

Summary Annual Report 2012-2013

Welcome to our Summary Annual Report for the 2012/2013 year. This document summarises the full Annual Report document. It outlines the key achievements and service performance over the past year, across Council's ten groups of activities. The full document is available through sources described in this Summary.

Message from the Mayor and Chief Executive

We are pleased to present the Annual Report for the year ended 30 June 2013. The Report provides a record of the year gone by - activities, achievements and financial performance of the Waitomo District Council for the 2012/13 financial year.

The good work of the past 5-6 years reflects in large measure the contribution made by the present Council elected in 2010. That effort is based on the core principles of maintaining rates affordability whilst balancing that with prudent financial management and the delivery of a range of sustainable asset infrastructures. Importantly and in line with the feedback from our District Community, a strong focus has been placed on community development and promoting the Waitomo district; a focus captured in Council's new vision "*Creating a better future with vibrant communities and thriving business*".

An example of this new focus is the establishment in January 2011 of a Youth Council to provide a means to engage with our youth and to develop their leadership skills. The Youth Council is now in its third year and development has continued with the Youth Council providing a strong youth voice and delivering some excellent youth events over the past year. The combined work with the Social Sector Trials initiative is making a huge difference in day to day lives for our community, for young people, and for our district as a whole.

Council continues to focus on working closely with community stakeholders in all areas of community development. The ongoing Railway Buildings Hub project continues to develop, and we look forward to achieving real "live" on the ground progress in the upcoming 2013/14 year.

WDC has performed very well in the ongoing sustainable management and development of our infrastructure and property assets. The investment in the Te Kuiti Wastewater Treatment Plant upgrade project has now been completed and the output compliance results are very pleasing, falling well under existing resource consent guidelines. Council is pleased that its efforts to work closely with Waikato Regional Council throughout the project to date has ensured that the required necessary planning, design and consenting work was carried out in a timely manner so that maximum benefit can be derived from the \$3.65 million funding support received from the Sanitary Waste Subsidy Scheme.

A range of work has also been carried out to improve our in-ground piped reticulation assets using tools such as CCTV inspections. The information gathered through that management approach guides our investment decisions into areas of most need.

During the year the investment in a Piopio Water Treatment Plant upgrade has been completed to good effect. The investment means that the water produced from the Plant meets the required Drinking Water Standards, and it is also performing very efficiently in terms of ongoing operating costs. All in all an exceptional result.

The ongoing sustained organisational effort made in high quality delivery of services is demonstrated through the achievement of resident satisfaction targets established as indicators of performance.

Council continues to look at identifying the top priorities for improvement. As always, that objective needs to be balanced with the important consideration as to whether or not the community can afford the cost of the investment.

In terms of our financial performance, we continue to manage the WDC's finances prudently on behalf of the Waitomo District Community. It must be acknowledged that the need for ongoing financial support of the Inframax investment has slowed down the excellent progress being made on a return to full financial health. Results from WDC's own operations were generally in line with the results forecast for the first year of the 2012-2022 Long Term Plan (LTP) adopted in July 2012.

Our expenditure has been within the budget forecast adopted at that time while our forecast required rates revenue was also less than the forecast budget adopted for the 2009-2019 LTP.

WDC's reliance of funds from borrowing and its associated risks have been maintained at prudent levels in line with the Council's Treasury Management Policy, and the specific borrowing limits laid down have been adhered to.

The ongoing need for investment in Inframax Construction Limited (ICL) has been a matter of very careful consideration in each of the past three financial years. In November 2010, Council after very careful scrutiny, approved a Recovery Plan prepared by the new Board of Inframax Construction Ltd. Since then, Council has worked very closely with the newly appointed ICL Board to ensure that ICL maintains its commercial presence and continues as a large employer in the Waitomo district. Unfortunately, the tough economic conditions facing the road construction industry and the consequent strong competition in the market place squeezed profit margins up until the present time. The investment is a key challenge for Council to both monitor and to support the ongoing recovery process.

While, for the time being, there is no return on that investment in the past year, there is every indication that all involved with ICL are working hard to fully deliver on the Recovery Plan as is evidenced by the 2012/13 financial year trading result. It is very pleasing to see that for the first time for many years, a positive balance sheet has been achieved. The result of a combined profit of approximately \$75,000, demonstrates the turnaround achieved by the Board and Management in just 2 years. This was considerably better than the original forecast of a \$1.1 million loss at this point in the implementation of the approved Recovery Plan.

