

Otorohanga District Council

Summary Annual Report for the year ended 30 June 2018

COMMENTS FROM THE MAYOR AND THE CHIEF EXECUTIVE

The year saw Council continue to move further away from its previous very stable 'business as usual' mode into a more dynamic state where there was greater emphasis on new activities to support potential population and economic growth.

Council's financial results for the year were very sound. The extremely large recorded surplus of almost \$4.4 million was primarily due to extraordinary factors (in particular the sale of the Te Raumauku property, and the vesting in Council of road assets associated with the development of the Waikeria Prison, the funding of which had been by the Department of Corrections) and does not reflect over-rating or other inappropriate budgeting.

A more meaningful indicator of Council's overall financial performance is considered to be that operational expenditure for the year was \$257,000 (1.1%) under budget, despite the fact that there were a number of significant operational challenges during the year, including very costly unexpected damage to Moerangi Road caused by an extreme flood event and problems with Council's road maintenance contract which resulted in that contract being prematurely terminated.

Council's external debt was \$6.5 million at the year end, but with \$5.2 million of cash held at that time Council's real exposure to debt is presently only a little over \$1 million, which is an extremely comfortable level.

It should however be noted that a significant contributor to this debt position at year end was

a failure to progress the Council funded residential subdivision developments in Otorohanga that had been indicated in Council's amended 2017-2025 Long Term Plan. This was primarily due to delays on the part of the private party with whom Council envisaged partnering with, but Council retains a desire to support subdivision within the community, and hence associated expenditure may still be incurred in the future.

The transition of the district to growth continues to highlight some weaknesses of the Council organisation, particularly in relation to staff resources, and previous inadequacies in capacity have proven difficult to address in a very tight employment market. These resource limitations have resulted in delays in completing minor works and some other unsatisfactory outcomes, and efforts to address these staffing issues are continuing.

Satisfactory levels of service and organisational performance do however generally continue to be achieved, with 78% of applicable performance targets for the year being met or exceeded.



Max Baxter
MAYOR



Dave Clibbery
CHIEF EXECUTIVE

23rd October 2018



Summary Financial Statements

OTOROHANGA DISTRICT COUNCIL SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR ENDED 30 JUNE 2018

Actual 30 June 2017 (000's)		Budget 30 June 2018 (000's)	Actual 30 June 2018 (000's)
	Revenue		
12,107	Rates revenue	12,486	12,574
5,644	Other income	5,439	9,626
17,751	Total income	17,925	22,200
	Expenses		
436	Finance Costs	561	365
15,878	Other Expenditure	16,931	16,822
16,314	Total expenditure	17,492	17,187
1,437	Surplus/(deficit) for the year	433	5,013
	Other Comprehensive Revenue and Expenses		
(31)	Gain/(loss) on property revaluation	1,426	(619)
(1)	Gain/(loss) on available for sale financial assets	3	(9)
(32)	Total other comprehensive revenue and expenses	1,429	(628)
1,405	Total Comprehensive Revenue and Expenses for the year	1,862	4,385

OTOROHANGA DISTRICT COUNCIL SUMMARY BALANCE SHEET AS AT 30 JUNE 2018

Actual 30 June 2017 (000's)		Budget 30 June 2018 (000's)	Actual 30 June 2018 (000's)
	Assets		
7,188	Total current assets	6,426	9,871
298,929	Total non-current assets	301,996	298,265
306,117	Total assets	308,422	308,136
	Liabilities		
2,997	Total current liabilities	3,631	3,710
9,642	Total non-current liabilities	10,118	6,563
12,639	Total liabilities	13,749	10,273
293,478	Net Assets	294,675	297,863
	Equity		
156,992	Accumulated comprehensive revenue and expenses	156,202	159,734
136,486	Reserves	138,473	138,129
293,478	Total equity attributable to ODC	294,675	297,863



**OTOROHANGA DISTRICT COUNCIL
SUMMARY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

Actual 30 June 2017 (000's)	Note	Budget 30 June 2018 (000's)	Actual 30 June 2018 (000's)
292,073	Balance at 1 July	292,812	293,478
1,405		1,863	4,385
293,478	Balance at 30 June	294,675	297,863

