

# Otorohanga District Council

## Summary Annual Report for the year ended 30 June 2013

### COMMENTS FROM THE MAYOR AND THE CHIEF EXECUTIVE

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 important 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.

Max Baxter  
**MAYOR**

Dave Clibbery  
**CHIEF EXECUTIVE**

5<sup>th</sup> November 2013



## Summary Financial Statements

### OTOROHANGA DISTRICT COUNCIL SUMMARY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

Actual 30 June 2012 (000's)		Budget 30 June 2013 (000's)	Actual 30 June 2013 (000's)
	<b>Income</b>		
10,593	Rates revenue	10,930	11,056
4,116	Other income	4,600	4,011
14,709	<b>Total income</b>	15,530	15,067
	<b>Expenditure</b>		
818	Finance Costs	908	660
13,996	Other Expenditure	13,092	13,479
14,814	<b>Total expenditure</b>	14,000	14,139
(105)	Profit/(loss) for the year	1,530	928
	<b>Other Comprehensive Income</b>		
13,438	Gain/(loss) on property revaluation	-	(8)
2	Gain/(loss) on available for sale financial assets	-	8
13,440	<b>Total other comprehensive income</b>	-	-
13,335	<b>Total Comprehensive Income for the year</b>	1,530	928

### OTOROHANGA DISTRICT COUNCIL SUMMARY BALANCE SHEET AS AT 30 JUNE 2013

Actual 30 June 2012 (000's)		Budget 30 June 2013 (000's)	Actual 30 June 2013 (000's)
	<b>Assets</b>		
3,129	Total current assets	3,146	4,030
258,715	Total non-current assets	242,947	257,404
261,844	<b>Total assets</b>	246,093	261,434
	<b>Liabilities</b>		
8,177	Total current liabilities	5,496	7,649
7,737	Total non-current liabilities	10,529	6,834
15,914	<b>Total liabilities</b>	16,025	14,483
245,930	<b>Net Assets</b>	230,068	246,951
	<b>Equity</b>		
151,399	Retained earnings	153,432	152,190
94,531	Reserves	76,636	94,761
245,930	<b>Total equity attributable to ODC</b>	230,068	246,951



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

	Retained Earnings	Available for Sale Reserves	Asset Revaluation Reserves	Restricted Reserves	Total
	(000's)	(000's)	(000's)	(000's)	(000's)
<b>Balance as at 1 July 2011</b>	151,526	1	80,378	690	232,595
Profit/(loss) for the year	(105)	-	-	-	(105)
<b>Other Comprehensive Income</b>					
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	-
<b>Balance 30 June 2012</b>	151,399	3	93,816	712	245,930
Prior Period Adjustment	93	-	-	-	93
<b>Adjusted Balance 30 June 2012</b>	151,492	3	93,816	712	246,023
Profit/(loss) for the year	928	-	-	-	928
<b>Other Comprehensive Income</b>					
Gain/(loss) on movement of reserves	-	8	(8)	-	-
Total Comprehensive Income	928	8	(8)	-	928
Transfers (to)/from retained earnings	(230)	-	-	230	-
<b>Balance 30 June 2013</b>	152,190	11	93,808	942	246,951

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

Actual 30 June 2012		Budget 30 June 2013	Actual 30 June 2013
(000's)		(000's)	(000's)
4,115	Net cash provided by Operating Activities	4,959	3,897
(3,886)	Net cash used in Investing Activities	(4,315)	(2,438)
(267)	Net cash provided by/(used in) Financing Activities	(500)	(1,118)
<b>(38)</b>	<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>	<b>144</b>	<b>341</b>
<b>(38)</b>	Made up as follows: <b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>	<b>144</b>	<b>341</b>
1,269	Cash, cash equivalents and bank overdrafts at the beginning of the year	990	1,231
<b>1,231</b>	<b>Cash and cash equivalents at the end of the year.</b>	<b>1,134</b>	<b>1,572</b>



### **Explanation of major variances against budget**

Explanations for major variations from the Council estimate figures in the 2012-2022 Long Term Plan are as follows:

#### **Statement of Comprehensive Income**

Rates revenue is higher than estimates by \$126,000 due to the rates being struck on the values as at 1 July each year, which can differ from the values used when the estimates were created due to new subdivisions.

Other income was \$589,000 under budget. This is mostly due to Area Wide Pavement Treatment work not being performed during the year, and the deferral of the associated subsidy income.

Finance costs are \$248,000 under budget, due to interest savings as a result of borrowing from the Local Government Funding Agency.

Other expenses are \$387,000 over budget, which is due to a number of factors. 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, as well as large capital works during the year. Offsetting this was a number of activities being under budget with reduced contract expenses, as well as employee benefit expenses being \$28,000 under budget.

#### **Balance Sheet**

Total current assets are up on the budgeted figure by \$884,000. This is due to an increase in the cash and cash equivalents, as well as an increase of \$161,000 in development property held for resale.

Non-current assets are up on budget by \$14,457,000 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.

Total current liabilities is \$2,153,000 over budget and non-current liabilities is \$3,695,000 under budget. This is predominantly due to a reclassification of borrowings of \$2,000,000

from non-current to current based on when the repayment is due, as well as a decrease in overall borrowings of \$1,118,000.

#### **Statement of Cash flows**

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.

Net cash used in Investing activities is \$1,877,000 under budget, which is in part attributable to under spending in Land Transport due to delays in a number of capital projects previously budgeted.

Cashflows from financing activities is \$618,000 over budget due to better cashflow management requiring less borrowing.