We not only assess our performance internally through performance indicators but also seek to understand the views of our District Community. Each year we survey the District Community. This year the Resident Satisfaction Survey (RSS) survey was undertaken immediately following the close of the 2012/13 financial year. We were pleased to find that 79% of residents surveyed were either satisfied or very satisfied with the elected Council's overall performance.

In conclusion, during the 2012/13 financial year Waitomo District Council has progressed with its target of financial sustainability and sustainable management of assets.

The committed effort of the elected Council and staff who have worked hard and have achieved good outcomes for Waitomo district during the 2012/13 year needs to be recognised.

The focus is now on the future and working towards the priorities laid out in the 2012-22 LTP.



BRIAN HANNA
MAYOR



CHRIS RYAN
CHIEF EXECUTIVE

Purpose of the Annual Report 2012/13

Every year we are required to produce an audited Annual Report and within the following month produce a Summary of that Annual Report. The Annual Report reports on Council's results and achievements against its Annual Plans and its 10 year Long Term Plan (LTP).

The full Annual Report was adopted by Council on 10th October 2013. It is the key accountability document for our communities and it explains how we have performed for the year. It is an important way of informing our communities about how we are progressing in achieving our goals. It also highlights the areas we performed well in and the areas we need to improve on and how we plan on doing this.

This Summary Annual Report was authorised for issue by the Chief Executive on 31 October 2013.

This Summary Annual Report provides a snapshot of our performance over the last financial year from 1 July 2012 to 30 June 2013. The information contained in this Summary has been extracted from our full Annual Report which contains audited statements that detail information about our finances and service performance.

Copies of the full Annual Report are available on Council's website www.waitomo.govt.nz or by contacting the Waitomo District Council on (07) 878 0800, free phone 0800 932 4357 or you can send us an email info@waitomo.govt.nz

INDEPENDENT AUDITOR'S REPORT

**TO THE READERS OF
WAITOMO DISTRICT COUNCIL AND GROUP'S
SUMMARY OF THE ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013**

The summary annual report was derived from the annual report of the Waitomo District Council (the District Council) and group 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 1 to 8:

- 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 cashflows for the year ended 30 June 2013;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision of the District Council and group.

We expressed an unmodified audit opinion on the District Council and group's full audited statements in our report dated 10 October 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 10 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 and group.

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 or any of its subsidiaries.

Bruno Dente
Deloitte
On behalf of the Auditor-General
Hamilton, New Zealand
31 October 2013

Role and Direction

Under the Local Government Act 2002, the Council's purposes are:

1. To enable democratic local decision-making and action by, and on behalf of the people of the Waitomo district.
2. To meet the current and future needs of the District's communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

The Act imposes specific responsibilities relating to Water, Wastewater and other sanitary works (such as public toilets).

Under other legislation, Council is also responsible for:

- public health and safety,
- waste minimisation,
- civil defence,
- emergency management,
- regulating building and land development/ land use,
- food and liquor sales,
- gambling,
- animal control, and a range of other services provided to the community.

The Act gives the Council a general right to take actions that are wholly or principally for the benefit of Waitomo district, including gathering rates (property tax) and setting bylaws.

Measuring Resident Satisfaction

Ensuring the district's residents are satisfied with the services and facilities we provide is a priority for Council. We undertake an independent Resident Satisfaction Survey (RSS) every year to find out how well the community thinks we are doing. This report uses information from the RSS to report on our performance against our strategic goals.

The Long-Term Direction of the District

In order to develop well-balanced, inter-connected and focussed proposals that will respond to challenges over the next 10 years and beyond, Council adopted three guiding principles during the development of the 2012-22 LTP:

Financial Sustainability

- Developing and maintaining good financial health which can withstand cyclic ups and downs.

The management of liquidity, interest rate exposure and structured debt reductions which form an integral part of the Plan.

Community Well-being

- For the past few years and in the foreseeable future, Council's focus will be on the provision of core infrastructure particularly where it could have a high level of impact on public health.

Services will be prioritised into areas of greatest need, as per community and legislative requirements, and in a manner that optimises return on investment.

