the effect would have a movement in the revaluation reserve of \$3,554 (2011: \$3,358).

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

31. Capital management

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

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

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

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

ODC has the following restricted reserves:

- Subdivision reserve
- General funds reserve

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

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

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

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2012 – continued

32. Explanation of major variances against budget

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

Statement of Comprehensive Income

Rates revenue is higher than estimates by \$42,000 due to the rates being struck on the values as at 1 July each year, which can differ from the values used when the estimates were created due to new subdivisions.

Other income was \$151,000 over budget. This is mostly due to an increase in assets vested in council, increasing from \$146,000 to \$257,000. There has also been increases in income from regulatory activities, as a result in a slight increase in the number of building and resource consents.

Employee benefit expenses are \$48,000 under budget due mostly to the retirement or resignation of 3 employees.

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

Other expenses, excluding finance costs and employee benefit expenses are \$637,000 over budget, which is due to a number of factors. The main increase has been in land transport due to some maintenance work being bought forward. There were also some increased costs related to the long term plan and district plan reviews.

Balance Sheet

Development property held for sale is up on the budgeted figure by \$202,000. This is predominantly due to the Progress Park properties not being sold in the previous financial year as anticipated when preparing the budget.

Property, plant and equipment is down on budget by \$11,271,000 due to a large decrease in the revaluation, as opposed to the large increase expected when preparing the budget.

Statement of Cashflows

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

Purchase of property, plant and equipment is under budget by \$1,125,000, which is in part attributable to underspending in Land Transport due to changes in the funding available from NZTA, as well as delays in a number of capital projects previously budgeted.

Cashflows from financing activities is \$454,000 under budget due to better cashflow management requiring less borrowing.



PERFORMANCE/ STATEMENT OF COMPLIANCE AND RESPONSIBILITY



PERFORMANCE DURING 2011/12

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 2011/12 year, Council set a number of performance measures which are reported on by activity.

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

Quality Management

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

Capital Works

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

Project Management

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



STATEMENT OF COMPLIANCE AND RESPONSIBILITY

Statement of Compliance

The Council and Management of Otorohanga District Council confirm that all the statutory requirements of Part 3, Schedule 10, Clause 20(1) of the Local Government Act 2002, regarding financial management and borrowing, have been complied with.

Statement of Responsibility

The Council and Management of Otorohanga District Council accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.

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

In the opinion of the Council and Management of Otorohanga District Council, the annual Financial Statements for the year ended 30 June 2012 fairly reflect the financial position and operations of Otorohanga District Council.

Dale Williams
MAYOR

Dave Clibbery
CHIEF EXECUTIVE

Graham Bunn
FINANCE AND
ADMINISTRATION MANAGER

23rd October 2012



REPORT ON LONG-TERM COUNCIL COMMUNITY PLAN AND POLICIES

Introduction

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

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

Overview

During 2011/12 the Council made significant progress toward the achievement of objectives and policies for the year as set out in the Long-term council community plan, Funding Policy and Borrowing and Investment Policy. Details of achievement against the objectives and policy are set out below.

Long-Term Council Community Plan

Background

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

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

The 2011/12 year was the third year of the 2009/19 LTCCP.



BORROWING AND INVESTMENT POLICY

Background

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

Overall Performance

There are no significant variations or material departures from the Councils' Borrowing and Investment Policy as reported in the 2011/12 Annual Plan.

Performance Measures

	Actual	Maximum per Policy
Interest Expense / Rates Revenue	7.7%	20%
Term Borrowings per Capita	\$807	\$1,000
Term Borrowings/ Total Assets	2.9%	7.5%



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

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

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

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

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

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

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

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



SIGNIFICANT ACTIVITIES



COMBINED COST OF SERVICE STATEMENT

For the Year ended 30 June 2012

2011 Actual \$ (000's)		2012 Estimate \$ (000's)	2012 Actual \$ (000's)
	OPERATING REVENUE		
4,271	Activity Revenue	4,271	4,133
6,090	Targeted Rates	6,364	6,340
11	Development Contributions	15	46
4,028	General Rates	4,187	4,253
4,362	Other General Sources	4,162	4,048
18,762	TOTAL OPERATING REVENUE	18,999	18,820
	Reconciling Items:		
(4,362)	Internal Recoveries	(4,162)	(4,048)
(84)	Gains/(losses) on asset disposal	37	(330)
146	Assets vested in Council	-	257
46	Income on Special Funds	7	7
3	Dividend Income	2	3
14,511	TOTAL OPERATING REVENUE PER STATEMENT OF COMPREHENSIVE INCOME	14,883	14,709
	OPERATING EXPENDITURE		
10,348	Network Services	9,899	10,959
1,423	Regulatory Services	1,333	1,258
1,915	Community Services	1,817	1,776
211	Community Development	211	316
4,568	Governance and Leadership	4,642	4,488
18,465	TOTAL OPERATING EXPENDITURE	17,902	18,797
	Reconciling Items:		
(4,362)	Internal Recoveries	(4,162)	(4,048)
-	Landfill Aftercare Provision	2	-
150	Doubtful Debt Provision adjustment	-	65
14,253	TOTAL OPERATING EXPENDITURE PER STATEMENT OF COMPREHENSIVE INCOME	13,742	14,814
258	NET SURPLUS	1,141	(105)



NETWORK SERVICES

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

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

District Roding

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

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

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

Major Capital Projects

	2012 Estimate \$ (000's)	2012 Actual \$ (000's)
Bulk Metalling	426	389
Sealed Road Resurfacing	1,185	1,051
Pavement Rehabilitation	592	357
Minor Improvements	402	310



Key Roading Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/09	2011/12 Target	2011/12 Actual
The design and maintenance of District roads ensures that they are safe and comfortable to travel on	Reliable roading around the District will ensure that the transportation needs of communities are met. Providing safe vehicular access helps keep our communities safe and also helps provide quality transport networks	Average number of individual road defects on Sealed Rural Roads (including bleeding, shoving, rut/ hollows, edge breaks, potholes, inadequate drainage or loose surface material) observed per 10 kilometres of road lane from all routine cyclic inspections conducted during the year. All roads are inspected a minimum of 6 times per year.	New Measure	Average of 8 defects	Average of 3.4 defects
		Average number of individual road defects on Sealed Urban Roads (including bleeding, shoving, rut/ hollows, edge breaks, potholes, inadequate drainage or loose surface material) observed per kilometre of road lane from all routine cyclic inspections conducted during the year. All roads are inspected a minimum of 6 times per year.	New Measure	Average of 3 defects	Average of 4.8 defects
		Sealed road smoothness is determined by an annual survey that measures road roughness using a scale known as 'NAASRA Counts'. The table below gives an approximate indication of ride quality a driver experiences versus the associated NAASRA counts. Quality – Excellent, NAASRA <40, Very Smooth ride Quality – Good, NAASRA 40-80, Some minor bumps encountered Quality – Fair, NAASRA 80-110, Constant up and down, but reasonably comfortable driving Quality – Poor. NAASRA 110-140, Constant movement. Can feel very rough in trucks. Modern cars suspension makes driving bearable but with low comfort	95% <150 NAASRA units in Bi-annual survey	Not measured	No survey in the current year



