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INTRODUCTION



COMMENTS FROM THE MAYOR AND CHIEF EXECUTIVE

2012/13 ANNUAL REPORT

2012/13 has been another 'business as usual' year for Council, with a continuing focus on the efficient delivery of core services. The available evidence – both formal and informal – suggests that the community remains well satisfied with this approach, though such a focus does not prevent costs increasing, as there are broader inflationary pressures that must inevitably be reflected in Council's activities.

Otorohanga District Council does however continue to demonstrate that a Council's lack of size need not equate with a lack of performance, and it is pleasing to report that the on-going commitment to prudence has seen the target of substantial reductions in the extent of Council's debt starting to be achieved, which strengthens our confidence that if the current strategy continues to be followed, in a few years council will be extremely well placed with very low levels of debt that will enable council to effectively manage the challenges and opportunities that arise. In an environment of uncertainty – which is where local government currently finds itself – being unencumbered by substantial debt has the potential to be very important. The notion that 'big is better' in respect of council size is now being seen to have little sound basis, as it becomes evident that often it is the largest councils which have greatest difficulty in restraining rates and debt.

In keeping with the 'business as usual' approach no particularly major new projects were undertaken during the year, with effort instead being directed towards necessary maintenance and renewal of existing assets and services. Council does however continue to conduct an annual program of modest improvements to the district's roading network, in recognition of the importance of an efficient and safe transport network, particularly for those (the majority of the district's residents) who live outside of the urban centres. The operation, maintenance and renewal of roads continues to be by far the most significant activity conducted by Council, and it is therefore particularly importance that all aspects – including funding – are optimised.

An operating surplus of \$928,000 was recorded for the year. This reflects real cost savings in a number of areas, together with the deferral of some works. One area where substantial savings have been made in recent years is through the lower interest rates on council debt being provided through Council's membership of the Local Government Funding Agency (LGFA). The LGFA is an excellent example of how Councils such as ODC can obtain 'big council' benefits whilst also retaining those advantages (including better community engagement, attention to detail and 'leanness') that are to be had from being small. Public debt was \$12.062M at 30 June 2013. This figure represents a decrease in debt by \$1.118M Relative to that in the previous year. This is a substantial decrease that is indicative of the expected behaviour of debt in the next few years.

Dale Williams
MAYOR

8th October 2013

Dave Clibbery
CHIEF EXECUTIVE

8th October 2013



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

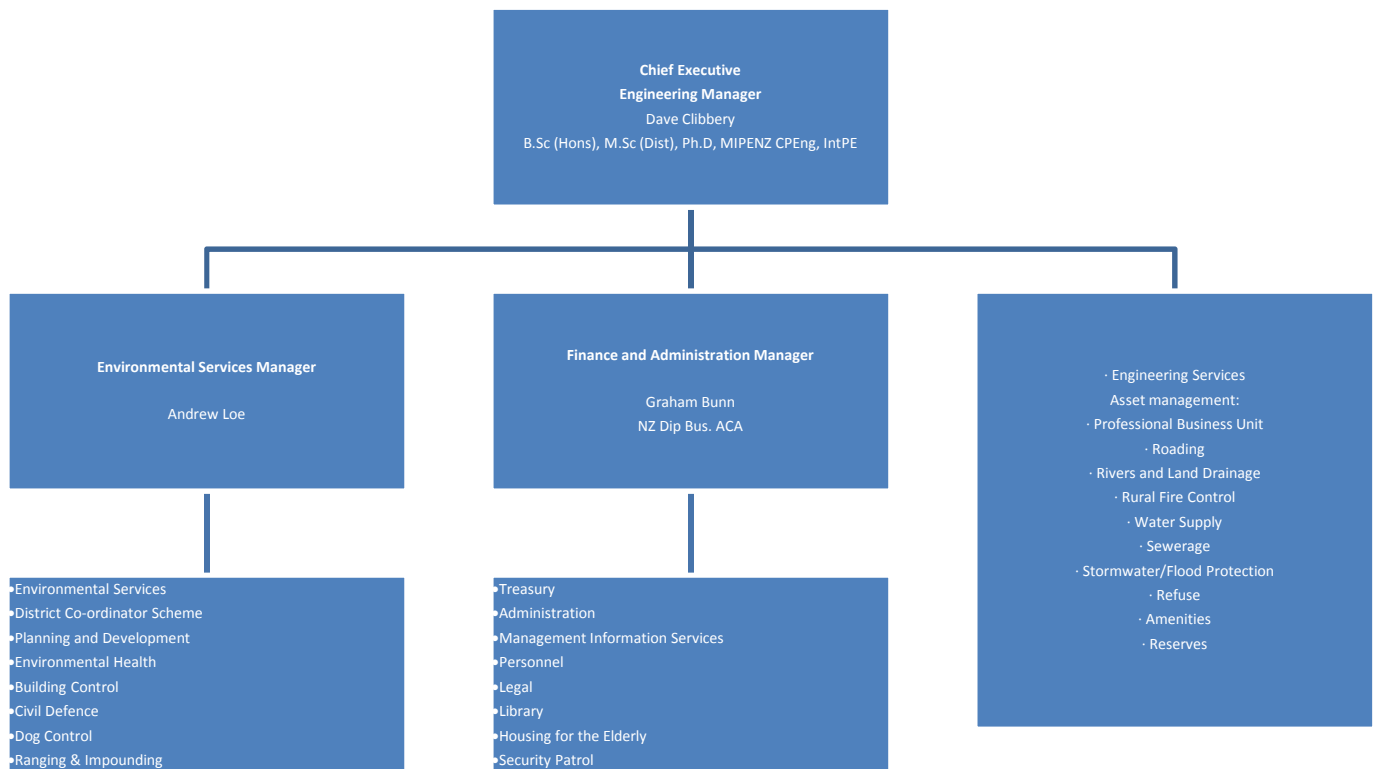
Chairperson:	Robert Prescott	(07) 873 8941
Deputy Chairperson:	Liz Cowan	(07) 873 0849
Members:	Anne Laws	(07) 873 8508
	Phil Tindle	(07) 873 8810
	Andrew Ormsby	(07) 873 8300
	Dave Williams	(07) 873 6668

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
	197,600 ha	9,516

Valuation

Rateable Properties (No. of)	5,207
Non Rateable Properties (No. of)	353
Rateable Capital Value	\$3,633,277,500
Date of Last revision of Values	1 September 2010

Rates and Rating 2012/13

Total Rates (Excluding GST)	\$11,056,425
System of Rating	Capital Value

Public Debt Outstanding as at 30/06/13

Public Debt Outstanding	\$12,062,146
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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 2013**

Actual 30 June 2012 (000's)	Note	Budget 30 June 2013 (000's)	Actual 30 June 2013 (000's)
	Income		
10,011	Rates revenue 3	10,294	10,409
46	Contributions	10	15
582	Water by volume rates 3	636	647
2,951	Subsidies 4	3,340	2,785
1,449	Other income 4	1,195	1,340
(330)	Others gains/(losses) on asset disposal 5	55	(129)
14,709	Total income	15,530	15,067
	Expenditure		
3,026	Employee benefit expenses 6	2,979	2,951
3,816	Depreciation and amortisation 7	3,442	3,949
7,154	Other expenses 8	6,671	6,579
818	Finance costs 9	908	660
14,814	Total operating expenditure	14,000	14,139
(105)	Profit/(loss) for the year	1,530	928
	Other Comprehensive Income		
13,438	Gain/(loss) on property revaluation	-	(8)
2	Gain/(loss) on available for sale financial assets	-	8
13,440	Total other comprehensive income	-	-
13,335	Total Comprehensive Income for the year	1,530	928

The accompanying notes on pages 13-56 form part of these financial statements.



OTOROHANGA DISTRICT COUNCIL **BALANCE SHEET** **AS AT 30 JUNE 2013**

Actual 30 June 2012 (000's)	Note	Budget 30 June 2013 (000's)	Actual 30 June 2013 (000's)
Assets			
Current assets			
1,231	10	1,134	1,572
1,457	11	1,710	2,007
28	12	40	28
413	14	262	423
3,129		3,146	4,030
Non-current assets			
675	13	625	731
257,998	15	242,267	256,619
42	16	55	54
258,715		242,947	257,404
261,844		246,093	261,434
Liabilities			
Current Liabilities			
2,384	17	2,221	2,040
2	18	2	1
291	19	273	308
5,500	20	3,000	5,300
8,177		5,496	7,649
Non-current liabilities			
21	18	19	21
36	19	62	51
7,680	20	10,448	6,762
7,737		10,529	6,834
15,194		16,025	14,483
245,930		230,068	246,951
Equity			
152,153		154,497	151,523
(754)	22	(1,065)	667
712	22	722	942
93,819	22	75,914	93,819
245,930		230,068	246,951

The accompanying notes on pages 13-56 form part of these financial statements.



OTOROHANGA DISTRICT COUNCIL **STATEMENT OF CHANGES IN EQUITY** **FOR THE YEAR ENDED 30 JUNE 2013**

	Note	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 2011		151,526	1	80,378	690	232,595
Profit/(loss) for the year		(105)	-	-	-	(105)
Other Comprehensive Income						
Gain/(loss) on revaluations		-	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
Prior Period Adjustment	21	93	-	-	-	93
Adjusted Balance 30 June 2012		151,492	3	93,816	712	246,023
Profit/(loss) for the year		928	-	-	-	928
Other Comprehensive Income						
Gain/(loss) on movement of reserves		-	8	(8)	-	-
Total Comprehensive Income		928	8	(8)	-	928
Transfers (to)/from retained earnings		(230)	-	-	230	-
Balance 30 June 2013		152,190	11	93,808	942	246,951

The Retained Earnings includes the Retained earnings of \$151,523,000, as well as Council Controlled Reserves of \$667,000. Council Controlled Reserves is explained on page 128.

The accompanying notes on pages 13-56 form part of these financial statements.



OTOROHANGA DISTRICT COUNCIL **STATEMENT OF CASH FLOWS** **FOR THE YEAR ENDED 30 JUNE 2013**

Actual 30 June 2012 (000's)	Notes	Budget 30 June 2013 (000's)	Actual 30 June 2013 (000's)
	Cash flows from operating activities		
10,664	Receipts from rates revenue	10,930	10,925
4,113	Receipts from other revenue	4,534	3,306
36	Interest received	50	37
3	Dividends received	3	3
(9,795)	Payments to suppliers and employees	(9,671)	(9,739)
(906)	Interest paid	(887)	(635)
4,115	Net cash provided by Operating Activities	4,959	3,897
	Cash flows from investing activities		
(163)	Proceeds from Sale of Property, Plant and Equipment	9	4
-	Proceeds from Sale of development property held for sale	220	334
(3,536)	Purchase of property, plant and equipment	(4,499)	(2,673)
(148)	Purchase of investments	-	(56)
(39)	Purchase of intangible assets	(45)	(47)
(3,886)	Net cash (used in) Investing Activities	(4,315)	(2,438)
	Cash flows from financing activities		
3,733	Proceeds from borrowings	3,000	4,425
(4,000)	Repayment of borrowings	(3,500)	(5,543)
(267)	Net cash provided by/(used in) Financing Activities	(500)	(1,118)
(38)	Net (decrease)/increase in cash, cash equivalents and bank overdrafts	144	341
1,269	Cash, cash equivalents and bank overdrafts at the beginning of the year	990	1,231
1,231	Cash and cash equivalents at the end of the year.	1,134	1,572

The accompanying notes on pages 13-56 form part of these financial statements.



OTOROHANGA DISTRICT COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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**Otorohanga District Council****Notes to the Financial Statements for the year ended 30 June 2013 – 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 2013. The financial statements were authorised for issue by Council on 8th October 2013. 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

* 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 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



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – continued

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.

Changes have been made to the format of the statement of comprehensive income and balance sheets to align with the Long Term Plan format. Refer to note 2 for reclassification figures.

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 2013 – 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 2013 – 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 2013 – 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:



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – continued

	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%
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 2013 – 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 2013 – 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 2013 – 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 3%.

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 2013 – 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 32.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – 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 2013 – 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 2013 – 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 2013 at \$233,157,939.