Affordability

- In keeping with the principle of rates affordability, Council aims to make optimal use of sequencing and prioritising to provide essential services first, deferring services where it's not detrimental to do so.

The endeavour is also to keep annual rates requirement steady to create predictability and to balance rates with affordable user charges where possible and giving consideration to the four well-beings – i.e. social, economic, environmental and cultural.

It needs to be noted that, in developing the LTP using these guiding principles, Council had to constantly balance *sustainability* against *affordability* aspects and make decisions in a manner that none of the principles are unduly compromised and the 'right balance' is struck wherever practically possible.

Some of these decisions are reflected in financial management and others in the funding strategies set out in the LTP.

It is also important to draw attention to the fact that although the 2012-22 LTP represents a continuation of the strategies and principles Council has been working on over the past five years, there has been a shift in emphasis especially in the area of community well-being.

Council believes it can now commit to more community development activities and has therefore resolved to lay more emphasis on district development, its youth and people in general.

The focus for the 2012/13 year was to balance the competing goals of rates affordability with providing real solutions for a thriving and sustainable future.

The 2012/13 financial year saw Council continuing to work on implementing strategies that recognise the need to strike the right balance between the need for prudent and sustainable financial management, rates affordability and an overall contribution to community well-being through the delivery of services.

At a glance

2012/2013 Group Performance

The Group reporting entity consists of Waitomo District Council and its 100% owned subsidiary Inframax Construction Limited and Inframax Construction Limited's 100% owned subsidiary Independent Roadmarkers Taranaki Limited.

Overall Performance

The Group's overall performance for the year was an after-tax **profit of \$5.6 million**.

Council's adoption of a recovery plan for its subsidiary in November 2011 included funding of additional equity and significant restructuring involving the Board of Directors, a new Chief Executive and rationalisation of its staffing levels and operating bases.

Those initiatives are proving successful. The subsidiary's results (i.e. both Inframax Construction Ltd and Independent Roadmarkers Taranaki Ltd) for the year ending 30 June 2013 show a remarkable improvement on the previous year with the first positive financial outcome for 8 years.

Balance Sheet

At 30 June 2013 total equity for the Group was \$271.0 million. There was a \$6.4 million increase in equity reflecting:

- The Group's after tax profit of \$5.5 million
- A gain of \$0.5 million from cash flow hedges

Current assets decreased by \$5.4 million due mainly to a \$2.8 million decrease in cash and cash equivalents, and a \$1.3 million decrease in trade and other receivables.

Inframax Construction Limited

Economic conditions facing the roading construction and roading maintenance industry have been the worst experienced over the past few decades, with intense competition for any available work leading to extremely low tender prices and subsequent profit margins. Many competing contractors are experiencing the same problems. For those reasons Council's subsidiary Inframax Construction Limited has faced financial difficulties and been unable to provide a return on Council's investment again this year.

In 2010/11 Inframax Construction prepared a Recovery Plan that included the investment of additional equity in the Company, significant restructuring of the Company at all levels and in all areas of operations, and re-focussing ICL on its core objectives - roading maintenance and construction.

Council approved the ICL Recovery Plan which included support for funding assistance completed during the 2011/12 financial year, as follows:

- a) Introduction of \$800,000 by WDC of additional equity in the form of an increase in the shareholding investment.
- b) The purchase of Parkside subdivision from the Company for book value.

A combined before tax profit of **\$75,110** (2012: \$2,012,197 before tax loss) has been achieved on a reduced turnover and against a \$1.1 million loss forecast in the recovery plan for 2012/13.

This result is a reflection of the hard work and effort of the Board of Directors and Management in delivering better contract margins and positive gains from the subsidiary's restructuring exercise; all this despite the difficult economic and trading conditions that have plagued the roading construction and roading maintenance industry for some time.

Overall current liabilities decreased by \$6.7 million mainly as a result of the decrease in the current portion of borrowings and a decrease in trade and other payables.

Non-current liabilities increased by \$3 million due mainly to an increase in non current borrowings.

Non-current assets increased by \$8.1 million due mostly to the increase in property, plant and equipment assets at 30 June 2013.

- c) The advance of a loan for \$750,000 to the Company on terms that are not more favourable than if WDC were to borrow the funds externally.

An independent valuation of Council's investment in the Company was undertaken at 30 June 2012 and due to the continuing financial difficulties faced by the Company the \$800,000 investment in the Company was written down to nil.