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/09	2011/12 Target	2011/12 Actual
		<p>Quality – Very Poor, NAASRA >140, Uncomfortable with severe movement. Good control of steering required and may need to reduce speed.</p> <p>Table reference modified from Roughness Deterioration of Bitumen Sealed Pavements (2004) P D Hunt & J M Baker</p>			
		Provide bulk maintenance metal to all unsealed roads on average every five years from ongoing metalling programme	New Measure	Programmed length completed	Programmed length completed
		Works programmed in LTCCP for general upgrading of unsealed roads, seal extension and sealed roads rehabilitation completed	New Measure	Programmed length completed	No programmed works in current year
		Perception of road users taken from a satisfaction survey of all ratepayers triennially. The survey covers aspects of road standard and condition with measures of 1 = Poor, 4 = Adequate and 7 = Very Good	New Measure	Overall average score of at least 5 and no individual category score less than 3 from a survey	75.6% adequate or better
		Perception of customers actively engaging with the service taken from an annual survey of 100 randomly selected customers recorded on Council's service requestor as making requests for services to Council in the last 12 months. Received responses identify performance as adequate or better. Where less than 100 recorded, all recorded customers surveyed	New Measure	> 75%	71.4% adequate or better



Sealed Rural Roads

Council's roads maintenance Engineering staff undertake regular cyclic inspections of all roads with the target of a minimum of 6 inspections of each road per year. The District has been split into 10 maintenance areas and a schedule of staff and areas has been set up to ensure the minimum of 6 inspections is achieved. All roads in each area are inspected during each round. From the inspections records, all the areas were inspected 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. ie; the Engineer will inspect roads and list by road and by Route position the defects located. All defects, schedule and cyclic items are then entered into the Cyclic Inspection data base.

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

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

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

The recorded number of defects during the cyclic inspections for rural sealed road was 3.4 per 10 km of road lane which met the target and was a marked improvement on last years results of 9.4 per 10 km.

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 4.8 per kilometre of road lane which exceeds the performance target of 3. This higher number could be due to any of a number of factors, including ageing roads, unusually wet weather over the year, the timing of inspections compared to maintenance work or increases in traffic flows on urban roads. There is no single fix to this number being higher, apart from keeping up with current maintenance requirements, which has been budgeted to remain at least at the current level in the 2012-22 Long Term Plan.



Road Smoothness

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

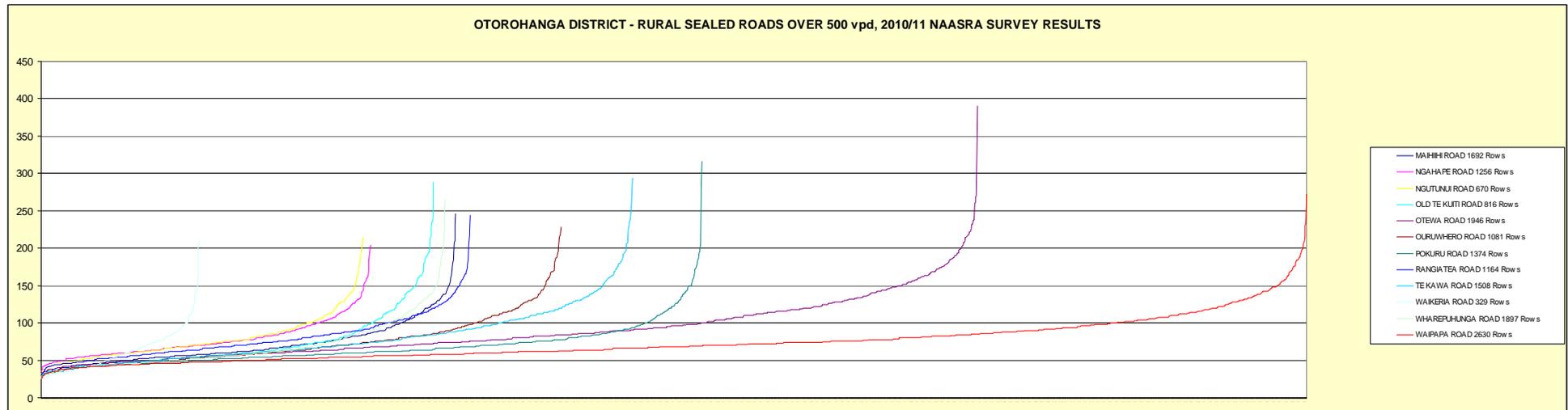
In 2011/12 no survey was performed, so the most current data is from the 2010/11 financial year. The survey was not completed as we had asked the New Zealand Transport Agency (NZTA) to extend the period of surveys to align with funding applications and the creation of Asset Management Plans. As no response had been received, no survey was conducted during the year.

The 2010/11 survey information has been uploaded to the RAMM database by the contractor, and the data retrieved to a spreadsheet to calculate the extent of the network at or below NAASRA 140.

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

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

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





Bulk Metalling

Council maintains 282 km of unsealed rural roads and has in place a programme to bulk metal all roads every 5 years on average. The programme does allow some variation to this cycle to cater for USWP works, urgent needs etc. This cycle gives an 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 937 which is a three year contract 2009/10 – 2011/12.

All the work programmed for 2011/12 was completed as set out below

ROAD	START RP	END RP	LENGTH km	QUANTITY m ³
Aotearoa Rd	13.917	19.855	5.938	720
Carlin Rd	0.020	0.475	0.455	56
Hauturu Rd	4.855	7.955	3.100	600
Hauturu Rd	7.955	13.218	5.263	1,045
Honikiwi Rd	17.334	19.749	2.415	496
Huirimu Rd	4.561	8.261	3.700	750
Innes Rd	0.015	0.245	0.230	28
Mangawhio Rd	4.151	8.733	4.382	526
Moerangi Rd	3.010	9.510	6.500	900
Moerangi Rd	9.510	11.510	2.000	300
Okupata Rd	8.813	12.313	3.500	840
Pirongia West Rd	0.026	5.826	5.800	930
Ranginui Rd	10.487	12.156	1.669	596
Veale Rd	0.020	1.620	1.610	204
Waimahora Rd	0.020	2.216	2.196	486



Tolley Rd	0.020	5.020	5.000	800
Hoddle Rd	4.860	7.610	2.750	225
Pirongia West Rd	9.826	18.226	8.400	1,100
		Total	62.908	10,602

Works Programme

Council undertook a review of roading improvement works in September 2005 which included proposed seal extensions (SE), unsealed smoothing works (USS) and unsealed roads widening and minor improvements (USWP). From this review a 10 year roading improvements programme was prepared however due to changes in NZTA funding policy some variations to the programme have been necessary. The 2011/12 capital works programme has been deferred due to the current financial conditions, resulting in no work being programmed for the current year. This was as a result of dropping capital works items to ensure that rates increases were at a level that was deemed affordable. These projects are designed as an improvement to the level of service provided, not to maintain this, and these projects have been included in the budgets in the 2012-22 Long term Plan.

Triennial Satisfaction Survey

A full customer level of service survey was undertaken in October 2011. Overall 9.9% of respondents said that the service was excellent, 65.7% said the service was adequate, with the remaining 24.4% requesting improvement to the service. The majority of the requested improvement was people requesting sealing of unsealed roads or repairs to potholes and footpaths.

Perception Survey

From the service request system report, 104 customers were recorded as having made request or enquiry to Council's roading department during the year. All were sent a "Customer Satisfaction Survey" form and 42 responded. Of these 30 or 71.4% rated their service as adequate or better. A number of comments were received on where improvements can be made, mostly regarding communication with people engaging with Council. These will be addressed where possible.