**OTOROHANGA DISTRICT COUNCIL
SUMMARY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

Actual 30 June 2017 (000's)		Budget 30 June 2018 (000's)	Actual 30 June 2018 (000's)
6,035	Net cash provided by Operating Activities	6,822	5,622
(4,520)	Net cash used in Investing Activities	(8,394)	(1,570)
(86)	Net cash provided by/(used in) Financing Activities	402	(3,060)
1,429	Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(1,170)	992
	Made up as follows:		
1,429	Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(1,170)	992
2,837	Cash, cash equivalents and bank overdrafts at the beginning of the year	2,072	4,266
4,266	Cash and cash equivalents at the end of the year.	902	5,258

Explanation of major variances against budget

Explanations for major variations from the Council estimate figures in the 2017/18 Annual Plan are as follows:

Statement of Comprehensive Revenue and Expenses

Total other income was \$4,187,000 above budget. This is due to a number of factors, including vested assets of \$2,476,000 and increased regulatory revenue due to significant consenting projects.

Finance costs are \$196,000 under budget. This is due to savings in interest costs made from borrowing from the Local Government Funding Agency, as well as an overall reduction in external borrowing.

Balance Sheet

Total current assets are up on the budgeted figure by \$3,443,000. This is mainly due to an increase in the cash and cash equivalent of \$4,356,000 above budget, offset by reductions in trade and other receivables.

Non-current assets are below budget by \$3,731,000 due to the revaluation movement being below the budgeted movement from revaluation.

Total non-current liabilities are \$3,555,000 below budget. This is predominantly due to the repayment of one of Councils loans during the year.

Statement of Cash flows

Cash flows from operating activities were below budget by \$1,200,000, as a result of decreased payments to suppliers and decreased cash revenue inflows.



Cash flows from investing activities were \$6,824,000 below budget due to the deferral of some capital expenditure projects, as well as property sales being budgeted that did not eventuate due to the development project being delayed.

Basis of Preparation

These summary financial statements and summary statement of service performance (the Summary Report) have been prepared in accordance with PBE FRS-43: Summary Financial Statements. The Summary Report cannot provide as complete an understanding as the full Annual Report which is available at the Council Offices and District Libraries. This Summary report is for the year ended 30 June 2018. All figures are in New Zealand dollars rounded to the nearest \$1,000.

The Summary Report has been extracted from the full Otorohanga District Council 2017/18 Annual Report which was authorised for issue on 23rd October 2018. The full financial statements received an unmodified audit opinion dated 23rd October 2018. The summary financial statements are presented in New Zealand dollars. The Summary Report was adopted and authorised by the Otorohanga District Council on 23rd October 2018.

The primary objective of Otorohanga District Council is to provide goods or services for the community or social benefit rather than making a financial return. The Otorohanga District Council is an individual entity for reporting purposes.

Otorohanga District Council has been determined to be a Tier 2 Public Benefit Entity and therefore has applied reduced disclosure requirements as it sees fit.



Summary of Other Notes

Reserves

	Actual 2017 (000's)	Actual 2018 (000's)
Restricted reserves	824	3,095
Available for Sale Revaluation Reserves	10	1
Asset Revaluation Reserves	135,651	135,032
Total Reserves	136,485	138,128

The movement in restricted reserves related to subdivision financial contributions received with resource consents and interest earned on those restricted reserves. There was also a transfer of money to cover some capital expenditure in the Otorohanga Community, with a transfer back into reserves from the sale of Te Raumauku Road and Waiwera Street properties.

Events after balance sheet date

No significant events after balance date.



Summary of Significant Activities

Summary of Significant Service Levels and Performance Targets

Activity	Number of Performance Targets	Achieved	Partially Achieved	Not Measured	Not Achieved
Roads and Footpaths	6	2	-	-	4
Water Supply	7	3	2	-	2
Sewerage Treatment and Disposal	4	4	-	-	-
Flood Protection and Control Works	1	1	-	-	-
Stormwater Drainage	4	4	-	-	-
Community Services	21	15	-	1	5
Regulatory Services	17	9	-	3	5
Community Development	3	1	-	-	2
Governance & Leadership	14	12	-	1	1

Roads and Footpaths

Roads and Footpaths targets achieved included average quality of ride, and unsealed road metalling. Targets not achieved include change in total number of fatalities and serious injuries, percentage of sealed road network resealed, and footpath network condition.