Useful lives of Property, Plant and Equipment

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

Critical judgements in applying ODC's accounting policies

Management has exercised the following critical judgements in applying the ODC's accounting policies for the period ended 30 June 2013:

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 2013 – continued

2. Reclassification

Reclassification

The Council has changed the presentation of items within income to comply with the new presentation requirements of the Local Government (Financial Reporting) Regulations 2011. The effects of the changes to income are shown in the table below:

	Actual 2012		
	Before reclassification	Reclassification	After reclassification
	(000's)	(000's)	(000's)
Income			
Rates revenue	10,593	(582)	10,011
Contributions	-	46	46
Water by volume rates	-	582	582
Subsidies	-	2,951	2,951
Other income	4,446	(2,997)	1,449
Other gains/(losses) on asset disposal	(330)	-	(330)
Total income	14,709	-	14,709

3. Rates revenue

	Actual 2012	Actual 2013
	(000's)	(000's)
General Rates	4,113	4,236
Targeted rates attributable to activities		
Water	455	494
Sewerage	464	515
Refuse	252	251
Land Transport	4,428	4,625
Security	78	69
Erosion Protection	30	30
CBD Development	28	28
Halls	23	23
Rates penalties	140	138
Total revenue from rates	10,011	10,409
Metered Water Charges	582	647
Total Water by Volume Rates	582	647



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – continued

4. Other Income

	Actual 2012 (000's)	Actual 2013 (000's)
Subsidies		
Land Transport NZ government grants	2,901	2,536
Ministry of Health drinking-water related subsidies	-	228
Other Subsidies	50	21
Total Subsidies	2,951	2,785
User charges	576	619
Metal Royalties	15	15
Regulatory revenue	473	345
Petrol tax	80	75
Vested assets revenue	257	246
Interest income for financial assets not at fair value through profit and loss		
- cash and cash equivalents	36	37
Dividend income	3	3
Other	9	-
Total other income	1,449	1,340

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

5. Other gains/ (losses) on asset disposals

	Actual 2012 (000's)	Actual 2013 (000's)
Gain/(loss) on disposal of development property held for sale	12	(12)
Gain/(loss) on disposal of property, plant and equipment	(342)	(117)
Total other gains/(losses) on asset disposal	(330)	(129)



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – continued

6. Employee Benefit Expenses

	Actual 2012 (000's)	Actual 2013 (000's)
Salaries and wages	3,038	2,874
Employer contributions to defined contribution plans	47	46
Increase/(decrease) in employee benefit liabilities	(59)	31
Total employee benefit expenses	3,026	2,951

Severance payments as identified in Note 28 are included in the salaries and wages figure in the above table.

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

7. Depreciation and Amortisation

	Actual 2012 (000's)	Actual 2013 (000's)
Depreciation	3,798	3,914
Amortisation	18	35
Total depreciation and amortisation	3,816	3,949

8. Other Expenses

	Actual 2012 (000's)	Actual 2013 (000's)
Deloitte fees for financial statement audit	105	108
Debts remitted	69	49
Increase in provision for doubtful debts	(64)	(39)
Minimum lease payments under operating leases	21	11
Activity Operation	1,155	933
Asset Maintenance	549	514
Road Maintenance	3,405	2,880
Other expenses	1,914	2,123
Total other expenses	7,154	6,579

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

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



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2013 – continued

In the 2013 year, Council has reclassified the removal of internal charges from being applied solely out of Other Expenses and taken it from the relevant category (Asset Maintenance, Activity Operation and Road Maintenance).

9. Finance costs

	Actual 2012 (000's)	Actual 2013 (000's)
Interest expense		
Interest on bank borrowings	818	660
	818	660

10. 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 2012 (000's)	Actual 2013 (000's)
Cash and cash equivalents	1,231	1,572
Total cash and cash equivalents	1,231	1,572

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 \$119,338 (2012: \$102,710)

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 2013 –** **continued**

11. Trade and other receivables

	Actual 2012 (000's)	Actual 2013 (000's)
Rates receivables	620	751
Other receivables	806	1,107
Sundry debtors	141	249
	1,567	2,107
Less provision for impairment of receivables	(110)	(100)
	1,457	2,007

Rates are struck on the 1st of July each year, and are charged in two instalments. In the year ended 30 June 2013 these instalments were due on 10th August 2012 and 7th January 2013. A charge of 10% is added to all rates levied and due for the 2012/13 year that remains unpaid after 31st August 2012 and 25th January 2013. A further 10% charge is added to all rates that have been levied in any financial year previous to 1 July 2012 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 2012 (000's)	Actual 2013 (000's)
Balance at beginning of the year	(115)	(110)
Amounts remitted	69	49
Increase in provision	(64)	(39)
Balance at end of the year	(110)	(100)

Ageing of Trade and other receivables

	2012			2013		
	Gross (000's)	Impairment (000's)	Net (000's)	Gross (000's)	Impairment (000's)	Net (000's)
Not past due	877	-	877	1,242	-	1,242
Past due 1-60 days	15	-	15	26	-	26
Past due 61-90 days	5	-	5	23	-	23
Past due > 90 days	670	(110)	560	816	(100)	716
Total	1,567	(110)	1,457	2,107	(100)	2,007



Otorohanga District Council Notes to the Financial Statements for the year ended 30 June 2013 – continued

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.

12.Inventory

	Actual 2012 (000's)	Actual 2013 (000's)
Held for distribution inventory		
- water and sewerage reticulation spare parts	28	28
Total inventory	28	28

No inventories are pledged as security for liabilities (2012: \$nil).

13.Investments

	Actual 2012 (000's)	Actual 2013 (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	100
Borrower Notes – Local Government Funding Agency	48	96
Listed shares – King Country Energy	35	43
Unlisted shares – NZ Local Government Insurance Corporation Ltd	15	15
Total equity investments	675	731



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – continued

Unlisted shares

The fair value of unlisted shares of Waikato Regional Airport Ltd, Ballance Agrinutrients, the NZ Local Government Insurance Corporation Ltd and the Local Government Funding Agency are not able to be determined reliably and as such have been measured at cost. A range of estimates within which the fair values would be likely to lie are unable to be determined.

ODC holds a 0.26% shareholding in Local Authority Shared Services Limited, a company established by the 13 territorial and regional councils in the Waikato region. This share has a value of \$1,000, but the capital has not been called yet, and therefore no investment has been recognised in the balance sheet. Refer to note 25 – 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 31 – Financial Instruments Risk

14. Assets Held For Sale

	Actual 2012 (000's)	Actual 2013 (000's)
Progress park*	151	79
Waiwera Street	-	344
Turongo Street	262	-
	413	423

*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 1 lot remains unsold (2012: 2 unsold). There is also a property on Waiwera Street in Kawhia that Council agreed to put on the market for sale prior to 30 June 2013.

These properties are expected to be sold within the year ended 30 June 2014, and these sales are expected to occur through normal real estate transactions. ODC has all these properties currently listed with real estate agents, and the prices being asked are reviewed on a regular basis, to ensure that they accurately reflect the market value. Given the sluggish nature of the commercial property market during the year, the Council was unable to sell the property at Progress Park, and are currently investigating other options to ensure it is sold within the year ended 30 June 2014.

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

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

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

Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – continued

15. Property, plant and equipment 2013

	Cost /revaluation 1 July 2012 (000's)	Accumulated depreciation (000's)	Carrying amount (000's)	Current year additions (000's)	Current year disposals (000's)	Transfers out of Fixed Assets (000's)	Current year depreciation (000's)	Revaluation (000's)	Cost /revaluation 30 June 2013 (000's)	Accumulated depreciation (000's)	Carrying amount (000's)
Council Operational assets											
Land	7,112	-	7,112	-	-	344	-	(210)	6,768	-	6,768
Buildings	5,246	129	5,117	42	4	-	130	(1)	5,284	259	5,025
Plant & Machinery/ Motor Vehicles	742	439	303	64	3	-	73	-	786	495	291
Furniture & Equipment/ Library Books	2,244	1,604	640	134	11	-	162	-	2,184	1,583	601
Total operational assets	15,344	2,172	13,172	240	18	344	365	(211)	15,022	2,337	12,685
Council infrastructural assets											
Sewerage system	6,664	149	6,515	113	3	-	194	(1)	6,515	85	6,430
Water system	5,562	179	5,383	167	5	-	180	(7)	5,717	351	5,366
Rural water supply	6,363	168	6,195	29	1	-	168	(1)	6,390	336	6,054
Drainage network	4,415	90	4,325	155	-	-	92	-	4,570	182	4,388
Stopbanks	1,089	-	1,089	-	-	-	-	-	1,089	-	1,089
Roading, Bridges & Culverts	213,166	2,283	210,883	2,072	321	-	2,802	(213)	214,544	4,713	209,831
Work In Progress	60	-	60	144	(30)	-	-	-	174	-	174
Total infrastructural assets	237,319	2,869	234,450	2,680	300	-	3,436	(222)	238,999	5,667	233,332
Council restricted assets											
Land	5,736	-	5,736	8	-	-	-	-	5,744	-	5,744
Buildings	5,048	105	4,943	19	-	-	111	-	5,068	216	4,852
Work In Progress	6	-	6	-	-	-	-	-	6	-	6
Total restricted assets	10,790	105	10,685	27	-	-	111	-	10,818	216	10,602
Total ODC property, plant and equipment	263,453	5,146	258,307	2,947	318	344	3,912	(433)	264,839	8,220	256,619

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

The difference in the opening balance relates to a prior period adjustment. Refer to Note 21.

Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – continued

2012

	Cost /revaluation 1 July 2011	Accumulated depreciation	Carrying amount	Current year additions	Current year disposals	Current year impairment charges	Current year depreciation	Revaluation	Cost /revaluation 30 June 2012	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	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 and 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 Roding network totals \$27,995,893.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – 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 2013 is \$1,658,000 (2012: \$1,554,000).

16. Intangible assets – Computer Software

	Actual 2012 (000's)	Actual 2013 (000's)
Balance as at 1 July		
Cost	494	533
Accumulated amortisation	(473)	(491)
Opening carrying amount	21	42
Year ended 30 June		
Additions	39	47
Disposals – cost	-	-
Disposals – accumulated amortisation	-	-
Amortisation charge	(18)	(35)
Closing carrying amount	21	12
Balance at 30 June		
Cost	533	580
Accumulated amortisation	(491)	(526)
Closing carrying amount	42	54

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

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



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – 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.

17. Trade and other payables

	Actual 2012 (000's)	Actual 2013 (000's)
Trade payables	1,141	1,123
Deposits and bonds	463	242
Accrued expenses	333	248
Rates in advance	447	427
Total trade and other payables	2,384	2,040

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.

18. Provisions

	Actual 2012 (000's)	Actual 2013 (000's)
Opening Balance	26	23
Maintenance and Monitoring Costs	(3)	(1)
Closing balance	23	22
Represented by:		
Current portion	2	1
Non-current provisions	21	21
	23	22

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.

**Otorohanga District Council****Notes to the Financial Statements for the year ended 30 June 2013 – continued**

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

Closure responsibilities

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

Post-closure responsibilities

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

Capacity of the Site

The Otorohanga and Kawhia landfills have been capped.

The cash outflows for landfill post-closure responsibilities are expected to occur between 2011 and 2033. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 7.00% (2012: 7.00%).

19. Employee benefit liabilities

	Actual 2012 (000's)	Actual 2013 (000's)
Accrued pay	106	106
Annual leave	185	202
Long service leave	30	30
Retirement gratuities	-	-
Sick leave	6	21
Total employee benefit liabilities	327	359
Comprising:		
Current	291	308
Non-current	36	51
Total employee benefit liabilities	327	359

**Otorohanga District Council****Notes to the Financial Statements for the year ended 30 June 2013 – continued****20. Borrowings**

	Actual 2012 (000's)	Actual 2013 (000's)
Current		
Secured loans	5,500	5,300
Total current borrowings	5,500	5,300
Non-current		
Secured loans	7,680	6,762
Total non-current borrowings	7,680	6,762

Fixed-rate debt

The majority of ODC's secured debt of \$12,062,146 (2012: \$13,180,220) is issued at fixed rates of interest ranging from 3.65% - 6.73% (2012: 3.75% - 6.73%). Included in this amount is a Housing NZ loan of \$447,613 which is at an interest rate of 0% (2012: 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.

Total borrowing from the Local Government Funding Agency (LGFA) as at 30 June 2013 is \$6,314,532 (2012: \$3,232,608).

Security

The overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is \$200,000 (2012: \$200,000). There are no restrictions on the use of this facility.

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

Refinancing

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

Maturity analysis

Refer to note 31 – Financial Instruments Risk

Fair value is disclosed in Note 31.

21. Prior Period Adjustment

A prior period adjustment was noted during the year. This adjustment was related to disposals of roading assets in the prior year being incorrectly calculated. This adjustment was processed in the current year. The net effect on equity of this adjustment was \$92,610.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – continued

22. Reserves

	Actual 2012 (000's)	Actual 2013 (000's)
Asset revaluation reserves		
Asset revaluation reserves consist of:		
<i>Operational assets</i>		
Land	4,336	4,126
Buildings	1,083	1,084
<i>Infrastructural assets</i>		
Sewerage system	2,324	2,323
Water system	3,129	3,123
Drainage network	1,986	1,986
Rural Water Supply	2,407	2,406
Bridges and Culverts	-	-
Roading network	73,203	73,202
<i>Restricted assets</i>		
Land	2,121	2,121
Buildings	3,227	3,227
Asset Held For Resale	-	210
Total Asset Revaluation Reserves	93,816	93,808
Other Reserves		
Restricted Reserves	712	942
Available for Sale Revaluation Reserve	3	11
Total Reserves	94,531	94,761

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 LTP 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 2013 – continued

23. Reconciliation of profit/ (loss) after tax to net cash flow from operating activities

	Actual 2012 (000's)	Actual 2013 (000's)
Profit/(loss) after tax	(105)	928
Add/(less) non-cash items:		
Depreciation and amortisation	3,816	3,949
Net (gain)/loss on sale of property, plant and equipment	330	129
Impairment of receivables	64	(10)
Vested assets	(257)	(246)
Add/(less) movements in working capital items:		
Trade and other receivables	257	(540)
Inventory	2	-
Trade and other payables	8	(313)
Net cash inflow/(outflow) from operating activities	4,115	3,897

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.