The Company's performance improved considerably during 2012/13 with a net pre-tax loss of \$92,000 compared to the original forecast of a \$1.1 million loss at 30 June 2013 in the approved Recovery Plan and the actual \$1,932,000 loss at 30 June 2012. When combined with the result from Independent Roadmarkers Taranaki Limited (IRT), the two subsidiaries produced a **net pre-tax profit of \$75,110**, a significant turn-around on the combined net pre-tax loss of \$2,012,197 at 30 June 2012.

This is a most encouraging result for ICL and for Council as shareholder, particularly as intense competition still exists in the roading maintenance and construction industry with low tender prices and subsequent profit making trading conditions very difficult.

Overall Performance against LTP 2012-2022

WDC reported a net surplus after tax of **\$5.6 million** compared to a budget surplus of \$3.4 million. This result is mainly attributable to unbudgeted subsidies received during the year for wastewater upgrade projects, increases in revenue streams from metered water users and trade-waste, revenue on acquisition of the Railway Buildings in Te Kuiti, reduced loan interest costs and reductions in the operational costs for the solid waste and sewerage activities.

Balance Sheet

- Equity was \$18.0 million more than budget. The significant part of this was due to the increase in revaluation reserve during 2012/13. The results of the revaluation were not known at the time budgets for 2012/13 were being prepared.
- Current assets were \$0.1 million less than budget. Debtors and Other Receivables were

higher than anticipated due to the subsidies that were receivable at 30 June 2013 and an increase in rates arrears.

- Current liabilities were \$8.6 million more than budget due mainly to three floating rate notes (FRNs) for \$13.8 million maturing during the 2013/14 financial year. These are recognised as current borrowings. Creditors and other payables were also less than budget.
- Non current assets were \$15.9 million more than budget due to the revaluation of assets at 30 June 2012 and the introduction of Parkside Subdivision as Assets Held for Sale. Neither of these were recognised during preparation of the 2012/13 budgets.
- Non current liabilities were \$10.9 million less than budget as a greater portion of borrowings was anticipated to be non current when the budgets were prepared.

The Year's Key Highlights

During the year we continued to manage the District's finances prudently on behalf of the Waitomo District Community. Other key highlights for the year are...

Governance - Leadership and Investments

- General Revaluation of District for Rating Purposes (undertaken by Quotable Value).
- Implementation of Online Property and Rating Information on Councils website.
- Implementation of Online Quarterly Newsletter - Waitomo Way.
- Development of WDC and Te Kuiti iSITE Facebook pages.
- Draft, consultation and adoption of the 2013/14 Exceptions Annual Plan.
- Completed the 2013 Resident Satisfaction Survey.

Community Service

- An independent annual audit was completed for all playground equipment.
- Purchase of the Railway Buildings and Lease of land was finalised.
- The upgrade of the supper room at the Waitomo Cultural and Arts Centre was completed.
- Installation of the new sound system at the Waitomo Cultural and Arts Centre.
- More than 2,406 new books purchased for the Library.

Community Development

- Continued participation and support of youth engagement projects.
- Continued support of district promotion via the Hamilton and Waikato Regional Tourism organisation.

Solid Waste Management

- Reduction in onsite disposal of agricultural products through the promotion of the Agrecovery Rural Recycling Programme.
- Community education on preparation of recyclable material accepted by the Kerbside Recycling and Refuse Collection Service.

Stormwater Drainage

- Completion of the St Andrew's Court stormwater drain.
- Butler Street stormwater inlet rehabilitation completed.

Sewerage and the Treatment and Disposal of Sewage

- Completion of Bayne Street sewer manhole replacement.
- Piopio Sewerage system completed and commissioned.
- Completion of major components of the Te Kuiti Waste Water Treatment Plant.

Water Supply

- Upgrade of the Piopio Water Treatment Plant was completed.
- Work on replacing the faulty section of pipe in John Street Te Kuiti, commenced in June and was completed in July 2013.
- Replacement work carried out on a section of rising water main pipe on Kent Street Te Kuiti.
- Extension of water main pipe carried out on View Road/ Terrace Road Te Kuiti.