Water Supply

Water Supply targets achieved included the compliance with drinking water standards for bacteria and number of complaints received per 1000 connections. The measure around median response times was partially achieved, as targets were met for urgent call-outs but not for non-urgent call-outs. Not achieved measures related to drinking water standards for protozoa and average consumption per resident per day.

Sewerage Treatment

Sewerage Treatment targets achieved relate to compliance with resource consents, dry weather overflows, complaints per 1000 connections and median response and times for overflows.

Flood Protection

The Flood Protection target achieved was regarding an assessment of the flood protection assets.

Stormwater Drainage

The Stormwater drainage targets achieved were for median response time to attend a flooding event, number of flooding events in the district and compliance with resource consents.

Community Services

Overall across all community activities a total of 21 performance targets exist, of which sixteen were achieved, four were not achieved and two were not measured. Those achieved included safe outdoor structures, safe and high quality park furniture, adequate paths and tracks, publication dates of library books, pensioner housing occupancy rates, swimming pool water quality tests, cemetery website visits, compliance with resource consents for closed landfills and complaints about kerbside collection and roadside litter.

The targets not achieved were increase in recycling volumes, cemetery website visits, library materials issued and library visits per capita, and the one not measured related to Sport Waikato, due to no contract currently existing with them.



Regulatory Services

There are seventeen performance measures across Regulatory Services, which covers Building Control, Planning & Development, Environmental Health, Rural Fire, Civil Defence, Dog Control and Stock Ranging. Of these measures, twelve were achieved, one was not applicable due to changes in legislation and four were not achieved. These related to swimming pool inspections, formal civil defence training exercises, processing times for resource consents and rural fire permits issued within 3 days.

Some of the targets achieved for Regulatory Services included processing days for building consents, percentage of dogs impounded, complaints about roaming dogs, stock wandering on roads and liquor licensing.

Community Development

There are three performance measures for Community Development, of which one was achieved during the year. The achieved measure related to Tourism Waikato providing 6 monthly reports. The measures not achieved related to the Otorohanga District Development Board providing quarterly reports to Council and the measure regarding property development.

Governance and Leadership

Governance and Leadership covers Democratic Process, Policy Development, Council Support, Corporate Planning and Support Services. There are fourteen performance targets across Governance and Leadership, and of these eleven were achieved during the year and three were not measured.

Some of the major performance targets related to Council business conducted in open meetings, availability of meeting agendas, provision of Council grants, adopting of Annual Plan and Annual Report, and reviews of bylaws.

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 Summary Financial Statements and the judgements used in them.

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

In the opinion of the Council and Management of Otorohanga District Council, the Summary Financial Statements for the year ended 30 June 2018 fairly reflect the financial position and operations of Otorohanga District Council.

Max Baxter

MAYOR

Dave Clibbery

CHIEF EXECUTIVE

Graham Bunn

**FINANCE AND
ADMINISTRATION
MANAGER**

23rd October 2018



Otorohanga District Statistics

Area and Population

Area (Square kilometres)	1,976
Population (2013 Census figures)	9,513

Communities

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

Valuation

Rateable Properties (No. of)	4,903
Non Rateable Properties (No. of)	298
Rateable Capital Value	\$4,144,515,825
Date of Last revision of Values	1 Sept 2016

Rates and Rating 2016/17

Total Rates(Excluding GST)	\$12,574,536
System of Rating	Capital Value

Public Debt Outstanding as at 30/06/17

Public Debt Outstanding	\$6,514,310
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Date of Constitution of District

1 November 1989

Contact Information

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Otorohanga

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Audit Report



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF OTOROHANGA DISTRICT COUNCIL'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

The summary of the annual report was derived from the annual report of Otorohanga District Council (the District Council) for the year ended 30 June 2018.

The summary of the annual report comprises the following summary statements on pages 2 to 7:

- the summary Balance Sheet as at 30 June 2018;
- the summaries of the Statement of Comprehensive Revenue and Expenses, Statement of Changes in Equity and Statement of Cash Flows for the year ended 30 June 2018;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary Statement of Service Performance (referred to as 'Summary of Significant Activities') of the District Council.

Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: *Summary Financial Statements*.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2018 in our auditor's report dated 23 October 2018.

Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: *Summary Financial Statements*.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.



Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in the District Council.

Bruno Dente, Partner
for Deloitte Limited
On behalf of the Auditor-General
Hamilton, New Zealand
23 October 2018