24. Capital commitments and operating leases

	Actual 2012 (000's)	Actual 2013 (000's)
Capital commitments		
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	40	-
Other Expenditure Commitments		
Maintenance Contracts	5,114	3,388

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 2013 – continued

	Actual 2012 (000's)	Actual 2013 (000's)
Non-cancellable operating leases as lessee		
Not later than one year	11	11
Later than one year and not later than two years	11	11
Later than two year and not later than five years	33	22
Later than five years	-	-
Total non-cancellable operating leases	55	44

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 2012 (000's)	Actual 2013 (000's)
Non-cancellable operating leases as lessor		
Not later than one year	181	166
Later than one year and not later than two years	166	140
Later than two year and not later than five years	211	90
Later than five years	120	104
Total non-cancellable operating leases	678	500

25. Contingencies

Contingent Liabilities

	Actual 2012 (000's)	Actual 2013 (000's)
Guarantees	70	70
Uncalled Capital – Waikato Regional Airport Limited	300	300
Uncalled Capital – Local Government Funding Agency	100	100
Uncalled Capital – Local Authority Shared Services	1	1
	471	471

Guarantees

The value of guarantees disclosed as contingent liabilities reflects ODC's assessment of the undiscounted portion of financial guarantees that are not recognised in the Balance Sheet. At the year-end it was not probable that the counterparty to the financial guarantee contract will claim under the contract. Refer to note 31 – credit risk for more details of the guarantees.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – 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 30 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 2013, NZLGFA had borrowings totalling \$2,497m (2012: \$835m).

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:

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

Uncalled Capital

During May 2004, the shareholders of Waikato Regional Airport Ltd (WRAL) of which ODC has a 3.125% shareholding, authorised the company issuing further shares totalling \$21.6m to existing shareholders. This capital restructure is part of the WRAL Airport Development and allows WRAL to borrow at commercially favourable interest rates. Of this uncalled capital a sum of \$375,000 was called up by WRAL in July 2009. The contingent liability for the remaining uncalled capital reduced to \$300,000. There are no plans to call up the remaining capital.

The uncalled share capital for Local Authority Shared Services amounts to \$1,000 as at 30 June 2013. At present ODC is not aware of any plan to call the capital in the near future.

26. 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 2013 – continued

ODC also had transactions with the Local Government Funding Agency (LGFA), as borrowings were made from the LGFA. ODC is a shareholder in the LGFA. All transactions were conducted as part of a normal customer relationship.

No provision has been required, nor any expense recognised for impairment of receivables to related parties (2012: \$nil).

Key management personnel compensation

	Actual 2012 (000's)	Actual 2013 (000's)
Salaries and other short term employee benefits	847	638
Post-employment benefits (defined contribution plan)	15	9
	862	647

27. Remuneration

Chief Executive

The Chief Executive received the following remuneration:

	Cost during the financial year	
	Actual 2012 (000's)	Actual 2013 (000's)
Salary	173	197
Motor Vehicle	4	4
Telephone rental	1	1
Memberships	1	1
Fringe Benefit Tax	2	2
Total Chief Executive's remuneration	181	205

Elected representatives

	Total remuneration	
	Actual 2012 (000's)	Actual 2013 (000's)
Dale Williams, Mayor	65	61
Deborah Pilkington	21	14
Sue Blackler, Deputy Mayor	30	26
Robert Prescott	21	22
Ken Phillips	12	12
Roy Johnson	12	12
Max Baxter	12	12
Andrew Ormsby	19	20



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – continued

Council Employees

	Actual 2012 (000's)	Actual 2013 (000's)
Total remuneration by band for employees as at 30 June		
< \$60,000	26	23
\$60,000 - \$80,000	12	14
\$80,000 - \$100,000	5	5
\$100,000 - \$200,000	3	3
Total Employees	46	45

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 36 (2012: 33) full-time employees, with the balance representing 2 (2012: 2) full-time equivalent employees. A full-time employee is determined on the basis of a 40 hour working week.

28. Severance payments

For the year ended 30 June 2013 ODC made 1 severance payment of \$28,711 (2012: \$Nil) to employees.

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

Waikato Regional Airport Limited (WRAL)

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

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

Council holds 3.125% of the airport company's shares. The remaining shares are owned by Hamilton City Council, Matamata-Piako, Waipa and Waikato District Councils.

Waikato Regional Airport Ltd Group reported a net deficit of \$181,000 for the year ended 30 June 2013 (2012: \$378,000 surplus).

No dividend was paid in 2013 (2012: 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 2013 is shown below:

**Otorohanga District Council****Notes to the Financial Statements for the year ended 30 June 2013 – continued**Waikato Regional Airport Limited (WRAL)*Targets and Achievements*

	Actual to 30 June 2013	Statement of Corporate Intent
Net profit/(loss) after tax to Average Shareholders' Funds	0.96%	0.34%
Net profit/(loss) after taxation to total assets	0.72%	0.26%
Percentage of Non-Landing Charges Revenue	81.16%	82.06%
Earnings before Interest, Taxation and Depreciation	\$2.31m	\$2.30m
Interest Rate Cover	2.56x	2.70x
Total Liabilities/Shareholders Funds: (Debt/Equity Ratio)	25:75	23:77

Local Authorities Shared Services (LASS)

	Ownership Interest	
	Actual 2012	Actual 2013
Local Authority Shared Services	0.26%	0.26%

The contingent liability arising from ODC's interest is disclosed in note 25. There are no capital commitments arising from ODC's interest in the LASS.

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

LASS objective

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

Introduction

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

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

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



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – continued

Performance Measures as per 2012/13 Annual Report

Performance Measure	Actual Outcome
The company will carry out an annual survey of shareholders to assist Directors in developing improvements on behalf of the shareholders, and to receive a majority of shareholder approval on the service provided.	Annual survey of shareholders was completed in June 2013 with all twelve shareholder Councils responding. Ten councils responded that the concept of LASS was still delivering benefits to their council. Three Councils responded that they were satisfied with the efforts being made by LASS to advance shared services opportunities and nine were "fairly satisfied". Those who responded fairly satisfied were generally satisfied with the existing services but considered more could be achieved through other shared service opportunities.
Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the Directors.	Achieved, actual expenditure was \$13,727 favourable to budget.
The company maintains an overall positive cash flow position.	Achieved. Cash, cash equivalents and bank accounts at end of year were \$571,147.
The Board will provide a written report on the business operations and financial position of the LASS as a minimum on a six monthly basis.	Six monthly reports have been sent to shareholders.
There will be an annual report to directors that all statutory requirements of the LASS are being adhered to.	All parties have confirmed that there were no legislative breaches during the year and this will be reported to the LASS Board at the August meeting when the Annual Report is presented.
That SVDS is available to users at least 99% of normal working hours.	SVDS was available 99.93% of working hours.
That at least 98% of agreed timelines are met for sale and property files that have been delivered to the FTP server for access to customers.	99.9% of Sales and Property files were supplied to Property IQ on time.
All Capital SVDS enhancement work is supported by a business case approved by the Advisory Group.	All Capital enhancement work was approved by the SVDS Advisory Group.
That all required WRTM modelling reports are actioned within the required timeframe.	Achieved. No complaints received.
That a full report on progress of the WRTM model be provided to the LASS Board twice each year.	Achieved.
In response to requests from shareholders, the Company will provide regular reports and updates to the Regional Governance group regarding progress with shared service initiatives.	The Company has provided, when requested, reporting to the Waikato Mayoral Forum on shared services initiatives. The Company has supported the Mayoral Forum work stream projects, acting as the financial controller of funding and contractual commitments associated with these projects. Additional communications with shareholders include the formation of a Shared Services Working Party with membership from each shareholding Council.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – continued

New Zealand Local Government Funding Agency Ltd (LGFA)

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

Council became a shareholder in the LGFA along with 30 other local authorities. Council contributed \$100,000 for its shareholding in LGFA. Further local authorities are expected to invest in the entity.

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

Current Performance Targets	Target	Result
Average cost of funds relative to NZGS	<0.50%	0.84%
Average base on-lending margin above LGFA's cost of funds	<0.40%	0.26%
Annualised operating overheads	<\$3.2 million	\$3.0 million
Lending to participating councils	>\$900 million	\$2,481 million
Number of shareholder councils	≥30	30
Number of eligible borrowers	≥40	39

30. Events after balance sheet date

There have been no significant events after balance date.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – continued

31. Financial instrument risks

Financial instruments categories

	Actual 2012 (000's)	Actual 2013 (000's)
FINANCIAL ASSETS		
Cash and cash equivalents	1,231	1,572
Loans and receivables	1,457	2,007
	2,688	3,579
Available for sale financial assets		
Listed shares	35	43
Unlisted shares	592	592
<i>Total available for sale financial assets</i>	627	635
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables	2,384	2,040
Borrowings		
- secured loans	13,180	12,062
<i>Total financial liabilities at amortised cost</i>	15,564	14,102

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	
	2012 (000's)	2013 (000's)	2012 (000's)	2013 (000's)
Cash and Cash Equivalents	1,231	1,572	1,231	1,572
Trade and other receivables	1,457	2,007	1,457	2,007
Investments	675	731	686	750
Trade and other payables	2,384	2,040	2,384	2,040
Employee Benefit Liabilities	327	359	327	359
Borrowings – current	5,500	5,300	5,692	5,492
Borrowings – term	7,680	6,762	8,885	8,501

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

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

**Otorohanga District Council****Notes to the Financial Statements for the year ended 30 June 2013 – continued**

The fair values of borrowings are based on cash flows discounted using a rate based on the official cash rate of 2.50% (2012: 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 2013 was \$43,475 (2012: \$35,535).

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).

2013

	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	Total (000's)
Available-for-sale financial assets				
Shares	43	-	-	43
	43	-	-	43

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

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 2013 – 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 2013 – continued***Maximum exposure to credit risk*

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

	Actual 2012	Actual 2013
	(000's)	(000's)
Cash at bank and term deposits	1,231	1,572
Trade and other receivables	1,457	2,007
Financial guarantees	70	70
	2,758	3,649

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 Plan.

ODC has a maximum amount that can be drawn down against its overdraft facility of \$200,000 (2012: \$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.

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.



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – continued

	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)
2013						
Trade and other payables	2,040	2,040	2,040	-	-	-
Borrowings	12,062	13,993	5,492	-	4,037	4,464

	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



Otorohanga District Council

Notes to the Financial Statements for the year ended 30 June 2013 – 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.

	2012				2013			
	-100bps		+100bps		-100bps		+100bps	
	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	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	(2)	-	2	-	(13)	-	13	-
Financial Liabilities								
Secured loans	20	-	(20)	-	13	-	(13)	-
Total sensitivity to interest rate risk	18	-	(18)	-	-	-	-	-
	-10%		+10%		-10%		+10%	
	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity	Profit	Other Equity
EQUITY PRICE RISK								
Financial assets								
Other financial assets	-	(4)	-	4	-	(4)	-	4
- quoted share investments	-	(4)	-	4	-	(4)	-	4
Total sensitivity to equity price risk	-	(4)	-	4	-	(4)	-	4

Explanation of sensitivity analysis.

1. Cash and cash equivalents

Cash and cash equivalents includes deposits on call totalling \$1,279,622 (2012: \$176,853) which are at floating rates. A movement in interest rates of plus or minus 1.0% has an effect on interest income of \$12,796 (2011: \$1,769)

2. Secured loans

Council has \$1,300,000 floating rate debt (2012: \$2,000,000). A movement in interest rates of plus or minus 1.0% has a \$13,000 effect on interest expense (2011: \$20,000). 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 2013 – 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 \$4,346 (2012: \$3,554).

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

32. 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 Plan (LTP) 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 LTP.

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 LTP 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 2013 – continued

33. Explanation of major variances against budget

Explanations for major variations from the Council estimate figures in the 2012-2013 Long Term Plan are as follows:

Statement of Comprehensive Income

Rates revenue is higher than estimates by \$115,000 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.

Subsidies were \$555,000 below the budget. This is mainly due to the Area Wide Pavement Treatment work not being performed during the year. This was deferred due to the timing of tendering the contract and will be done in the 2013/14 year, with the subsidy income carried over as well.