Solid Waste

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

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

Following a public consultation process, Council adopted 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.

Capital Projects

Council replaced 15 street litter bins during this financial period in both the Otorohanga and Kawhia communities.

Key Solid Waste Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/09	2011/12 Target	2011/12 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	Percentage of customers requesting substantial improvements of level of service from three yearly customer satisfaction surveys	New Measure	<5%	13.2%
		Perception of customers actively engaging with the service taken from an annual survey of 50 randomly selected customers recorded on Council's service requestor as making requests for services to Council in the last 12 months. Received responses identify performance as adequate or better. Where less than 50 recorded, all	New Measure	>75%	33.3%



		recorded customers surveyed			
		Council's Solid Waste management strategy remains relevant and up-to-date	New Measure	Not measured	Adopted by Council 19 June 2012
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	Otorohanga and Kawhia closed landfills both achieved a High Level of Compliance

Triennial Satisfaction Survey

A full customer level of service survey was undertaken in October 2011. Overall 49.2% of respondents said that the service was excellent, 37.6% said the service was adequate, with the remaining 13.2% requesting improvement to the service. The majority of the requested improvement was from rural residents requesting extending services into those areas. Council intends to establish two rural recycling centres during the 2012/13 financial period.

Perception Survey

From the service request system report, 16 customers were recorded as having made request or enquiry in relation to Council's refuse service during the year. As this was less than 50, all were sent a "Customer Satisfaction Survey" form and 6 responded. Of these 33.3% rated their service as adequate or better. Comments were received on where improvements can be made and these will be addressed where possible.

Waste Management and Minimisation Plan 2012-2018

Council adopted a Waste Management and Minimisation Plan on 19 June 2012. This plan sets out the waste services Council will provide over the next six years.

Landfill Resource Consents

A total of 2 compliance reports have been received from Environment Waikato for the 2011/12 year, one for Otorohanga and one for Kawhia closed landfills.

The report received for the Otorohanga closed landfill was on 26 January 2012, and the site was assessed as having a high level of compliance. This showed full compliance for the consent for discharge of contaminants to air and partial compliance for the consent to discharge leachate onto or into



land. The partial compliance was the result of conductivity being tested in the field and may be due to instrumental error rather than real exceedance. The Kawhia report was also dated 26 January 2012, and showed a high level of compliance for the two discharge onto or into land consents, and full compliance for discharge to air, resulting in an overall rating of a high level of compliance.

The sampling contractor, Food and Health Environmental, has completed the sampling and testing at both closed landfills for 2011/12 and all reports have been forwarded to Environment Waikato with Council's report as required.



Water Supplies

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

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

Major Capital Projects

	2012 Estimate \$ (000's)	2012 Actual \$ (000's)
Otorohanga Treatment Plant Upgrade	105	-
Kawhia Treatment Plant Upgrade	60	7

Key Water Supply Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2011/12	2011/12
			2008/09	Target	Actual
The water provided is safe to drink	Providing continuous, efficient, quality water supply to communities ensures the health of consumers	Instances of illness indicated to be associated with consumption of water from Council supplies per annum	0	0	0
		Instances of water disinfection failure, on Council water supplies with disinfection per annum	< 4	< 3	1
		Instances of bacteriological contamination of water from Council supplies per annum	< 4	< 3	1



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2011/12	2011/12
			2008/09	Target	Actual
		Council administered water supplies achieving compliance with NZ Drinking Water Standards 2008	None Comply	Otorohanga, Waipa RWS and Kawhia comply	None comply
The Council provides reliable drinking water supplies	Providing continuous, efficient, quality water supply to communities ensures the health of consumers	Number of instances when levels of monitored urban storage reservoirs are below 50% of capacity at 9.00am, unless due to planned maintenance works in the preceding 48 hours – instances per annum	< 10	< 5	5
		Percentage of customers requesting substantial improvements of level of service from 3 yearly customer satisfaction survey	New Measure	<1%	14.5% requesting improvements
		Perception of customers actively engaging with the service taken from an annual survey of 50 randomly selected customers recorded on Council's service requestor as making requests for services to Council in the last 12 months. Received responses identify performance as adequate or better. Where less than 50 recorded, all recorded customers surveyed	New Measure	> 80%	93.3% said service adequate or better

Water Disinfection Failure

A total of 1 instance occurred and was reported. Information from WINZ files show levels of free available chlorine (FAC) low at Tihiroa RWS.

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



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

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

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

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

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

Bacteriological Contamination

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

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

Drinking Water Standards

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

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

Risks that may affect the quality of the water supply source and the treatment plant effectiveness are assessed and a grading from 'A' (completely satisfactory) to an 'E' (unacceptable level of risk) is determined. A report from Waikato DHB is received for each financial years compliance with



Drinking Water Standards being received around March the following year. The report for the 2010/11 financial year showed that the Otorohanga supply had an 'E' grade. The results above reflect the results of the 2010/11 report received in November 2011.

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

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

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

Reservoir Levels

A total of 5 instances occurred, 3 within the Kawhia Community and 2 within the Otorohanga Community.

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

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

Note

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



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

Triennial Satisfaction Survey

A full customer level of service survey was undertaken in October 2011. Overall 41.0% of respondents said that the service was excellent, 44.5% said the service was adequate, with the remaining 14.5% requesting improvement to the service. The majority of the requested improvement was related to supply issues in recent years in Kawhia, and also around water taste issues in Otorohanga when the river is low. The Kawhia issues have been addressed in the last two years, and the taste issues may be addressed as part of the upcoming treatment plant upgrade.

Perception Survey

From the service request system report, 51 customers were recorded as having made request or enquiry to Council's water services department during the year. All were sent a "Customer Satisfaction Survey" form and 15 responded. Of these 14 or 93.3% rated their service as adequate or better. A number of comments were received on where improvements can be made and these will be addressed where possible.



Waste Water

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

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

Major Capital Projects

	2012 Estimate \$ (000's)	2012 Actual \$ (000's)
Otorohanga Waste Water Treatment Plant Upgrade	720	952
Resource Consent Processing	50	253

Key Waste Water Levels of Service

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/09	2011/12 Target	2011/12 Actual
			New Measure	<2%	No survey of satisfaction was completed
The Council provides wastewater services that effectively collect and dispose of wastewater	Ensure that the needs of local and visitor communities are met. Contributes to the public health of the community	Percentage of customers requesting substantial improvements of level of service from a three yearly customer satisfaction survey	New Measure	<2%	No survey of satisfaction was completed
		Perception of customers actively engaging with the service taken from an annual survey of 50 randomly selected customers recorded on Council's service requestor as making requests for services to Council in the last 12 months. Received responses	New Measure	>75%	100% adequate or better



		identify performance as adequate or better. Where less than 50 recorded, all recorded customers surveyed			
Wastewater disposal as provided by the Council does not create any smells, spills or health issues and causes minimal impact on the natural environment		By measuring compliance with Wastewater discharge consent	Full Compliance	Full Compliance	Non-compliant July 11 to June 12 – further assessment for May to August following upgrade being undertaken
		Frequency of sewerage overflows caused by failure or blockage of Council assets per annum	New Measure	<5 reported overflows	0

Triennial Satisfaction Survey

No survey of improvements of level of service for waste water was completed. As a result of the major upgrade work being completed in the 2011/12 year, the results of the survey conducted prior to the commencement of the upgrade would not have had any bearing on future decisions, so the decision was made not to conduct this survey.