#### **Basis of Preparation**

These summary financial statements and summary statement of service performance (the Summary Report) have been prepared in compliance with "Financial Reporting Standard Number 43 – Summary Financial Statements" issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants (May 2007). The Summary 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 2013. All figures are in New Zealand dollar rounded to the nearest \$1,000.

The Summary Report has been extracted from the full Otorohanga District Council 2012/2013 Annual Report (including the full financial statements) which was authorised for issue on 8<sup>th</sup> October 2013. The full financial statements received an unmodified audit opinion dated 8<sup>th</sup> October 2013. The summary financial statements are presented in New Zealand dollars. The Summary Report was adopted and authorised by the Otorohanga District Council on 5<sup>th</sup> November 2013.



The primary objective of Otorohanga District Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Otorohanga District Council has designated itself as a public benefit entity for the purposes of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). The full financial statements included in the full Annual Report have been prepared in accordance with NZ GAAP.

The full financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

## Summary of Other Notes

### Reserves

	Actual 2012 (000's)	Actual 2013 (000's)
Restricted reserves	712	942
Available for Sale	3	11
Revaluation Reserves		
Asset Revaluation Reserves	93,816	93,808
<b>Total Reserves</b>	<b>94,531</b>	<b>94,761</b>

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 income from the sale of property held for resale in Turongo Street.

## 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	5	5	-	-	-
Water Supply	6	6	-	-	-
Sewerage Treatment and Disposal	3	2	1	-	-
Flood Protection and Control Works	1	1	-	-	-
Stormwater Drainage	2	1	1	-	-
Community Services	21	16	2	-	3
Regulatory Services	19	15	-	-	4
Community Development	4	-	-	-	4
Governance & Leadership	15	13	-	1	1

#### Roads and Footpaths

Roads and Footpaths targets achieved included number of defects on Sealed Rural and Urban roads, bulk maintenance metalling road smoothness and number of roading complaints.

#### Water Supply

The Water Supply targets achieved were the number of disinfection failures, contamination

instances, compliance with the drinking water standards, interruptions to service and water levels in the reservoirs.

#### Sewerage Treatment

Within the Sewerage Treatment targets achieved were items such as sewerage overflows and complaints of smells. The partially achieved was compliance with





resource consents, where full compliance was achieved, except for discharge quality.

### **Flood Protection**

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

### **Stormwater Drainage**

The Stormwater drainage target achieved was for number of complaints of flooding. The partially achieved target related to compliance with resource consents, which was full compliance apart from a few minor technical non compliances.

### **Community Services**

Overall across all community activities a total of 21 performance targets exist, of which sixteen (16) were achieved, two (2) were partially achieved and three (3) were not achieved. Those achieved included safe outdoor structures, safe and high quality park furniture, adequate paths and tracks, library website visits, pensioner housing occupancy rates, swimming pool water quality tests, cemetery website visits, nightly security patrols and Sport Waikato reports.

The targets not achieved included number of library books issued, publication dates of library books and compliance with resource consents for closed landfills.

### **Regulatory Services**

There are 19 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, fifteen (15) were achieved and four (4) were not achieved. These related to issuing of non-notified land use and subdivision consents within 20 working days from the date of advice, processing building consents in 20 days and fire permits issued within 3 days.

Some of the targets achieved for Regulatory Services included audit of pool register, formal civil defence exercises, percentage of dogs impounded, complaints about roaming dogs, stock wandering on roads and liquor licensing.

### **Community Development**

There are four performance measures for Community Development, of which none were achieved during the year. These related to visitors to i-Sites, Waiwera St subdivision, accommodation guest stay nights and visits to Otorohanga.co.nz.

### **Governance and Leadership**

Governance and Leadership covers Democratic Process, Policy Development, Council Support, Corporate Planning and Support Services. There are fifteen (15) performance targets across Governance and Leadership, and of these thirteen (13) were achieved during the year. One (1) was not measured and the remaining one (1) was not achieved.

Some of the major performance targets related to distribution of funds from council grants, legislative compliance, and LTP and Annual Reports adopted within statutory timeframes.

The not measured target related to a triennial level of service survey, and the target not achieved was to do with the establishment of representation forums with Iwi.





## 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 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 2013 fairly reflect the financial position and operations of Otorohanga District Council.

Max Baxter

**MAYOR**

Dave Clibbery

**CHIEF EXECUTIVE**

Graham Bunn

**FINANCE AND  
ADMINISTRATION  
MANAGER**

5<sup>th</sup> November 2013

## Otorohanga District Statistics

### Area and Population

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

### Communities

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

### Valuation

Rateable Properties (No. of)	5,207
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

## Contact Information

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Otorohanga

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## INDEPENDENT AUDITOR'S REPORT

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

The summary annual report was derived from the annual report of the Otorohanga District Council (the District Council) for the year ended 30 June 2013. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 2 to 6:

- the summary Balance Sheet as at 30 June 2013;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2013;
- the notes to the summary financial statements that include other explanatory information; and
- the summary statement of service provision referred to as service levels and performance targets in the significant activities of the District Council.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 5 November 2013.

#### Opinion

In our opinion:

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

#### Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: *Engagements to Report on Summary Financial Statements*. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 8 October 2013 on the full audited statements.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council.





### **Responsibilities of the Council and the Auditor**

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS-43: *Summary Financial Statements*. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with FRS-43: *Summary Financial Statements*.

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

A handwritten signature in blue ink, appearing to read "B Dente".

Bruno Dente  
Deloitte  
On behalf of the Auditor-General  
Hamilton, New Zealand  
5 November 2013