Depreciation and amortisation was \$507,000 over budget. This is predominantly due to the revaluation of fixed assets that took effect on 1 July 2011, which was completed too late for accurate budgets to be completed.

Finance costs are \$248,000 under budget. This is due to savings in interest costs made from borrowing from the Local Government Funding Agency.

Balance Sheet

Cash and cash equivalents is up on budget by \$438,000. This is due in large part to the savings in interest costs, as well as better cashflow management.

Development property held for sale is up on the budgeted figure by \$161,000. This is due to the Progress Park properties not being sold in the current financial year as anticipated when preparing the budget, as well as moving the Waiwera Street development from fixed assets into properties held for sale.

Property, plant and equipment is up on budget by \$14,352,000 due to a larger than expected increase in the revaluation on 1 July 2011. This has resulted in the budget being set at a lower level than expected.

Statement of Cashflows

Cashflows from operating activities was down on budget by \$1,062,000, as a result of decreased income from other receipts, as well as increased payments to suppliers.

Purchase of property, plant and equipment is under budget by \$1,826,000, which is in part attributable to underspending in Land Transport due to the delay in the Area Wide Pavement Treatment work.

Cashflows from financing activities is \$618,000 under budget due to better cashflow management requiring less borrowing and enabling paying off more loans.



PERFORMANCE/ STATEMENT OF COMPLIANCE AND RESPONSIBILITY



PERFORMANCE DURING 2012/13

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 2012/13 year, Council set a number of performance measures which are reported on by activity.

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

Quality Management

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

Capital Works

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

Project Management

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



STATEMENT OF COMPLIANCE AND RESPONSIBILITY

Statement of Compliance

The Council and Management of Otorohanga District Council confirm that all the statutory requirements of the Local Government Act 2002, regarding financial management and borrowing, have been complied with.

Statement of Responsibility

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

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

In the opinion of the Council and Management of Otorohanga District Council, the annual Financial Statements for the year ended 30 June 2013 fairly reflect the financial position and operations of Otorohanga District Council.

Dale Williams
MAYOR

Dave Clibbery
CHIEF EXECUTIVE

Graham Bunn
FINANCE AND
ADMINISTRATION MANAGER

8th October 2013



REPORT ON LONG TERM PLAN AND POLICIES

Introduction

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

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

Overview

During 2012/13 the Council made significant progress toward the achievement of objectives and policies for the year as set out in the Long Term Plan, Funding Policy and Borrowing and Investment Policy. Details of achievement against the objectives and policy are set out below.

Long Term Plan

Background

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

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

The 2012/13 year was the first year of the 2012/22 LTP.



BORROWING AND INVESTMENT POLICY

Background

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

Overall Performance

There are no significant variations or material departures from the Councils' Borrowing and Investment Policy as reported in the 2012/13 Long Term Plan.



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

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

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

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

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

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

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

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



SIGNIFICANT ACTIVITIES

COMBINED COST OF SERVICE STATEMENT

For the Year ended 30 June 2013

2012 Actual \$ (000's)		2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
	OPERATING REVENUE		
4,133	Activity Revenue	4,524	3,879
6,340	Targeted Rates	6,669	6,686
46	Development Contributions	10	15
4,253	General Rates	4,261	4,370
4,048	Other General Sources	5,172	5,110
18,820	TOTAL OPERATING REVENUE	20,636	20,060
	Reconciling Items:		
(4,048)	Internal Recoveries	(5,173)	(5,110)
(330)	Gains/(losses) on asset disposal	56	(129)
257	Assets vested in Council	-	246
7	Income on Special Funds	8	-
3	Dividend Income	3	-
14,709	TOTAL OPERATING REVENUE PER STATEMENT OF COMPREHENSIVE INCOME	15,530	15,067
	OPERATING EXPENDITURE		
8,024	Roading	7,380	7,901
1,622	Water Supply	1,525	1,639
713	Sewerage	604	570
105	Stormwater	185	198
202	Flood Protection	119	132
1,258	Regulatory Services	1,368	1,188
2,069	Community Services	2,345	2,307
316	Community Development	279	259
4,488	Governance and Leadership	5,389	5,013
18,797	TOTAL OPERATING EXPENDITURE	19,194	19,207
	Reconciling Items:		
(4,048)	Internal Recoveries	(5,173)	(5,110)
	Interest difference	(21)	
-	Landfill Aftercare Provision	-	2
65	Doubtful Debt Provision adjustment	-	40
14,814	TOTAL OPERATING EXPENDITURE PER STATEMENT OF COMPREHENSIVE INCOME	14,000	14,139
(105)	NET PROFIT/(LOSS)	1,530	928

Whole of Council Funding Impact Statement

	2011/12 Long Term Plan \$ (000's)	2011/12 Actual \$ (000's)	2012/13 Long Term Plan \$ (000's)	2012/13 Actual \$ (000's)
Sources of Operating Funding				
General rates, uniform annual general charges, rates penalties	4,188	4,256	4,261	4,322
Targeted Rates (other than a targeted rate for water supply)	5,758	5,758	6,033	6,035
Subsidies and grants for operating purposes	1,584	2,951	1,536	1,634
Fees charges and targeted rates for water supply	614	590	643	656
Interest and dividends from investments	52	49	53	40
Local authorities fuel tax, fines, infringement fees and other receipts	1,078	1,098	1,107	998
Total Operating Funding	13,274	14,702	13,633	13,685
Applications of operating funding				
Payments to staff and suppliers	9,203	9,547	9,231	9,104
Finance Costs	809	818	908	681
Other operating funding applications	594	646	651	605
Total application of operating funding	10,606	11,011	10,790	10,390
Surplus (deficit) of operating funding	2,668	3,691	2,843	3,295
Sources of Capital Funding				
Subsidies and grants for capital expenditure	1,527	-	1,805	1,177
Development and financial contributions	110	46	81	15
Increase (decrease) in debt	198	622	(447)	(595)
Gross proceeds from sale of assets	47	97	229	329
Lump sum contributions	-	-	-	-
Total sources of capital funding	1,882	765	1,668	926
Application of capital funding				
Capital expenditure				
- To meet additional demand	50	-	50	-
- To improve the level of service	484	217	704	483
- To replace existing assets	3,878	3,691	3,547	1,820
Increase (decrease) in reserves	138	548	210	1,918
Increase (decrease) of investments	-	-	-	-
Total application of capital funding	4,550	4,456	4,511	4,221
Surplus (deficit) of capital funding	(2,668)	(3,691)	(2,843)	(3,295)
Funding balance	-	-	-	-

ROADS AND FOOTPATHS

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

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

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

Capital Expenditure

	2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	3,198	1,696
- Growth (Improving Service Capacity)	50	-
- Level of Service (Improvements to Service)	222	137

Depreciation Expense

Total depreciation for Roads and Footpaths group of activities was \$2,802k.

Internal Borrowing

The Roads and Footpaths group of activities has internal borrowing as at 30 June 2013 of \$6,242,772. During the year no additional borrowing was taken, but repayments totalling \$421,577 were made. Interest on internal borrowings was paid of \$425,935.



Key Roads and Footpaths Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2012/13 Target	2012/13 Actual
The design and maintenance of District roads ensures that they are safe and comfortable to travel on	Reliable roading around the District will ensure that the transportation needs of communities are met. Providing safe vehicular access helps keep our communities safe and also helps provide quality transport networks for both current and future generations	Road smoothness of roads in the district compare favourably with other local authorities in the Waikato Region	New Measure	Equal or better than average Waikato Region results	Equivalent with Waikato Region
		Number of complaints received regarding roading issues recorded in the service request system	New Measure	<60 complaints per annum	12 complaints
		The recorded number of defects on sealed rural roads per 10km of lane length*	Average of 9.36 defects	Average of 10 defects or less	3.97 defects per 10km of lane length
		The recorded number of defects on sealed urban roads per 10km of lane length*	Average of 1.04 defects	Average of 3 defects or less	1.97 defects per 10km or lane length
		Unsealed road bulk metalling programme completed	Achieved	Annual bulk metal programme completed	Annual bulk metal programme completed as scheduled

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



Sealed Rural Roads

Council's roads maintenance Engineering staff undertakes regular cyclic inspections of all roads with the target of a minimum of 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. i.e.; 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 Inframax under contract 963 which runs from 2012/13 – 2014/15. Part of this contract provides a schedule of response times for maintenance activities. These response times vary dependant on the type of defect, class of road, traffic volumes, etc. This will vary from 24 hours for urgent traffic hazards to 30 days for minor defects.

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

The recorded number of defects during the cyclic inspections for rural sealed road was 3.97 per 10 km of road lane which met the target.

Sealed Urban Roads

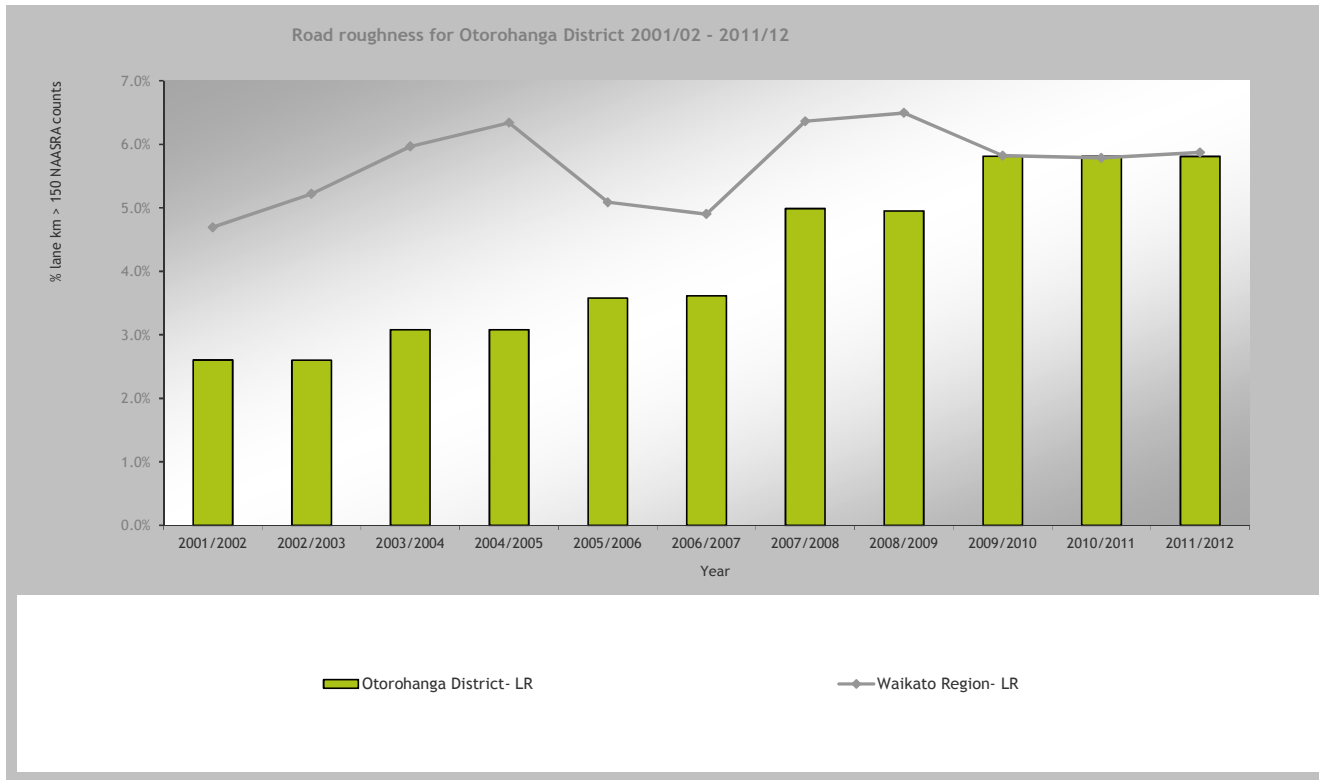
The inspection process undertaken for urban sealed roads is as set out for rural sealed roads and these are part of the 10 inspection areas.

The recorded number of defects during the cyclic inspections for urban sealed road was 1.97 per 10 kilometres of road lane which was a marked improvement over the previous year's result of 4.8 per 10 kilometres.



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. This information is shared with the New Zealand Transport Agency, who have developed a wizard to allow comparisons between councils on a number of road data measures.



This graph is sourced for the Network Wizard produced by the New Zealand Transport Agency. This wizard runs slightly behind the dates of the data, and therefore 2012/13 information is not currently included. There are 3 years of consistent data as the survey that was due to occur in 2011/12 did not, due to delays getting a response from the NZTA. As such, the survey was completed in June 2013.

As the graph shows, Otorohanga's road smoothness (local roads only) has historically been better than the Waikato region, and is still equivalent to the Waikato region, with the number of roads with a roughness rating of higher than 150 being the same as the Waikato region as a whole.