Perception Survey

From the service request system report, 13 customers were recorded as having made request or enquiry to Council’s wastewater services department during the year. As this was less than 50, all were sent a “Customer Satisfaction Survey” form and 3 responded. All respondents rated the services received as adequate or higher.

Consent Compliance

For the period July 2011 to June 2012 faecal coliforms were evident in samples taken. E-coli levels were higher than permitted under the resource consent due to reduced treatment time through the oxidation ponds and some defects in the wetlands treatment. This reduced time was due to the water passing through the oxidation ponds at a higher than preferred rate. As part of the capital upgrade, changes were made that have slowed the passage of the water through the oxidation ponds, resulting in longer treatment times.



Sewerage Overflows

No instances occurred within the current year.

Flood Protection/ Stormwater/ Land Drainage

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

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

Major Capital Projects

	2012 Estimate \$ (000's)	2012 Actual \$ (000's)
Otorohanga Stormwater Capacity Upgrade	130	149
Kawhia Stormwater Capacity Upgrade	12	14



Key Stormwater Levels of Service

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/09	2011/12 Target	2011/12 Actual
Council stormwater systems are well operated and maintained	Sound planning of appropriate stormwater 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.	Percentage of customers requesting substantial improvements of level of service from a three yearly customer satisfaction survey	New Measure	<2%	13.1% requesting improvement
		Perception of customers actively engaging with the service taken from an annual survey of 50 randomly selected customers recorded on Council's service requestor as making requests for services to Council in the last 12 months. Received responses identify performance as adequate or better. Where less than 50 recorded, all recorded customers surveyed	New Measure	>75%	50% adequate or better

Triennial Satisfaction Survey

A full customer level of service survey was undertaken in October 2011. Overall 35.3% of respondents said that the service was excellent, 51.6% said the service was adequate, with the remaining 13.1% requesting improvement to the service. The majority of the requested improvement was around ensuring that drains were cleaned during autumn of leaves, and improving stormwater into areas that are not currently served by existing stormwater lines. Future capital projects to extend service into these areas are planned within the 2012-22 Long Term Plan.

Perception Survey

From the service request system report, 9 customers were recorded as having made request or enquiry to Council's stormwater services department during the year. As this was less than 50, all were sent a "Customer Satisfaction Survey" form and 2 responded. Of these 50% rated their service as adequate or better.



**Statement of Cost of Service – Network Services
For the Year ended 30 June 2012**

2011 Actual \$ (000's)		2012 Estimate \$ (000's)	2012 Actual \$ (000's)
	OPERATING INCOME		
3,327	Activity Revenue	3,346	3,211
5,984	Targeted Rates	6,237	6,212
-	Development Contributions	-	31
266	General Rates	257	340
1,072	Other General Sources	1,059	1,082
10,649	TOTAL OPERATING INCOME	10,899	10,876
	OPERATING EXPENDITURE		
6,936	Land Transport	6,637	7,242
1,244	Water Supplies	1,180	1,327
258	Stormwater/ Flood Protection/ Land Drainage	262	308
303	Solid Waste	313	293
500	Wastewater	467	713
818	Engineering Business Unit	782	782
289	Water Services	258	294
10,348	TOTAL OPERATING EXPENDITURE	9,899	10,959
301	NET COST OF SERVICE	1,000	(83)



COMMUNITY SERVICES

Parks and Reserves (including Public Conveniences)

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

Major Capital Projects

	2012 Estimate \$ (000's)	2012 Actual \$ (000's)
Kawhia Foreshore Walkway	30	-

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

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
			4.4%	<5%	10.1% requesting improvement
Providing Council parks and reserves that enhance our communities quality of life	Parks and reserves provide for a number of things – a sense of place, active recreation spaces and opportunities for communities to interact – all contributing to our community outcomes	Percentage of customers requesting substantial improvements of level of service from three yearly satisfaction surveys			
		Provision of safe outdoor reserve structures; (% of structures complying with NZS 8630)	New Measure	33%	75%
		Provision of adequate, well formed & maintained paths,	New Measure	20%	60%



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
		and tracks; (% of total track length complying with NZS 8630)			
		Provision of safe, high quality and maintained park furniture (% items meeting criteria)	New Measure	70%	>70%
Provision of Reserve Management Plans for all Council Reserves as required under the Reserves Management Act 1977		Progress towards development of Reserve Management Plans for all Council Reserves; (% of reserves with current plan in place)	New Measure	30%	25%
Public Toilets as provided by Council are maintained in good condition	Having safe toilets helps achieve safe communities	Percentage of customers requesting substantial improvements of level of service from three yearly surveys	New Measure	<5%	5.6% requesting improvement

Triennial Satisfaction Survey

A full customer level of service survey was undertaken in October 2011. Overall 40.8% of respondents said that the service was excellent, 49.1% said the service was adequate, with the remaining 10.1% requesting improvement to the service. The majority of the requested improvement was with regards to improving the quality of the lawn mowing and gardening, as well as updating the playground equipment at some grounds. The lawn mowing and gardening has been addressed with the appointment of a new mowing contractor. No current plans are in place to update playground equipment, with the exception of some planned work at the skate park.



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. More work is planned for the 2012/13 year to improve those items not meeting the criteria.

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. These low volume tracks were not taken into account when the target was established. These low volume tracks are substantially better quality than the minimums required by NZS 8630.

Safe High Quality Park Furniture

Currently 70% of our park furniture meets the criteria of being safe and high quality. More work is planned for the 2012/13 year to improve those items not meeting the criteria.

Reserve Management Plans

In total Council has not achieved its measure of 30% of Reserves having management plans by 30 June 2012. This is mostly due to an expansion in the content to be included in the reserve plans, particularly with regards to the Domain Reserve Management Plan.

The Rewa Rewa Reserve Management Plan 2010 and the Huiputea Reserve Management Plan 2008 have been completed and the Otorohanga Domain Management Plan and World War II and Pool Reserve Plan are both progressing at present, being approximately 40% done. The Domain Reserve Management Plan covers the largest reserve held by the Council and represents around 50% of the total plans required. Both these plans are on track to be completed by 30 June 2013. It is unlikely that any other plans will be commenced prior to the two current ones being completed.

Triennial Satisfaction Survey

A full customer level of service survey was undertaken in October 2011. Overall 64.6% of respondents said that the Public Toilets were excellent, 29.8% said the service was adequate, with the remaining 5.6% requesting improvement to the service. Most requested improvements related to upgrading within the toilets, as well as some minor issues around cleaning during busy periods. The cleaners are aware of the cleaning issues, and there is some plans in the Long Term Plan 2012-22 for some upgrading work to occur in some public toilets.



Library

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

The core roles are;

a) Reading and literacy

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

b) Community identity and local heritage

Libraries provide community identity and reflect the communities we serve.

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

c) As a public place

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

d) Opportunities for lifelong learning and leisure

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

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

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

Major Capital Projects

The only major capital project was the purchase of books, where \$52,000 was spent against a budget of \$52,000.