Bulk Metalling

Council maintains 282 km of unsealed rural roads and has in place a programme to bulk metal all roads every 5 years on average. The programme does allow some variation to this cycle to cater for USWP works, urgent needs etc. This cycle gives an annual average length of 56.4 km and an average 9000 cubic metre of metal per year. These quantities annually vary due to different road widths.

The work is currently undertaken by Inframax Construction Ltd under contract 980 which is a three year contract 2012/13 – 2014/15.

All the work programmed for 2012/13 was completed as set out below

ROAD	START RP	END RP	LENGTH km	QUANTITY m ³
Bush Rd	3.900	6.830	2.930	465
Honikiwi Rd	19.749	24.406	4.657	650
Huirimu Rd	2.376	4.561	2.185	300
Newman Rd	3.688	5.488	1.800	430
Ngapeke Rd	0.000	4.420	4.352	480
Owawenga Rd	0.000	4.000	4.000	1,200
Pirongia West Rd	18.226	20.226	2.000	398
Ranginui Rd	12.156	19.274	7.118	1,107
Taupaki Rd	0.020	3.304	3.284	400
Wall Rd	0.020	1.127	1.107	150
Whenuaapo Rd	0.020	4.515	4.495	464
Wooster Rd	0.060	0.415	0.355	45
		Total	38.283	6,089

Roads and Footpaths – Cost of Service Statement

2012 Actual \$ (000's)		2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
	OPERATING INCOME		
3,000	Activity Revenue	3,282	2,643
4,428	Targeted Rates	4,621	4,625
-	Development Contributions	-	-
-	General Rates	-	-
799	Other General Sources	810	869
8,227	TOTAL OPERATING INCOME	8,713	8,137
	OPERATING EXPENDITURE		
7,166	Roading	6,477	6,983
77	Footpath	54	54
782	Engineering Business Unit	848	864
8,025	TOTAL OPERATING EXPENDITURE	7,379	7,901
202	NET COST OF SERVICE	1,334	236



Roads and Footpaths Funding Impact Statement

	2011/12 Long Term Plan \$ (000's)	2012/13 Long Term Plan \$ (000's)	2012/13 Actual \$ (000's)
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted Rates (other than a targeted rate for water supply)	4,427	4,621	4,625
Subsidies and grants for operating purposes	1,533	1,490	1,586
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	800	811	873
Local authorities fuel tax, fines, infringement fees and other receipts	116	101	104
Total Operating Funding	6,876	7,023	7,188
Applications of operating funding			
Payments to staff and suppliers	3,283	3,157	3,371
Finance Costs	478	425	425
Internal charges and overheads applied	1,224	1,357	1,296
Other operating funding applications	-	7	6
Total application of operating funding	4,985	4,946	5,098
Surplus (deficit) of operating funding	1,891	2,077	2,090
Sources of Capital Funding			
Subsidies and grants for capital expenditure	1,527	1,690	950
Development and financial contributions	50	50	-
Increase (decrease) in debt	(428)	(422)	(422)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	1,149	1,318	528
Application of capital funding			
Capital expenditure			
- To meet additional demand	50	50	-
- To improve the level of service	90	222	137
- To replace existing assets	2,884	3,198	1,697
Increase (decrease) in reserves	16	(75)	784
Increase (decrease) of investments	-	-	-
Total application of capital funding	3,040	3,395	2,618
Surplus (deficit) of capital funding	(1,891)	(2,077)	(2,090)
Funding balance	-	-	-

WATER SUPPLY

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

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

Capital Expenditure

	2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	67	39
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	191	181

Depreciation Expense

Total depreciation for Water Supply group of activities was \$360k.

Internal Borrowing

The Water Supply group of activities has internal borrowing as at 30 June 2013 of \$897,605. During the year no additional borrowing was taken, but repayments totalling \$68,927 were made. Interest on internal borrowings was paid of \$61,517.

Key Water Supply Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2012/13	2012/13
			2010/11	Target	Actual
The water provided is safe to drink	Providing continuous, efficient, quality	Instances of illness indicated to be associated with consumption of water from Council supplies per annum	0	0	0

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2012/13 Target	2012/13 Actual
	water supply to communities ensures the health of consumers of both current and future generations	Instances of water disinfection failure, on Council water supplies with disinfection per annum	Compliance in all areas, except Kawhia, which had 5 instances	< 4 instances per water scheme per annum	0 instances of disinfection failure
		Instances of bacteriological contamination of water from Council supplies per annum	2 instances	< 3 instances	No instances
		Council administered water supplies achieving compliance with Drinking Water Standards for New Zealand 2005 (Revised 2008)	None Comply	None 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	2 instances in Kawhia and 2 instances in Otorohanga Community	< 5 instances in all areas	1 instance (Kawhia)
		Number of instances of interruptions to water supply through reported pipe breaks	New Measure	<3 breaks per 10km of pipes, per scheme	No instances of reported pipe breaks



Water Disinfection Failure

No instances of disinfection failure were noted during the year.

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

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

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

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

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

Bacteriological Contamination

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

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

Drinking Water Standards

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

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

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.

None of the water supplies in the Otorohanga District currently meet the new drinking water standards. Given the size of the schemes, the requirements to meet the new drinking water standards do not take effect until 30 June 2015 at the earliest.



Reservoir Levels

A total of 1 instance occurred, within the Kawhia 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. Actions in response to the failure of disinfection or storage or supply are acted on immediately by water services staff. The Council manages a continuous drinking water supply to the communities and leaks are responded to immediately if the water loss is rapid, or within 2 to 5 days if the water loss is slow. Water Service staff are 'on call' outside normal working hours to respond to instances that require immediate action.

Water Supply Cost of Service Statement

2012 Actual \$ (000's)		2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
	OPERATING INCOME		
29	Activity Revenue	128	247
1,037	Targeted Rates	1,131	1,141
-	Development Contributions	-	-
32	General Rates	30	31
283	Other General Sources	288	280
1,381	TOTAL OPERATING INCOME	1,577	1,699
	OPERATING EXPENDITURE		
203	Arohena RWS	175	200
75	Ranginui RWS	63	90
195	Tihiroa RWS	174	185
96	Waipa RWS	91	98
275	Otorohanga Water Supply	260	277
283	Otorohanga Water Treatment Station	269	297
48	Otorohanga Water Supply Loan	43	43
152	Kawhia Water Supply	162	178
294	Water Services	288	271
1,621	TOTAL OPERATING EXPENDITURE	1,525	1,639
(240)	NET COST OF SERVICE	52	60



Water Supply Funding Impact Statement

	2011/12 Long Term Plan \$ (000's)	2012/13 Long Term Plan \$ (000's)	2012/13 Actual \$ (000's)
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	28	30	31
Targeted Rates (other than a targeted rate for water supply)	455	495	494
Subsidies and grants for operating purposes	-	-	-
Fees charges and targeted rates for water supply	614	643	655
Internal charges and overheads recovered	535	546	567
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	9
Total Operating Funding	1,632	1,714	1,756
Applications of operating funding			
Payments to staff and suppliers	853	861	913
Finance Costs	69	62	62
Internal charges and overheads applied	449	485	537
Other operating funding applications	40	72	53
Total application of operating funding	1,411	1,480	1,565
Surplus (deficit) of operating funding	221	234	191
Sources of Capital Funding			
Subsidies and grants for capital expenditure	-	115	228
Development and financial contributions	15	15	-
Increase (decrease) in debt	(73)	(71)	(69)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	(58)	59	159
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	155	191	181
- To replace existing assets	107	67	39
Increase (decrease) in reserves	(99)	35	130
Increase (decrease) of investments	-	-	-
Total application of capital funding	163	293	350
Surplus (deficit) of capital funding	(221)	(234)	(191)
Funding balance	-	-	-

SEWERAGE TREATMENT AND DISPOSAL

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

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

Capital Expenditure

	2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	70	113
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	63	-

Depreciation Expense

Total depreciation for Sewerage Treatment and Disposal group of activities was \$203k.

Internal Borrowing

The Sewerage Treatment and Disposal group of activities has internal borrowing as at 30 June 2013 of \$1,990,369. During the year \$38,000 of additional borrowing was taken, and repayments totalling \$114,831 were made. Interest on internal borrowings was paid of \$133,900.

Key Sewerage Treatment and Disposal Levels of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2012/13 Target	2012/13 Actual
The Council provides wastewater services that effectively collect and dispose of wastewater	Ensure that the needs of local and visitor communities are met. Contributes to the public	Frequency of sewerage overflows caused by failure or blockage of Council assets per annum	4 instances reported	<5 reported overflows	4 instances noted
		By measuring compliance with	Non	Full	Full compliance all parts

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2012/13 Target	2012/13 Actual
	health of the community	Wastewater discharge consent	compliance	Compliance	except discharge quality, which had partial compliance
Wastewater disposal as provided by the Council does not create any smells, spills or health issues and causes minimal impact on the natural environment		Number of complaints received of smells or spills from wastewater recorded in the service request system	New measure	<12 per annum	0 instances of complaints

Consent Compliance

For the period 1 July 2012 to 30 June 2013 ammoniacal nitrogen levels were higher than permitted under the consent. All other parts of the resource consents had full compliance, except for discharge quality which had partial compliance. This discharge quality was only just breaching the levels set in the resources consent, and an upgrade to the aeration is currently being undertaken in the 2013/14 year to address this issue.

Sewerage Overflows

4 instances occurred within the current year. Three of these related to blocked pipes, and were fixed by jetting the pipes to remove the blockage. The fourth overflows related to a fault at the pump station where the pump failed to turn on. This was rectified also after being advised of the issue.



Sewerage Treatment and Disposal Cost of Service Statement

2012 Actual \$ (000's)		2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
	OPERATING INCOME		
58	Activity Revenue	30	47
464	Targeted Rates	516	515
30	Development Contributions	-	1
30	General Rates	23	21
-	Other General Sources	-	-
582	TOTAL OPERATING INCOME	569	584
	OPERATING EXPENDITURE		
605	Otorohanga Sewerage	466	430
107	Otorohanga Sewerage Loan	138	140
712	TOTAL OPERATING EXPENDITURE	604	570
(130)	NET COST OF SERVICE	(35)	14

Sewerage Treatment and Disposal Funding Impact Statement

	2011/12 Long Term Plan \$ (000's)	2012/13 Long Term Plan \$ (000's)	2012/13 Actual \$ (000's)
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	20	23	21
Targeted Rates (other than a targeted rate for water supply)	464	516	515
Subsidies and grants for operating purposes	-	-	-
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	(1)	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	30	30	47
Total Operating Funding	513	569	583
Applications of operating funding			
Payments to staff and suppliers	154	171	160
Finance Costs	90	133	134
Internal charges and overheads applied	53	57	48
Other operating funding applications	17	35	26
Total application of operating funding	314	396	368
Surplus (deficit) of operating funding	199	173	215
Sources of Capital Funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	24	-	1
Increase (decrease) in debt	663	(77)	(77)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	687	(77)	(76)
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	63	63	-
- To replace existing assets	780	70	113
Increase (decrease) in reserves	43	(37)	26
Increase (decrease) of investments	-	-	-
Total application of capital funding	886	96	139
Surplus (deficit) of capital funding	(199)	(173)	(215)
Funding balance	-	-	-

FLOOD PROTECTION AND CONTROL WORKS

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

Capital Expenditure

	2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	150	55
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	-	-

Depreciation Expense

Total depreciation for Flood Protection and Control Works group of activities was \$23k.

Internal Borrowing

The Flood Protection and Control Works group of activities has internal borrowing as at 30 June 2013 of \$156,940. During the year \$24,000 of additional borrowing was taken, and repayments totalling \$7,976 were made. Interest on internal borrowings was paid of \$12,898.

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

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2012/13 Target	2012/13 Actual
			New Measure	90% against quantifiable standardised assessment criteria as set by Council	All flood protection assets meet assessment criteria
Retention of assets in substantially the same form as when they were initially constructed	Effective maintenance of flood protection systems will ensure that communities are safe and health and ensure that efficient and effective water services are provided, to meet both current and future demands.	Quantitative assessment of condition and serviceability of flood protection assets based on an annual inspection conducted by Council staff and elected members			



Flood Protection and Control Works Cost of Service Statement

2012 Actual \$ (000's)		2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
	OPERATING INCOME		
83	Activity Revenue	102	91
30	Targeted Rates	30	30
-	Development Contributions	-	-
8	General Rates	6	19
-	Other General Sources	-	-
121	TOTAL OPERATING INCOME	138	140
	OPERATING EXPENDITURE		
8	Drainage Legalisation	8	19
84	Otorohanga Flood Protection	101	102
5	Aotea Erosion Maintenance	4	3
8	Aotea Erosion Loan	7	7
105	TOTAL OPERATING EXPENDITURE	118	131
16	NET COST OF SERVICE	20	9

Flood Protection and Control Works Funding Impact Statement

	2011/12 Long Term Plan \$ (000's)	2012/13 Long Term Plan \$ (000's)	2012/13 Actual \$ (000's)
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	3	6	13
Targeted Rates (other than a targeted rate for water supply)	31	30	30
Subsidies and grants for operating purposes	-	-	-
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	1	1
Local authorities fuel tax, fines, infringement fees and other receipts	83	101	90
Total Operating Funding	117	138	134
Applications of operating funding			
Payments to staff and suppliers	66	68	71
Finance Costs	11	19	13
Internal charges and overheads applied	15	13	24
Other operating funding applications	1	3	2
Total application of operating funding	93	103	110
Surplus (deficit) of operating funding	24	35	24
Sources of Capital Funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	21	108	16
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	21	108	16
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	50	150	55
Increase (decrease) in reserves	(5)	(7)	(15)
Increase (decrease) of investments	-	-	-
Total application of capital funding	45	143	40
Surplus (deficit) of capital funding	(24)	(35)	(24)
Funding balance	-	-	-

STORMWATER DRAINAGE

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

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

Capital Expenditure

	2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	10	13
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	115	93

Depreciation Expense

Total depreciation for Stormwater Drainage group of activities was \$76k.

Internal Borrowing

The Stormwater Drainage group of activities has internal borrowing as at 30 June 2013 of \$922,613. During the year \$87,000 of additional borrowing was taken, and repayments totalling \$49,709 were made. Interest on internal borrowings was paid of \$60,256.

Key Stormwater Drainage Levels of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2012/13 Target	2012/13 Actual
			New Measure	Full compliance with resource consent conditions	Full compliance, except for minor technical non-compliances
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	Measuring compliance of stormwater discharge with conditions of applicable stormwater discharge resource consents			

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2012/13 Target	2012/13 Actual
			New Measure	<5 complaints	2 complaints received
	and future demands.	Number of complaints of widespread flooding as recorded in the service request system			

Compliance with Resource Consents

Waikato Regional Council is responsible for providing reports on compliance of stormwater schemes with the relevant resource consents. The latest compliance reports received for both Kawhia and Otorohanga cover the period from 1 December 2011 to 30 November 2012. Both these reports show that the Council has a high level of compliance with the consents.

Complaints of widespread flooding

From the service request system report, 2 customers were recorded as having made complaints about widespread flooding.



Stormwater Drainage Cost of Service Statement

2012 Actual \$ (000's)		2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
	OPERATING INCOME		
10	Activity Revenue	10	10
-	Targeted Rates	-	-
1	Development Contributions	-	-
231	General Rates	308	201
-	Other General Sources	-	-
242	TOTAL OPERATING INCOME	318	211
	OPERATING EXPENDITURE		
156	Otorohanga Stormwater	143	160
46	Kawhia Stormwater	43	38
202	TOTAL OPERATING EXPENDITURE	186	198
40	NET COST OF SERVICE	132	13

Stormwater Drainage Funding Impact Statement

	2011/12 Long Term Plan \$ (000's)	2012/13 Long Term Plan \$ (000's)	2012/13 Actual \$ (000's)
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	165	308	194
Targeted Rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	10	10	10
Total Operating Funding	175	318	204
Applications of operating funding			
Payments to staff and suppliers	17	22	23
Finance Costs	57	59	60
Internal charges and overheads applied	18	19	19
Other operating funding applications	9	26	20
Total application of operating funding	101	126	122
Surplus (deficit) of operating funding	74	192	82
Sources of Capital Funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	6	6	-
Increase (decrease) in debt	96	56	37
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	102	62	37
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	135	115	93
- To replace existing assets	22	10	7
Increase (decrease) in reserves	19	129	19
Increase (decrease) of investments	-	-	-
Total application of capital funding	176	254	119
Surplus (deficit) of capital funding	(74)	(192)	(82)
Funding balance	-	-	-

COMMUNITY SERVICES

Capital Expenditure

	2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	99	82
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	80	35

Depreciation Expense

Total depreciation for Community Services group of activities was \$250k.

Internal Borrowing

The Community Services group of activities has internal borrowing as at 30 June 2013 of \$1,232,952. During the year no additional borrowing was taken, and repayments totalling \$81,122 were made. Interest on internal borrowings was paid of \$85,372.

Parks and Reserves (including Public Conveniences)

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

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

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
Providing Council parks and reserves that enhance our communities quality of life	Parks and reserves provide for a number of things – a sense of place, active recreation spaces and opportunities for communities to interact – all contributing to our community outcomes	Outdoor reserve structures comply with relevant standards	33%	66% compliance	75% compliance
		Paths and tracks comply with relevant standards	15%	20% compliance	60% compliance
		Park furniture meets safety and maintenance criteria	54.5% 22/34 picnic tables 2/2 barbecues 0/8 seats	70% meet safety criteria	70% meet safety criteria
Public Toilets as provided by Council are maintained in good condition	Having safe toilets helps achieve safe communities	Number of complaints received about public conveniences recorded in the service request system	New measure	<12 complaints	1 complaint

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. Work was done in the 2012/13 year to improve the steps in Rotary Park.

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.

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.

Key Library Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2012/13 Target	2011/12 Actual
			2010/2011		
Relevance of library services to the community is measured by: <ul style="list-style-type: none"> • Material issued • Physical visits • Website visits • Computer sessions 	Healthy, cohesive, and informed communities have access to a wide range of up to date library materials, in a variety of formats. People in the community have access to public spaces offering programmes and activities which contribute to local identity, lifelong learning and recreation	Statistical data is maintained to record material issued	Decrease of 6.7% in material issued	2% increase over previous year issues	Decrease of 16.5% on previous year
		Statistical data is maintained to record website visits	New Measure	2% increase over previous year visits	Increase of 59% over previous year
Currency of physical book stock is maintained		Book stock has an average publication date of 10 years or less	69%	>75% have publication date less than 10 years	74% have publication date later than 2002

Number of books issued

50,484 books were issued between 1 July 2012 and 30 June 2013. This is a 16.5% reduction on the 2011/12 year when 60,601 books were issued. The 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.

Current Book stock

As of 30 June 2013, 74% of the stock has been published since 2002. This measure has not been applied to the Kawhia Library book stock – the Kawhia Library holdings consist primarily of donated materials, most of which are not of recent publication.

Housing for the Elderly

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

Key Housing for the Elderly Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2012/13 Target	2012/13 Actual
			2010/2011		
Provide Pensioner Housing that is fully utilised	This service ensures Otorohanga District has housing that satisfies the needs of the community and is seen to be an ideal place for retirement	Percentage of the year units are occupied	Otorohanga 96.3% Kawhia 99.4%	>95% occupied	Otorohanga 98.7% Kawhia 100%
Good standards of maintenance and accommodation are maintained by Council		Maintenance items identified during annual inspections remedied to residents satisfaction, as measured by annual survey	New measure	>95% satisfaction	All items identified remedied or 100% satisfaction

Occupancy Rates

During the year, a number of the units in Otorohanga were unoccupied for approximately 2 weeks each. In Kawhia all units were fully occupied during the year.

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.

Key Other Property Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline	2012/13 Target	2012/13 Actual
			2010/2011		
Ensure that all buildings and structures are maintained in a sound, sanitary and safe condition	Having safe buildings that are maintained in a sound, sanitary and safe condition – ensures our communities are safe	Building maintenance is regularly assessed and carried out	Urgent maintenance carried out within 5 working days	Urgent maintenance carried out within 5 working days	All requested work has been carried out within the time limit
Ensure that all buildings with a Compliance Schedule meet the requirements of the Building Act		All applicable buildings have a current Building Warrant of Fitness (BWOFF)	5 of 5 applicable buildings have current BWOFF*	Current BWOFF in place	One building sold during the year, 2 of remaining buildings have current BWOFF's, and one expired just after balance date. The 5 th building was sold during the year.

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

Of the council buildings which require in compliance schedule under the Building Act 2004 and Fire Safety and Evacuation of Buildings Regulations 2006 2 are up to date with their building warrants of fitness. The WINTEC Training Building was sold during the year, so is no longer included under this measure. The Otorohanga Library BWOFF was current at balance date, and expired in August 2013. This expired BWOFF is currently being followed up to get renewed, and should be done by the end of October 2013.

Swimming Pool

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

Key Swimming Pool Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
Provision of a clean, safe, public swimming pool that can be accessed by the District	Ensuring that the public's access to a safe public swimming facility helps create safe communities and a range of recreational facilities	The water quality of the pools meets acceptable standards* for the safety and health of users	Non compliance	Daily testing meets acceptable standards* 85% of each month	Average of 96.94% met for year

* Acceptable standards as defined in the contract including NZS 5826

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

Water Quality Tests

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

Cemeteries

The Activity is undertaken to comply with legislation under Section 4 of the Burial and Cremations Act 1964, and to meet the expectations of the Community.

Key Cemeteries Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
The Cemetery are well maintained and developed for future use	Well maintained and conveniently located cemeteries will be provided and planned for ahead of growth and development, ensuring these needs are met in the future	Number of complaints received regarding maintenance of the cemeteries	New Measure	Less than 10 complaints	6 complaints received
Information about cemeteries and internments are readily available	Providing information about internments at the cemeteries provides a link to the history of the District	Number of page views of cemetery information on Council website	New measure	500 page views	2,541 page views

Number of complaints

A total of 6 complaints were received around cemeteries. These predominantly related to graves sinking, with 1 being related to the maintenance of the lawns round the graves.

Website Page views

A total of 2,541 page views were recorded to the Cemetery Search page on www.otodc.govt.nz. This was made of 1,643 unique page views, being unique visitors, with the average time spent on the page being just of 2 minutes.

Solid Waste

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

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

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

Key Solid Waste Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/11	2012/13 Target	2012/13 Actual
Refuse and recycling collection services are provided and recycling actively promoted	Councils planning for the future of the District will consider growth and development in its waste management strategies, and will involve recycling as a key aspect for communities – engraining the importance of the character and natural values of our District	Increase in recycling volumes over previous year	New Measure	1% increase	5.8% decrease
		Complaints received from people whose rubbish was not collected during kerbside collection as recorded in the service request system	New Measure	<10 complaints	7 complaints received
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

Recycling volumes

Overall there was a decrease in recycling volumes over the previous year of 5.8%. It is difficult to determine the exact reasons for this decrease. There are plans to build some more rural recycling centre, and to use some waste minimisation funding to do additional education in the 2013/14 year.

Number of complaints

A total of 7 complaints have been recorded as being received related to kerbside collection. These predominantly related to the collection of rubbish in Otorohanga after Waitangi Day. Waitangi Day in 2013 fell on the normal day of collection, and a notice was placed in the paper advising collection would

happen as normal. However, a number of people put their rubbish out the day after. The contractor ran an additional collection on the day after Waitangi Day to correct this issue.

Landfill Resource Consents

No compliance reports have been received from Waikato Regional Council for the 2012/13 year, as compliance reporting is only required on alternating years. Based on the 2011/12 reports, Council has a high level of compliance with the relevant resource consents.

The sampling contractor, Food and Health Environmental, has completed the sampling and testing at both closed landfills for 2012/13 and all reports have been forwarded to Waikato Regional Council with Council's report as required.

Litter Control

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

Key Litter Control Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
			New Measure	<12 complaints	3 complaints received
Provide a roadside litter collection service throughout the rural area	This service ensures that Otorohanga's clean green image is maintained and the rural environment is not a dumping ground	Number of complaints received regarding roadside litter			

Complaints regarding litter

A total of three complaints about litter on roadsides were received. In one case this was due to a full litter bin, the other two related to illegal dumping by members of the public.

Security Patrol

A Security Patrol service is provided due to an approach by local businesses to provide the service as the demand for a privately owned scheme did not exist.