Key Library Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
Quality library service is provided	Healthy, cohesive, and informed communities have access to a wide range of up to date library materials	Triennial survey of customers satisfied with library services	New Measure	>85%	97.3%
A range of fiction, non-fiction, paperback, large print and reference books for both children and adults are available.		Number of books issued per annum	New Measure	2% increase over previous year	0.5% reduction compared to 2010/11
Holiday programs are provided for children		Number of holiday programs run annually	4	4	3
Our book stock is kept current		Publication date of 10 years or less	New Measure	>75%	72%

Triennial Satisfaction Survey

Overall, of the 490 responses received regarding the libraries, 42.0% believed the library service was adequate, with 55.3% believing it is excellent.

Number of books issued

60,601 books were issued between 1 July 2011 and 30 June 2012. This is a 0.5% reduction on the 2010/11 year when 60,912 books were issued. The minimal decrease in materials issues this year corresponds with national trends – a decline in issues of non-fiction materials, in particular, has been reported by many libraries.

Holiday Programmes

Three holiday programmes were run between 1 July 2011 and 30 June 2012 including a “Pop-Up Books” workshop in July 2011, an annual summer holiday reading programme in December and January and story reading sessions in April 2012. The Library also participated in special events for children during the year, including involvement in a nationwide public libraries’ project with Duffy Books in Homes in September 2011, and Waikato regional events to mark the NZ Post Children’s Book Awards in May 2012 (story writing competition and author visit). This has fallen short of the



target of 4 events as a result of the i-Site moving into the old library meeting room, resulting in a reduction in the space previously used for these events.

Current Book stock

As of 30 June 2012, the Otorohanga Library’s total bookstock was 24,314. Of this total 17,446 items, or 72% of the stock, has been published since 2001. This measure has not been applied to the Kawhia Library bookstock – the Kawhia Library holdings consist primarily of donated materials, most of which are not of recent publication.

Pensioner Housing

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

Key Pensioner Housing Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2011/12 Target	2011/12 Actual
			2008/2009		
Provide Pensioner Housing that is fully utilised	This service ensures Otorohanga District has housing that satisfies the needs of the community and is seen to be an ideal place for retirement	Percentage of Units occupied	Otorohanga 97.4%	>95%	Otorohanga 100%
			Kawhia 95.2%		Kawhia 93%
Council provides Pensioner Housing that is affordable		Weekly Rental per unit	Kawhia \$78 PW single unit \$102 PW double unit Otorohanga \$58 PW single unit \$83 PW double unit	Below Market Median	Kawhia \$82pw single unit \$105pw double unit Otorohanga \$63pw single unit \$91pw double unit



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
			Good standards of maintenance and accommodation are maintained by Council		Triennial survey of overall satisfaction

Occupancy Rates

During the year, one of the units at Kawhia was unoccupied for a number of months. This situation came about as there was no-one on the waiting list looking to rent a unit, and it took some time to find a tenant. Council is resolving this by encouraging Kawhia Community Board members to encourage people to sign up to the waiting list if they qualify and are interested, reducing the likelihood of a similar situation occurring in future.

Weekly Rental per unit

Council discusses with local real estate agents the current weekly rentals for similar residences at the end of each year, and assesses the rentals charged for pensioner housing against these market rates. In the 2011/12 year, the rentals charged by the Council for all four types of units were below current market median rentals.

Triennial Satisfaction Survey

Due to the broad nature of the survey, which is sent to every ratepayer, and the very narrow usage of the pensioner housing as a percentage of total potential respondents, it was decided that the information that would be received back may not have been very useful, so no survey of pensioner housing was undertaken.



Other Property

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

Major Capital Projects

No major capital projects were undertaken in the current year.

Key Other Property Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2011/12	2011/12
			2008/2009	Target	Actual
That all buildings and structures on Council Property meet the requirements of relevant legislation	Having safe buildings that are maintained in a sound, sanitary and safe condition – ensures our communities are safe	Full compliance of relevant legislation based on annual inspection of buildings and structures to ensure they meet the requirements of the Building Act and Fire Safety and Evacuation of Buildings Regulations	New Measure	Annual Inspection	Full compliance

All council buildings which require in compliance schedule under the Building Act 2004 and Fire Safety and Evacuation of Buildings Regulations 2006 are up to date with their building warrants of fitness. These are completed annually and checked as the regime requires. All building warrants of fitness are displayed publicly in the relevant buildings.

Swimming Pool

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

Major Capital Projects

No major capital projects were undertaken during the year.



Key Swimming Pool Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 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	Percentage of customers requesting substantial improvements of level of service from 3 yearly customer satisfaction survey	New Measure	<5%	5.6%
		Water Quality Tests under contract that meet the requirements of NZS 5826	NZS 5826 standards are met in 85% of analyses each month	NZS 5826 standards are met in 85% of analyses each month	Always above 85%
			New Measure	100% of requirements of AFQMS are met each month	100% met

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

Triennial Satisfaction Survey

A total of 340 responses were received regarding the pools, with 19 requesting an improvement to the service. The majority of comments related to opening hours and water temperature concerns, as well as suggested improvements for access, both to the complex and within the pools themselves. Council has no direct control over opening hours and water temperature, as these are decided by the contractors. Money has been put aside within the Long Term Plan 2012-22 to address some of the other issues identified.



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 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.

Major Capital Projects

No major capital projects were undertaken during the year.

Key Cemeteries Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
The Cemetery is well maintained	Well maintained and conveniently located cemeteries will be provided and planned for ahead of growth and development, ensuring these needs are met in the future	Percentage of customers requesting substantial improvements of level of service from 3 yearly customer satisfaction survey	New Measure	<5%	6.8%
		Progress towards development of Reserve Management Plans for all Cemeteries; (% of cemeteries with current plan in place)	New Measure	30%	10%

Triennial Satisfaction Survey

A total of 410 responses were received around cemeteries, with 6.8% requesting substantial improvements in the level of service. The main improvements requested were around the maintenance of the lawns, which has been addressed with the hiring of a new contractor. Other improvements suggested related to better access for the elderly and more bench seating for people. These will be addressed with the addition of bench seating as budgets permit.



Cemetery Reserve Management Plan

The Reserve Management Plans for the two cemeteries in the Otorohanga District have not been completed due to workload and time issues with staff, as a result of changes in staff during the year. They are currently in the preparation stage, which represents 10% of the total project. Further work is planned for the 2012/13 and 2013/14 years to complete these plans by 30 June 2014.



Litter Control

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

Key Litter Control Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
			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	Percentage of customers requesting substantial improvements of level of service from 3 yearly customer satisfaction survey

Triennial Satisfaction Survey

A total of 608 responses were received about litter control, of which 6.6%, or 40 responses, requested an improvement to the level of service. The suggested improvements included moving to an anti-littering campaign, introducing fines for littering, and making businesses creating the litter more responsible. Council currently has the ability to fine people for excessive littering, and we work closely with various businesses about addressing litter. An anti-littering campaign would have to be a nationwide campaign to get sufficient traction, and is outside the scope of Council.



Security Patrol

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

Key Security Patrol Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
To provide Security Patrol services for a defined area within Otorohanga Community during night time hours	By ensuring that Otorohanga is a safe environment to live, work and play	By ensuring a nightly security patrol is provided for 8hrs per night by a registered officer	Nightly security patrol carried out	Nightly security patrol carried out	Nightly security patrol carried out
		Triennial survey of respondents who feel safe in Otorohanga Community after dark	New Measure	>75%	No survey conducted

Triennial Satisfaction Survey

A survey related to the security patrol was not conducted during the year, as a decision was made to produce a more targeted survey solely to those directly affected by the patrol. This survey will take place in the 2012/13 year.