Key Security Patrol Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
To provide Security Patrol services for a defined area within Otorohanga Community during night time hours	By ensuring that Otorohanga is a safe environment to live, work and play	Number of crimes against property in the patrolled area (excluding graffiti)	New measure	<10 reported crimes	6 reported crimes against property
		Number of reported instances of graffiti within the patrolled area	New Measure	<10 reported graffiti instances	7 reported instances of graffiti

District Sports Co-ordinator

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

Key District Sports Co-ordinator Scheme Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
Delivery of sport and leisure activities as per agreement between Sport Waikato and Otorohanga District Council	The Council supports the development of communities by providing funding to agencies where it sees that such funding will positively support and make our communities more healthy and active	100% compliance with agreement monitored through quarterly reports to Council	100% Compliance	100% Compliance	100% compliance



Community Services Cost of Service Statement

2012 Actual \$		2013 LTP Estimate \$	2013 Actual \$
(000's)		(000's)	(000's)
	OPERATING REVENUE		
402	Activity Revenue	404	406
362	Targeted Rates	354	354
15	Development Contributions	10	14
1,457	General Rates	1,804	1,552
3	Other General Sources	3	3
2,239	TOTAL OPERATING REVENUE	2,575	2,329
	OPERATING EXPENDITURE		
478	Parks and Reserves (including Public Conveniences)	685	661
314	Library	303	311
335	Swimming Pools	357	370
124	Pensioner Housing	137	139
61	Halls	47	61
27	Harbour Services	47	36
60	Cemeteries	67	69
147	Other Council Property	154	146
349	Solid Waste Management	372	339
101	Security Patrol	104	101
73	Sport Waikato	75	74
2,069	TOTAL OPERATING EXPENDITURE	2,348	2,307
170	NET COST OF SERVICE	227	22



Community Services Funding Impact Statement

	2011/12 Long Term Plan \$ (000's)	2012/13 Long Term Plan \$ (000's)	2012/13 Actual \$ (000's)
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	1,467	1,804	1,560
Targeted Rates (other than a targeted rate for water supply)	364	353	355
Subsidies and grants for operating purposes	30	25	28
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	5	9	9
Local authorities fuel tax, fines, infringement fees and other receipts	355	373	361
Total Operating Funding	2,221	2,564	2,313
Applications of operating funding			
Payments to staff and suppliers	1,438	1,634	1,558
Finance Costs	92	85	85
Internal charges and overheads applied	250	278	264
Other operating funding applications	137	145	150
Total application of operating funding	1,917	2,142	2,057
Surplus (deficit) of operating funding	304	422	256
Sources of Capital Funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	15	10	14
Increase (decrease) in debt	(81)	(41)	(81)
Gross proceeds from sale of assets	-	-	210
Lump sum contributions	-	-	-
Total sources of capital funding	(66)	(31)	143
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	27	80	30
- To replace existing assets	131	99	93
Increase (decrease) in reserves	80	212	276
Increase (decrease) of investments	-	-	-
Total application of capital funding	238	391	399
Surplus (deficit) of capital funding	(304)	(422)	(256)
Funding balance	-	-	-

REGULATORY SERVICES

Capital Expenditure

	2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	3	4
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	-	-

Depreciation Expense

Total depreciation for Regulatory Services group of activities was \$4k.

Internal Borrowing

The Regulatory Services group of activities has no internal borrowing as at 30 June 2013. Subsequently no interest was paid during the year.

Building Control

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

Key Building Control Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
The Council processes, inspects and certifies work in Otorohanga District	The Council remains a Building Consent Authority to help ensure buildings are safe	Otorohanga District Council maintains its processes so that it meets BCA accreditation every two years	Achieve BCA accreditation	No target	Audit completed August 2012. BCA accreditation achieved September 2012.
	The Fencing of Swimming	Annual recorded pool inspections of the properties	No inspections	>10% of pools on	15.3% of registered

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
	Pools Act is enforced	listed on the Swimming Pool Register	undertaken	register	pools inspected
Building consent applications are processed within 20 working days as required by Sec 48 of the Building Act 2004	Council certifies all consented building work complies with the Building Code – ensuring our communities are safe	Percentage of consents processed within 20 working days	96.44%	100%	77%
		Average time to process a building consent	8 days	<10 days	15 days

Inspection

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

Swimming Pool Inspections

During the year 38 pool inspections were carried out. A total of 248 pools currently are listed on the swimming pools register. This represents 15.3% of total pools registered that were inspected.

Building Consent Applications

During the year Council issued 183 building consents. There were 141 consents (77%) completed within 20 working days. The average processing time was 15 days. This failure to achieve the targets for consent processing was due to the sudden illness of a key staff member.

Enforcement

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

Planning and Development

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

Key Planning and Development Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
All resource consent decisions will be notified within the time limits of Sec 115 of the Resource Management Act 1991	Efficiently processing resource consent applications enables the Council to regulate land-use activities consistently with its District Plan (Land use regulations), demonstrating that the Council values the natural environment	The time to process non-notified land use and subdivision consents will be no more than 20 working days	93%	100%	94.3%
		All decisions are prepared, signed and mailed to applicants within three days of the signing of the Planner's Report and Recommendation.	< 3days	< 3days to sign Planner's Report	<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 respectively	Current and consistent information available to the public	New Measure	Updated information available on Council website	Up to date information available on Council website

Non-notified Consents

A total of 53 non-notified consents were issued during the year. Three (5.7%) were not processed within 20 working days. During the previous 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.

Information available

The District Plan – Decisions Version and the Planning Maps can be viewed and downloaded from Council's website. Application forms and other planning information are also available. Viewers are directed to the Quality planning Website for more detailed and technical advice on the Resource Management Act. Application packs for Land use and subdivision application are available over the counter or can be mailed out upon request. The information and forms in these packs is reviewed on a regular basis or when there is a change of legislation or policy.

Civil Defence

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

Key Civil Defence Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
People are prepared for a civil defence emergency	This service means the Council has a direct role in ensuring communities are prepared for emergencies	Formal training exercises are conducted each year	1	2 formal training exercises	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.	One meeting	Once between exercises	One meeting

Council staff participated in two Civil Defence Exercises in Year 1. Operation Shakeout in September 2012 and a local response, Exercise Lake Otorohanga in March 2013. Several staff meetings were held in preparation of these exercises and a debrief was held after 'Otorohanga Flood' to discuss the effectiveness of the local flood management 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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
Dogs roaming outside property boundaries and on public reserves will be impounded. The dog control officer responds to public complaints about roaming dogs and uplifts and impounds dogs found wandering the streets. Regular patrols are carried out in urban areas	Through this service, the public feel safe from roaming dogs	Percentage of registered dogs impounded	<5%	<5%	2.9%
		Complaints about roaming dogs that are responded to	100%	100%	100%

Dog registrations and Impounding

Approximately 2,470 dogs are registered every year in the Otorohanga District. Last year 72 dogs many of which were not registered were impounded.

Stock Ranging and Impounding

The law relating to the establishment and management of public pounds, trespassing and wandering stock, and the impounding of stock provided under the provisions of the Impounding Act 1955.

Key Stock Ranging and Impounding Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
Wandering animals are removed from roadways, public places and private property.	Public safety is enhanced because wandering animals are removed from roads and public places.	Calls about stock wandering on roads are actioned immediately. Response time depends on location of stock and travelling times	100%	100%	100%

Stock on Roads and Highways

In addition to responding to callouts and complaints about stock on Council controlled roads, the Animal Control Officer is contracted by 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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
Any cases of communicable disease identified are investigated	The cause of communicable disease is identified and further transmission of the infection is avoided	All communicable disease reports received from the District Health Board are investigated within 10 working days. The result of the investigation is reported back to the Medical Officer of Health no later than 14 working days from receiving the report.	100%	100%	100%

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
Premises are inspected to ensure they are producing safe food	Having healthy food services, helps achieve safe communities	All premises in which food is sold or processed that require registration, hold a current licence.	100%	100%	100%
		All licenced premises receive at least one annual inspection. All inspections recorded in the NCS database.	1 annual inspection per licensed premise	1 annual inspection per licensed premise	Minimum of one inspection per premise
		All premises in the District that require a Food Control Plan will undertake at least one annual audit	100% compliance	100% compliance	No premises operate under a Food Control Plan in the district
The sale and supply of liquor is controlled to prevent bad behaviour	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%

Communicable Diseases

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

Food Premise Inspections

During the 2012/13 year all food premise were inspected. A record of the inspection and the outcome is recorded in the NCS database. All premises received at least one inspection during the year.

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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
To provide a rural fire service to meet the requirements of the Forest and Rural Fires Act and Regulations.	Aid in the reduction of uncontrolled fires and reduce the cost of rural fires to the ratepayers which will ensure that our essential services and the environment are protected.	Permits are to be issued within 3 working days Annual Restricted Fire Season.	>95%	>90%	77%
		Recovery of the costs of fires from those responsible for lighting fire or their insurers.	>100%	>90%	100%

Permits issued

In total, 77% 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.

Recovery of costs

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



Regulatory Services Cost of Service Statement

2012 Actual \$ (000's)		2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
	OPERATING REVENUE		
473	Activity Revenue	475	345
-	Targeted Rates	-	-
-	Development Contributions	-	-
585	General Rates	633	592
228	Other General Sources	248	237
1,286	TOTAL OPERATING INCOME	1,356	1,174
	OPERATING EXPENDITURE		
398	Building Control	385	371
264	Planning & Development	356	233
49	Civil Defence	48	33
142	Dog Control	138	130
15	Stock Ranging & Impounding	14	18
109	Environmental Health	130	114
36	Rural Fire Control	43	34
245	Environmental Services Manager	256	255
1,258	TOTAL OPERATING EXPENDITURE	1,370	1,188
28	NET COST OF SERVICE	(14)	(14)



Regulatory Services Funding Impact Statement

	2011/12 Long Term Plan \$ (000's)	2012/13 Long Term Plan \$ (000's)	2012/13 Actual \$ (000's)
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	592	633	592
Targeted Rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	-	1	-
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	252	248	237
Local authorities fuel tax, fines, infringement fees and other receipts	496	474	345
Total Operating Funding	1,340	1,356	1,174
Applications of operating funding			
Payments to staff and suppliers	763	755	634
Finance Costs	-	-	-
Internal charges and overheads applied	559	605	546
Other operating funding applications	9	7	3
Total application of operating funding	1,331	1,367	1,183
Surplus (deficit) of operating funding	9	(11)	(9)
Sources of Capital Funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	-	-	-
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	3	3	4
Increase (decrease) in reserves	6	(14)	(13)
Increase (decrease) of investments	-	-	-
Total application of capital funding	9	(11)	(9)
Surplus (deficit) of capital funding	(9)	11	9
Funding balance	-	-	-

COMMUNITY DEVELOPMENT

Capital Expenditure

	2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	-	-
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	-	-

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

Depreciation Expense

There was no depreciation for Community Development group of activities.

Internal Borrowing

The Community Development group of activities has no internal borrowings as at 30 June 2013 and subsequently no interest paid.

Property Development

Council has undertaken this activity to stimulate community growth through provision of sites suitable for residential, commercial or industrial purposes where it has been felt that an adequate resource of such sites has not existed in the market. This undertaking is dependent on favourable market conditions for these types of developments.

Key Property Development Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
That identified opportunities to address significant perceived shortages in the availability of particular types of property in the District are explored.	Contributes towards a vibrant community with available property	Decision making on physical works stage in respect of identified opportunities	Not measured	Market assessment report completed and presented to Council	Not achieved

The property market in the Otorohanga District continues to be depressed as at 30 June 2013. Therefore Council saw no necessity to carry out a market assessment. During the year 1 section at Progress Park was sold and in addition the Wintec building in Turongo Street was also sold.

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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
District is effectively promoted as a place to visit or live in	Promoting Tourism and higher tourist spending will contribute to a stronger district economy	Total number of visitors to Otorohanga and Kawhia I-sites, previous year to 31 December	13,835 visitors	14,000 visitors	13,154 visitors
		Total number of visits to otorohanga.co.nz website, previous year to 31 December	93,256 website visits	95,000 website visits	80,231 Website visits
Tourism activity in District is supported		Total accommodation guest stay nights in District for previous year to 31 December (Ministry of Tourism data)	31,378 guest stay nights	36,947 guest stay nights	28,638 guest stay nights

Accommodation Guest Stay Nights

Guest stay nights are down on the target. While the reasons for this may be varied, a large part of this has been reflected nationally by a decrease in visitors from overseas. There are no plans by Council to address this reduction on target at this point, as it is not seen to be core Council business.



Community Development Cost of Service Statement

2012 Actual \$ (000's)		2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
	OPERATING REVENUE		
-	Activity Revenue	-	-
-	Targeted Rates	-	-
-	Development Contributions	-	-
167	General Rates	(135)	163
-	Other General Sources	-	-
167	TOTAL OPERATING REVENUE	(135)	163
	OPERATING EXPENDITURE		
102	Property Development	28	16
214	District Promotion	250	243
316	TOTAL OPERATING EXPENDITURE	278	259
(149)	NET COST OF SERVICE	413	(96)

Community Development Funding Impact Statement

	2011/12 Long Term Plan \$ (000's)	2012/13 Long Term Plan \$ (000's)	2012/13 Actual \$ (000's)
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	219	(136)	160
Targeted Rates (other than a targeted rate for water supply)	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
Total Operating Funding	219	(136)	160
Applications of operating funding			
Payments to staff and suppliers	-	19	8
Finance Costs	-	-	-
Internal charges and overheads applied	6	13	15
Other operating funding applications	205	247	236
Total application of operating funding	211	279	259
Surplus (deficit) of operating funding	8	(415)	(99)
Sources of Capital Funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	220	115
Lump sum contributions	-	-	-
Total sources of capital funding	-	220	115
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	-	-	-
- To replace existing assets	-	-	-
Increase (decrease) in reserves	8	(195)	(16)
Increase (decrease) of investments	-	-	-
Total application of capital funding	8	(195)	(16)
Surplus (deficit) of capital funding	(8)	415	99
Funding balance	-	-	-

GOVERNANCE AND LEADERSHIP

Capital Expenditure

	2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
Capital Expenditure		
- Renewals (Maintaining Service Capacity)	193	175
- Growth (Improving Service Capacity)	-	-
- Level of Service (Improvements to Service)	33	-

Depreciation Expense

Total depreciation for Governance and Leadership group of activities was \$232k.