District Sports Co-ordinator

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

Key District Sports Co-ordinator Scheme Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
			100% Compliance	100% Compliance	100% compliance
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			



**Statement of Cost of Service - Community Services
For the Year ended 30 June 2012**

2011 Actual \$		2012 Estimate \$	2012 Actual \$
(000's)		(000's)	(000's)
	OPERATING REVENUE		
432	Activity Revenue	359	371
90	Targeted Rates	111	110
11	Development Contributions	15	15
1,334	General Rates	1,424	1,420
31	Other General Sources	3	3
1,898	TOTAL OPERATING REVENUE	1,912	1,919
	OPERATING EXPENDITURE		
511	Parks and Reserves (including Public Conveniences)	506	478
303	Library	303	314
351	Swimming Pools	349	335
127	Pensioner Housing	114	124
46	Halls	50	61
42	Harbour Services	52	27
49	Cemeteries	56	60
132	Other Council Property	157	147
69	Litter Control	54	56
104	Security Patrol	104	101
107	Community Max	-	-
71	Sport Waikato	72	73
1,912	TOTAL OPERATING EXPENDITURE	1,817	1,776
(16)	NET COST OF SERVICE	95	143



REGULATORY SERVICES

Building Control

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

Key Building Control Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
			Yes	No target	Registration is current
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			
	The Fencing of Swimming Pools Act is enforced	A Pool Register and a system of regular and recorded pool inspections will be in place by December 2009. Thereafter the Register and process will be audited annually.	New Measure	Annual Audit Undertaken	Annual Audit undertaken
Building consent applications are processed within 20 working days as required by Sec 48 of the Building Act 2004	Council certifies all consented building work complies with the building code – ensuring our communities are safe	All consents will be processed within 20 working days and the average time to process a building consent will not be more than 10 days	100%	100%	94% Average time of 11 days

Inspection

Council is registered with the Ministry of Business, Innovation and Employment as a Building Consent Authority. The next biannual audit and review by International Accreditation New Zealand took place in August 2012. This assessment of the BCA functions covers all aspects of plan review and building inspection.



Enforcement

During the year four existing pools (pre 1993) and four new pools were added to the register. Questionnaires were mailed to all property owners listed on the register. As a result of the responses received a number of properties were removed from the register where old pools had been removed or demolished.

Building Consent Applications

During the year Council issued 233 building consents. There were 219 consents (94%) completed within 20 working days. The average processing time was 11 days.

Planning and Development

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

Key Planning and Development Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2011/12	2011/12 Actual
			2008/2009	Target	
All resource consent decisions will be notified within the time limits of Sec 115 of the Resource Management Act 1991	Efficiently processing resource consent applications enables the Council to regulate land-use activities consistently with its District Plan (Landuse regulations), demonstrating that the Council values the natural environment	The time to process non-notified land use and subdivision consents will be no more than 20 working days	100%	100%	86%
		All decisions are prepared, signed and mailed to applicants within three days of the signing of the Planner's Report and Recommendation.	< 3days	< 3days	3 days



Good advice will be delivered to help people 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	Develop process maps and instructions for the Resource Consent application, assessment and issuing procedures. Draft process maps to be completed by June 2010. Procedures to be audited annually.	New Measure	Annual Audit	No formal audit carried out
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Non-notified Consents

A total of 92 non-notified consents were issued during the year. Thirteen consents (14%) were not processed within 20 working days. During the year the District Planner resigned. Due to the low volume of applications this position remains vacant. Applications are now reviewed by Planning consultants.

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 against this performance measure.

Inspection

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

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

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

Enforcement

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

A complaints register is maintained of complaints received.



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

Process Maps and Audit

No audit of the procedures was undertaken in the current year. This was due to not having a district planner for a large portion of the year, as well as a reduced number of consents. This reduced number of consents led to a reduced requirement for an audit to occur.

Quality Planning Maps

Council has decided against developing its own Resource Consent process maps, as it is currently using process maps obtained from the New Zealand Planning Institute (NZPI). Given that any in-house maps would closely mirror those of the NZPI, a decision to use their maps was made, instead of using staff resources to replicate practices that were working.

Civil Defence

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

Key Civil Defence Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
			2	2	2
People are prepared for a civil defence emergency	This service means the Council has a direct role in ensuring communities are prepared for emergencies	Formal training exercises are conducted each year	2	2	2
		The Civil Defence action team comprising key staff will meet at least once between formal exercises to ensure preparedness and training schedules are maintained.	New Measure	Once between exercises	2



Two civil defence exercises, programmed by the Waikato Valley Emergency Operations Area (WVEOA), were conducted during the year. Exercise Tornado Alley was carried out in March 2012 and involved the activation of the Otorohanga Emergency Operations Centre. In October 2011 for Operation Cordon Blue welfare centres were set up at Kawhia and the Kio Kio School.

Between Exercises staff have met to debrief exercises and to view the initial draft of the Otorohanga flood response plan.

Dog Control

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

Key Dog Control Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
			Dogs roaming outside property boundaries and on public reserves will be impounded. The dog control officer responds to public complaints about roaming dogs and uplifts and impounds dogs found wandering the streets. Regular patrols are carried out in urban areas	Through this service, the public feel safe from roaming dogs	Percentage of dogs impounded
		Complaints about roaming dogs that are responded to	100%	100%	100%

Dog registrations and Impounding

Approximately 2400 dogs are registered every year in the Otorohanga District. Last year 85 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

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
			100%	100%	100%
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			

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 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, Local Government Act 2002 and Resource Management Act 1991.

Key Environmental Health Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
			100%	100%	61%
Cases of communicable disease that are notified to the District Health board are referred to the Environmental Health officer for investigation. The affected family is interviewed and good hygiene practice is discussed. The	The cause of communicable disease is identified and further transmission of the infection is avoided	All communicable disease reports received from the District Health Board are investigated within 5 working days. The result of the investigation is reported back to the Medical Officer of Health no later			



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
			outcome of the interview is reported back to the DHB		than 7 working days from receiving the report.
All premises in the District that prepare food for sale receive at least one annual inspection to check for compliance with the food hygiene regulations	Having healthy food services, helps achieve safe communities	All premises in which food is sold or processed, hold a current licence.	100%	100%	100%
		All licenced premises receive at least one annual inspection. All inspections recorded in the NCS database.	1	1	Minimum of one inspection per premise
All premises in the District that sell liquor are inspected annually to ensure the operations comply with the provisions of their liquor licences. Managers of these premises are required to hold current managers certificates.	The Council will help to achieve safe and healthy communities through preventing bad behaviour as a result of liquor supply	A liquor licence is held in respect of all premises at which liquor is sold or supplied, and every premise licensed for the sale or supply of liquor is managed by an appropriately qualified person	100%	100%	100%

Food Premise Licences

During the year, there were two food premises in the District that were not required to apply for a food premise licence from Council, as they had Food Safety Plan's registered with the Food Safety Authority, and are deemed to be FSA regulated venues. All other food premises had licences for the 2011/12 year.

Food Premise Inspections

During the 2011/12 year all food premise were inspected. A record of the inspection and the outcome is recorded in the NCS database



Communicable Diseases

During the year eighteen communicable disease notifications were received. Seven cases took longer than seven working days to report back to the Medical Officer of Health. These cases are subject to delay for a number of reasons, mainly being the difficulty of contacting the patient or caregiver many of whom live and work in rural areas.

Trade Waste Licenses

Council's Trade Waste Bylaw was adopted to regulate excessive or unauthorised discharges into our stormwater and sanitary sewer systems. Such discharges have the potential to overload the treatment system or damage the piped network. Council staff continues to liaise with Property owners where liquid waste management systems are inadequate. A number of businesses have invested in new waste control systems.

Liquor Licenses

All premises involved in the selling of liquor are required to have a liquor licence, which is renewable on an annual basis. These licences are recorded in the NCS 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, NZ Police or the Liquor Licensing Authority. Any premises found to be operating without a licence would be prosecuted as per the Sale of Liquor Act.



Rural Fire Control

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

Key Rural Fire Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
To provide a rural fire service to meet the requirements of the Forest and Rural Fires Act and Regulations.	Aid in the reduction of uncontrolled fires and reduce the cost of rural fires to the ratepayers which will ensure that our essential services and the environment are protected.	Permits are to be issued within 3 working days Annual Restricted Fire Season.	>90%	>90%	72%
		Recovery of the costs of fires from those responsible for lighting fire or their insurers.	>90%	>90%	No fires in the current year
		Review of the rural fire plan contact details annually and full review 2 yearly by 30 September	New Measure	Contact Details	Contact details reviewed, full review deferred pending conclusion of Fire District extension discussions

Permits issued

In total, 72% of fire permits were issued within 3 working days. This was under the target of greater than 90%, which was due to the number of permits required to be issued at the time, as well as issues with staffing levels. In the current year two additional staff have been trained up in issuing fire permits, with another to be trained in the current year.

Fire Plan Audit

The review of the district fire plan has been delayed until the 2013/14 year, pending the results of the ongoing Fire District extension discussions.



**Statement of Cost of Service - Regulatory Services
For the Year ended 30 June 2012**

2011 Actual \$		2012 Estimate \$	2012 Actual \$
(000's)		(000's)	(000's)
	OPERATING REVENUE		
439	Activity Revenue	496	473
-	Targeted Rates	-	-
-	Development Contributions	-	-
696	General Rates	592	585
267	Other General Sources	252	228
1,402	TOTAL OPERATING INCOME	1,340	1,286
	OPERATING EXPENDITURE		
470	Building Control	378	398
361	Planning & Development	343	264
48	Civil Defence	55	49
137	Dog Control	130	142
7	Stock & Ranging & Impounding	13	15
117	Environmental Health	120	109
42	Rural Fire Control	47	36
240	Environmental Services Manager	247	245
1,422	TOTAL OPERATING EXPENDITURE	1,333	1,258
(20)	OPERATING SURPLUS (DEFICIT)	7	28



COMMUNITY DEVELOPMENT

Property Development

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

Key Property Development Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
That identified opportunities to address significant perceived shortages in the availability of particular types of property in the District are explored.		Decision making on physical works stage in respect of identified opportunities	New Measure	Not measured	Decisions made

At the time of preparing performance measures in 2008, there were perceived shortages in the availability of certain types of property. In the ensuing 3 years there was an economic downturn, resulting in a surplus of residential, commercial and industrial properties on the market. This economic downturn appears to have continued to 30 June 2012, and therefore the perceived shortages previously identified prior to this downturn do not currently appear to exist.



District Promotion

This group of activities is undertaken to:

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

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

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

Key District Promotion Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 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	12,530	14,000	15,201
		Total number of visits to otorohanga.co.nz website, previous year to 31 December	87,400	100,000	87,290
Tourism activity in District is supported		Total accommodation guest stay nights in District for previous year to 31 December (Ministry of Tourism data)	36,947	40,000	26,747

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.



**Statement of Cost of Service – Community Development
For the Year ended 30 June 2012**

2011 Actual \$		2012 Estimate \$	2012 Actual \$
(000's)		(000's)	(000's)
	OPERATING REVENUE		
-	Activity Revenue	-	-
-	Targeted Rates	-	-
-	Development Contributions	-	-
211	General Rates	219	167
-	Other General Sources	-	-
211	TOTAL OPERATING REVENUE	219	167
	OPERATING EXPENDITURE		
10	Property Development	-	102
201	District Promotion	211	214
211	TOTAL OPERATING EXPENDITURE	211	316
-	OPERATING SURPLUS (DEFICIT)	8	(149)



GOVERNANCE AND LEADERSHIP

Democracy

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

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

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

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

Governance

What is Governance ?

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

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

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



Governance Structures of Otorohanga District Council

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

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

Governance Roles of Elected Members

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

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

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



- Ensuring the orderly conduct of business during meetings, as determined in Council's Standing Orders.
- Advocating on behalf of the community.
- Acting as the ceremonial head of Council.
- Providing leadership and feedback to other elected members

Community Boards

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

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

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

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

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

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



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

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

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

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

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

Decision Making Processes

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

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

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

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



Key Democracy Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 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
Meet Local Government Act 2002 statutory planning and reporting requirements.	By achieving statutory planning and reporting requirements a high standard of accountability is demonstrated to the community	Draft LTCCP/ Annual Plan to be adopted by 30 June each year Annual Report to be adopted by 31 October each year	100% compliance	100% compliance	100% compliance
Council will make itself aware of community views and have regard to views of its communities.	An active supportive community is achieved through the Council providing opportunities for residents and ratepayers to contribute to decision-making processes by providing their community views	Triennial Residents Survey to be undertaken on community satisfaction relating to delivery of services and Council efficiency	New Measure	>75% of residents in general satisfied with the performance of Council	91.1%

Triennial Satisfaction Survey

A total of 649 surveys were received back, with the level of satisfaction across the areas surveyed ranging from 85.5% up to 97.4%, giving an average satisfaction across all areas of council of 91.1%



Council Support

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

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

Key Council Support Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
Management and provision of Creative Communities and SPARC funding schemes	The Council supports the development of communities by providing funding to agencies where it sees that such funding will positively support and make our communities more healthy, active and creative	Distribution of funds to Creative Communities and SPARC funding schemes on application from qualifying organisations	New Measure	> 85% allocated	100% allocated
Management and provision of Otorohanga District Council community funding	The Council supports the development of communities by providing funding to agencies where it sees that such funding will positively support and make our communities more healthy, active and creative and also support the vulnerable and those at risk	Provision of Otorohanga District Council General Grants and ongoing Grants	New Measure	Within annual budget allocation	Within annual budget allocation



Corporate Planning

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

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

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

Key Corporate Planning Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
			New Measure	Not measured	Not required under new legislation
Reporting back to the community on monitoring of community outcomes	The identification of local and District-wide visions will guide decision making and planning for the future	A 3 yearly published report on the progress towards achieving community outcomes	New Measure	Not measured	Not required under new legislation
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	2011 survey, target 40% response	20.2% response

Triennial Satisfaction Survey

Of the 3,214 survey forms sent out to ratepayers, a total of 649 were received back, representing just under 20.2% response rate. While this response rate is lower than the target, the target set in the 2009-19 Long Term Council Community plan was very ambitious, and the 20% response rate reflects a very positive level of response compared to previous surveys. Given the positive level of response there are currently no plans in place to increase this response rate.