Internal Borrowing

The Governance and Leadership group of activities has no internal borrowings as at 30 June 2013 and subsequently no interest paid.

Democracy

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

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

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

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 LTP) is undertaken in circumstances where it is believed that there is a relatively high level of community interest in the issue and potential for significantly differing views amongst community members.

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

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

Key Democracy Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
Communicate and consult with the community on key issues	An active supportive community is achieved through the Council providing opportunities for residents and ratepayers to contribute to decision-making processes by providing their community views	Produce six-monthly Council newsletter	2 newsletters per annum	Minimum 2 newsletters per annum	2 newsletters produced
		Number of negative submissions received on Long Term Plan/Annual Plan	New measure	<5 negative submissions	No negative submissions received

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 and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
Management and provision of Creative Communities and SPARC funding schemes	The Council supports the development of communities by providing funding to agencies where it sees that such funding will positively support and make our communities more healthy, active and creative	Distribution of funds to Creative Communities and SPARC funding schemes on application from qualifying organisations	100% allocated from both schemes	> 85% allocated	100% allocated
Management and provision of Otorohanga District Council community funding	The Council supports the development of communities by providing funding to agencies where it sees that such funding will positively support and make our communities more healthy, active and creative and also support the vulnerable and those at risk	Provision of Otorohanga District Council General Grants and ongoing Grants within budget allocation	Within budget allocation	Within annual budget allocation	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 Plan and Annual Plans. Council must monitor its performance and achievement towards these outcomes as well as monitoring the achievement of the community outcomes.

Key Corporate Planning Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
Meet Local Government Act 2002 statutory planning and reporting requirements	By achieving statutory planning and reporting requirements a high standard of accountability is demonstrated to the community	Draft LTP/Annual Plan to be adopted by 30 June each year Annual Report to be adopted by 31 October each year	100% compliance	100% compliance	100% compliance
Existing levels of service as identified in Councils triennial survey meets the needs of the community	Having plans in place to ensure growth and change is managed will help ensure our community's vision will happen	A triennial Levels of Service Survey to all affected ratepayers	New Measure	Not measured as only measured every 3 years	Not applicable

Policy Development

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

Key Policy Development Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 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	New Draft Local Alcohol Policy being consulted on
		Meetings and statutory hearing are conducted in accordance with all relevant legislation	New measure	100% compliance	100% compliance
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	Assess need to review, and where necessary review bylaws	Traffic bylaw reviewed	Assessment undertaken of need for bylaw reviews	Policy and bylaw register updated

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
	Outcomes				
Council meets statutory planning requirements	Ensures processes and policies are developed in a consistent manner and reflective of community input	All relevant statutory plans and reports are produced and made available to the public in accordance with statutory requirements and timeframes under relevant legislation	New Measure	100% compliance	Achieved

Decisions

The Decisions Version of the Proposed District Plan was publically notified on 6 March 2012. Nine appeals were received on the notified decisions. Eight appeals have been settled by negotiation and mediation. Only those appeals on the landscape provisions of the District Plan remain outstanding. At this stage it is likely that agreement will be reached on this matter, without having to appear before the Environment Court.

Policy Development

In accordance with the Sale and Supply of Liquor Act 2012, Council has developed a draft Local Alcohol Policy. This draft policy is currently in the first stage of public consultation. Council's two Gambling Venue policies underwent their 3 yearly reviews and were confirmed without change in July 2013.

Bylaws

Otorohanga District has seven operative bylaws. All Bylaws are subject to the review provisions of the Local Government Act 2004. The Liquor Control Bylaw was reviewed in October 2012. The Stock Movement Bylaw and Water Services Bylaw are currently due for review.

Iwi Liaison

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

Key Iwi Liaison Level of Service Targets and Performance

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
Foster capacity building for Maori to take part in local government processes	<ul style="list-style-type: none"> - Provides opportunity for Maori to be involved and engaged in decision making processes of Council - Provides opportunity for Council policies to address issues affecting Maori 	Adoption of formalised partnerships with Iwi/Maori authorities and groups	Progress made with an information sharing agreement (ISA) being put in place between Council and an Iwi authority	Information obtained under the ISA is included in the Proposed District Plan	Joint Management Agreement signed April 2013.
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	Processes were agreed with one Iwi authority. Work is progressing with others	Agreed processes are in place by end June 2013, reflective of District Plan: Version March 2012 becoming operative	Resource consent applications are circulated to local Iwi groups for comment.
Provide opportunities for Maori to be involved in decision-making processes	Ensure Council decisions reflect the Maori history and culture of the district and the unique relationship of Maori with the natural environment	Enter into and obtain resolution regarding options for Iwi/Maori and Council representation forum(s)	Issue identified in River Settlement processes	Resolution obtained by 30 June 2013	Formal representation review undertaken in 2012 in which Maori representation was considered

Level of Service	How it contributes to our community outcomes	How we measure our performance	Baseline 2010/2011	2012/13 Target	2012/13 Actual
			Scope agreed to. Commitment made for further consideration.	Forum(s) to be established by 30 June 2014	No agreement reached on forums
		Establishment and operation of representation forum(s) as agreed to by Iwi/Maori authorities and Council			

Joint Management Agreements

In March 2012 all the District Council's along the Waipa River combined to develop a Joint Management Agreement with the Maniapoto Maori Trust Board. This agreement was signed on 3 April 2013.

Commencing in January 2013 Otorohanga, Waipa, South Waikato, Taupo and Rotorua Councils engaged with Raukawa Charitable Trust to develop a Joint Management Agreement for the Upper Waikato River. This agreement was signed on 5 September 2013.



Governance and Leadership Cost of Service Statement

2012 Actual \$ (000's)		2013 LTP Estimate \$ (000's)	2013 Actual \$ (000's)
	OPERATING REVENUE		
78	Activity Revenue	94	99
18	Targeted Rates	17	17
-	Development Contributions	-	-
1,748	General Rates	1,592	1,750
2,735	Other General Sources	3,827	3,722
4,579	TOTAL OPERATING INCOME	5,530	5,628
	OPERATING EXPENDITURE		
594	Otorohanga District Council	698	706
124	Otorohanga Community Board	134	138
45	Kawhia Community Board	51	46
133	Council Support	140	125
390	Corporate Planning	192	155
363	Resource Management Policy Development	305	226
2,839	Support Services	3,869	3,617
4,488	TOTAL OPERATING EXPENDITURE	5,389	5,013
91	NET COST OF SERVICE	141	615



Governance and Leadership Funding Impact Statement

	2011/12 Long Term Plan \$ (000's)	2012/13 Long Term Plan \$ (000's)	2012/13 Actual \$ (000's)
Sources of Operating Funding			
General rates, uniform annual general charges, rates penalties	1,695	1,592	1,750
Targeted Rates (other than a targeted rate for water supply)	16	17	17
Subsidies and grants for operating purposes	21	21	21
Fees charges and targeted rates for water supply	-	-	-
Internal charges and overheads recovered	2,836	3,846	3,729
Local authorities fuel tax, fines, infringement fees and other receipts	70	70	73
Total Operating Funding	4,638	5,546	5,590
Applications of operating funding			
Payments to staff and suppliers	2,889	2,833	2,636
Finance Costs	13	908	681
Internal charges and overheads applied	1,357	1,251	1,259
Other operating funding applications	174	177	158
Total application of operating funding	4,433	5,169	4,734
Surplus (deficit) of operating funding	205	377	856
Sources of Capital Funding			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	47	9	4
Lump sum contributions	-	-	-
Total sources of capital funding	47	9	4
Application of capital funding			
Capital expenditure			
- To meet additional demand	-	-	-
- To improve the level of service	15	33	41
- To replace existing assets	169	193	134
Increase (decrease) in reserves	68	160	685
Increase (decrease) of investments	-	-	-
Total application of capital funding	252	386	860
Surplus (deficit) of capital funding	(205)	(377)	(856)
Funding balance	-	-	-



SUPPORTING INFORMATION



EQUAL EMPLOYMENT OPPORTUNITIES POLICY

POLICY STATEMENT

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

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

This policy will remain consistent with:

- Good personnel policy and practices.
- The Human Rights Act 1993.
- Employment 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.



COUNCIL CONTROLLED RESERVES

Information about Council controlled reserves is provided below

	Balance 1 July	Transfer into fund	Transfers out of fund	Balance 30 June
2013				
Roads and Footpaths	24	10,634	(9,850)	808
Water Supply	(191)	2,214	(2,212)	(189)
Sewerage	(17)	696	(682)	(3)
Flood Protection	18	168	(167)	19
Regulatory Services	(1)	122	(130)	(9)
Community Services	(23)	279	(267)	(11)
Governance and Leadership	207	1,645	(1,449)	403
Community Development	(93)	29	(9)	(73)
General Funds	(678)	4,505	(4,105)	(278)
Total Council Controlled Reserves - 2013	(754)	20,292	(18,872)	667
2012				
Roads and Footpaths	(159)	10,971	(10,788)	24
Water Supply	(31)	1,505	(1,665)	(191)
Sewerage	(59)	1,970	(1,928)	(17)
Flood Protection	14	101	(97)	18
Regulatory Services	13	129	(143)	(1)
Community Services	(42)	606	(587)	(23)
Governance and Leadership	282	579	(654)	207
Community Development	-	9	(102)	(93)
General Funds	(1,101)	4,324	(3,901)	(678)
Total Council Controlled Reserves - 2012	(1,083)	20,194	(19,865)	(754)

Purpose of each Council Controlled Reserve fund

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



AUDIT REPORT



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF OTOROHANGA DISTRICT COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

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

- the financial statements of the District Council that comprise:
 - the balance sheet as at 30 June 2013 on page 10;
 - the statement of comprehensive income for the year ended 30 June 2013 on page 9;
 - the statement of changes in equity for the year ended 30 June 2013 on page 11;
 - the statement of cash flows for the year ended 30 June 2013 on page 12; and
 - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 13 to 56;
- the funding impact statement of the District Council on page 65;
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 66, 72, 77, 80, 82, 85, 99, 109 and 113;
- the statement of service provision referred to as level of service targets and performance in the significant activities section of the District Council on pages 64 to 125; and
- the funding impact statements in relation to each group of activities of the District Council on pages 71, 76, 79, 81, 84, 98, 108, 112 and 125.

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

- information about:
 - internal borrowing on page 66, 72, 77, 80, 82, 85, 99, 109 and 113;
 - council-controlled organisations on page 45 to 48;
 - reserve funds on page 128;
 - each group of activities carried out by the District Council on pages 66 to 125;
 - remuneration paid to the elected members and certain employees of the District Council on page 44;
 - employee staffing levels and remuneration on page 45;
 - severance payments on page 45;
- a report on the activities undertaken by the District Council to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 62; and



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- a statement of compliance signed by the Mayor of the Council, and by the District Council's chief executive on page 59.

Opinion

Audited information

In our opinion:

- the financial statements of the District Council on pages 9 to 56:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the District Council's financial position as at 30 June 2013; and
 - the results of its operations and cash flows for the year ended on that date.
- the funding impact statement of the District Council on page 65 fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 66, 72, 77, 80, 82, 85, 99, 109 and 113, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan.
- the levels of service targets and performance of the District Council on pages 64 to 125;
 - 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 2013, including:
 - the levels of service as measured against the intended levels of service adopted in the long-term plan; and
 - the reasons for any significant variances between the actual service and the expected service.
- the funding impact statements in relation to each group of activities of the District Council on pages 71, 76, 79, 81, 84, 98, 108, 112 and 125, fairly reflects by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan.

Compliance with the other requirements of schedule 10

In our opinion, which is not an audit opinion, the District Council's annual report complies with the *Other Requirements* of schedule 10 that are applicable to the annual report.

Our audit was completed on 8 October 2013. This is the date at which our opinion is expressed.

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



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Basis of opinion

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

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the levels of service targets and performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

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

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the information we audited;
- determining the appropriateness of the reported levels of service targets and performance within the Council's framework for reporting performance; and
- the overall presentation of the information we audited.

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

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

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

Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and the levels of service targets and performance that:
 - comply with generally accepted accounting practice in New Zealand;



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- fairly reflect the District Council's financial position, financial performance and cash flows;
- fairly reflect its service performance, including achievements compared to forecast;
- a funding impact statement that fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;
- funding impact statements in relation to each group of activities that fairly reflects by each group of activities the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan;
- statements about budgeted and actual capital expenditure in relation to each group of activities that fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

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

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and whether the Council has complied with the *Other Requirements* of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

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

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

This audit report relates to the financial statements of Otorohanga District Council for the year ended 30 June 2013 included on Otorohanga District Council's website. The Councillors are responsible for the maintenance and integrity of Otorohanga District Council's website. We have not been engaged to report on the integrity of 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 8 October 2013 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.