Policy Development

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

Key Policy Development Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
Ensure major decisions are made in a democratically accountable way	Ensures Council's decision making processes involves and engages the community	100% of all significant decisions are made subject to respective consultative procedures that meet the requirements of the Local Government Act 2002 and/or Resource Management Act 1991	100%	100%	100%
Policy development is visible and accountable	Ensures transparency in policy development to provide better information supporting community involvement and awareness	Key draft policy documents subject to consultation are available on Council's website	100%	100% are available by the date of public notification of the policy/planning document	No new policy formulated during this period
		Environmental Monitoring Reports are published	New measure	Reports are produced in 2012	S32 report notified September 2010
Provide location legislation	Put in place management controls that address issues and are consistent with Council policies, Central Government legislation, and which reflect the Community	Review of bylaws undertaken	New Measure	No target	Policy and bylaw register updated



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
	Outcomes				
Council meets statutory planning requirements	Ensures processes and policies are developed in a consistent manner and reflective of community input	Proposed District Plan to be notified by end of 2009 Calendar year	New Measure	No target	Achieved

Decisions

Following Hearings held in July 2011 the Decisions Version of the Proposed District Plan was publically notified on 6 March 2012 . Nine appeals have been received on the provisions of the proposed plan. These are currently being dealt with as per the Schedule 1 process for settlement as outlined in the Resource Management Act 1991.

Bylaws

Otorohanga District currently has seven operative bylaws. All Bylaws are subject to the review provisions of the Local Government Act 2004. The Liquor Control Bylaw, the Stock movement Bylaw and the Water services bylaw are currently due for review. The Liquor Control Bylaw was reviewed on 2 October 2012, and no dates have yet been set for the review of the Stock Movement and Water Service bylaws, however these will be completed by the end of February 2013.

Environmental Monitoring Reports

The s32 report released with the Proposed District Plan in September 2010 contained a summary of the effectiveness and perceived weaknesses of the Operative Plan and the rationale for the changes and improvements contained in the proposed Plan. This was completed in advance of the target of 2012, as identified in the 2009-19 Long Term Council Community Plan.



Iwi Liaison

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

Key Iwi Liaison Level of Service Targets

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
Foster capacity building for Maori to take part in local government processes	<ul style="list-style-type: none"> - Provides opportunity for Maori to be involved and engaged in decision making processes of Council - Provides opportunity for Council policies to address issues affecting Maori 	Adoption of formalised partnerships with Iwi/Maori authorities and groups	New Measure	2 partnerships formally adopted by 1 July 2012	Otorohanga District Council along with our neighbouring Councils and the Waikato Regional Council is a member of Joint Working Party that is drafting a Joint Management Agreement with the Maniapoto Maori Trust Board for the Waipa River.
Acknowledge the relationship of Tangata Whenua with the natural environment	Recognise the unique relationship of Maori with the natural environment	Have in place agreed processes of consultation and opportunities for input into consent processes with Tangata Whenua authorities	New Measure	No Target	Resource consent applications are circulated to local iwi groups for comment.
Provide opportunities for Maori to be involved in decision-making	Ensure Council decisions reflect the Maori history and culture of the district and the unique relationship	Enter into and obtain resolution regarding options for Iwi/Maori	New Measure	No target	Formal representation review undertaken in



Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2008/2009	2011/12 Target	2011/12 Actual
			processes	of Maori with the natural environment	and Council representation forum(s)
		Establishment and operation of representation forum(s) as agreed to by Iwi/Maori authorities and Council	New Measure	Forum(s) to be established by 30 June 2012	No agreement reached on forums

Partnerships and Joint Management Agreements

In June 2010 a formal agreement was signed by Ngati Hikairo and Otorohanga District Council to cover the management of information contained in the Ngati Hikairo Heritage Management Plan. This agreement allows for this information to inform Council policy decisions and to be included in planning and building consent processes.

Council has also held initial discussions with Raukawa Charitable Trust on the development of a Joint Management Agreement for that part of the Waikato river catchment that lies within the District

Representation Review and Forums

Council has undertaken a representation review and considered separate Maori representation; however it was the decision of Council that they would not pursue that option at this time. The issue will be reconsidered at the time of the next representation review, due to take place in the 2018 calendar year.

As at 30 June 2012 no work had been commenced with regards to establishing representation forums. This was due to a decision about these being delayed until the outcome of the representation review was known. This work will be looked into during the 2012/13 year.



**Statement of Cost of Service – Governance and Leadership
For the Year ended 30 June 2012**

2011 Actual \$ (000's)		2012 Estimate \$ (000's)	2012 Actual \$ (000's)
	OPERATING REVENUE		
71	Activity Revenue	70	78
16	Targeted Rates	16	18
-	Development Contributions	-	-
1,520	General Rates	1,695	1,741
2,992	Other General Sources	2,848	2,735
4,599	TOTAL OPERATING INCOME	4,629	4,572
	OPERATING EXPENDITURE		
648	Otorohanga District Council	661	594
135	Otorohanga Community Board	136	124
55	Kawhia Community Board	50	45
129	Council Support	133	133
172	Corporate Planning	324	390
467	Resource Management Policy Development	391	363
2,962	Support Services	2,947	2,839
4,568	TOTAL OPERATING EXPENDITURE	4,642	4,488
31	OPERATING SURPLUS (DEFICIT)	(13)	84



SUPPORTING INFORMATION



EQUAL EMPLOYMENT OPPORTUNITIES POLICY

POLICY STATEMENT

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

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

This policy will remain consistent with:

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

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



AUDIT REPORT



INDEPENDENT AUDITOR'S REPORT

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

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

We have audited:

- the financial statements of the District Council on pages 10 to 56, that comprise the balance sheet as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies, explanatory information and other information required by schedule 10 of the Local Government Act 2002; and
- the groups of significant activities of the District Council on pages 64 to 124 that includes other information required by schedule 10 of the Local Government Act 2002.

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

In our opinion:

- The financial statements of the District Council on pages 10 to 56:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the District Council's financial position as at 30 June 2012; and
 - the results of its operations and cash flows for the year ended on that date.
- The groups of significant activities of the District Council on pages 64 to 124:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the District Council's levels of service for the year ended 30 June 2012, including:
 - the levels of service as measured against the intended levels of service adopted in the long-term council community plan; and
 - the reasons for any significant variances between the actual service and the expected service.
- The other information of the District Council contained in the financial statements and the groups of significant activities, complies with the requirements of Schedule 10 of the Local Government Act 2002 applicable to the annual report and fairly reflects the required information.



Deloitte.

Our audit was completed on 23 October 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements, groups of significant activities and other information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, groups of significant activities and other information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, groups of significant activities and other information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, groups of significant activities and other information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the District Council's financial statements, groups of significant activities and other information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the financial statements, Groups of Significant Activities and other information;
- determining the appropriateness of the reported groups of significant activities within the Council's framework for reporting performance; and
- the overall presentation of the financial statements, groups of significant activities and other information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, groups of significant activities and other information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.



Deloitte.

Responsibilities of the Council

The Council is responsible for preparing:

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

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

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

Responsibilities of the Auditor

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

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, we have no relationship with or interests in the District Council.

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

This audit report relates to the financial statements of Otorohanga District Council for the year ended 30 June 2012 included on Otorohanga District Council's website. The Council is responsible for the maintenance and integrity of Otorohanga District Council's website. We have not been engaged to report on the integrity of the Otorohanga District Council's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 23 October 2012 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.