Roads and Footpaths

- Minor structural replacements and repairs have been carried out on 13 bridges within the district.
- Installation of several areas of guard and sight rail across the district (\$100,000) completed through Traffic Services Renewals, Minor and Associated Improvements.
- Installation of new street lights to replace existing lights that were in an unsafe condition completed.
- Reseal approx 45km of road throughout the District completed. The market rates allowed this work to be completed within our allocated budget.
- Pavement Rehabilitations carried out on Te Anga Road, Taharoa Road and Rora Street.
- Minor Safety Improvements were carried out on all pavement rehabilitation sites as well as Mangaokewa and Hauturu Roads completed.
- The network deficiency database established in 2009/10 was updated this financial year and work progressed on various perceived issues. \$43,000 of the traffic services renewal budget was spent on additional safety signage district wide to start addressing the deficiency database.
- Community Focussed Activities is a joint venture between WDC and Otorohanga District Council where \$88,000 is spent on road safety education within the two districts. The joint venture allows one Road Safety Co-ordinator to be employed and educate the community through activities such as fatigue stops, child restraint stops, driver licensing, speed and alcohol awareness.
- Restoration works carried out on notorious district slumps including Oparure 2.8kms, Taharoa Road (The Staircase) and Te Anga Road (Clayton-Greene's) were all completed. These works are ongoing.

Summary of Activity Performance

Council adopted a range of performance targets to allow it to measure, over time, whether or not the performance in the delivery of services was properly focused on WDC's priorities. As part of the development of the 2012-22 LTP, a new set of performance measures were adopted.



2013 Resident Satisfaction Survey

800 residents selected at random from communities throughout the district took up the opportunity to express their opinion on Council's service delivery and overall performance by means of a Resident Satisfaction Survey (RSS) conducted by telephone interview in July 2013.

Council agreed that only those results that offered an actual opinion of the services (i.e. either satisfied or dissatisfied), should be used in the assessment of the Annual Report KPI's - the 'don't know' responses have been excluded.

The following information provides a snapshot of progress made by WDC in achieving the performance targets. The full Statement of Service Performance can be found under the 'Our Activities' section of the full 2012/13 Annual Report.

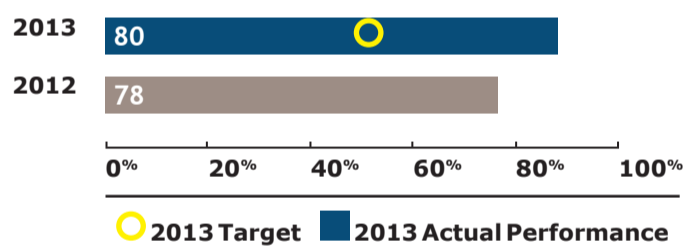
Activity	Number of performance targets	Achieved	Partially Achieved	Not Measured	Not Achieved
Roads and Footpaths	6	2	-	-	4
Water Supply	8	4	-	-	4
Sewerage	4	1	-	1	2
Stormwater	5	3	-	-	2
Solid Waste	8	8	-	-	-

Governance: Leadership and Investments

This activity has four performance measures of which four were achieved during the year.

Council provides effective and useful communications.

In the 2013 Residents Satisfaction Survey (RSS), 80% of residents surveyed are satisfied and very satisfied with the provision of Council communications. This rating exceeds Council's target of greater than or equal to 50%.



Community Service

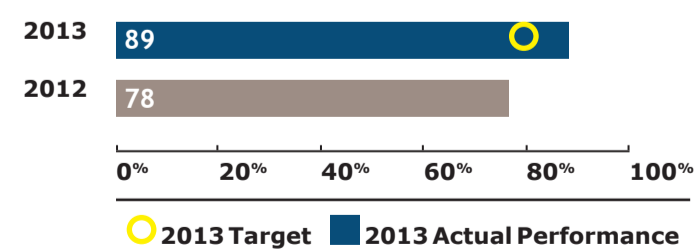
The performance of the Community Service activity was excellent with all 12 performance targets achieved during the year.

95% of library users are satisfied with the quality of library facilities and service.

The results for the RSS show an increase with the customer satisfaction rating for Council's library facilities and service. 95% of Residents were satisfied or very satisfied with this service. This rating exceeds Council's target for 2012/13 of greater than or equal to 85%.

The District has quality Parks and Reserves.

89% of residents are satisfied or very satisfied with the quality of the District's Parks and Reserves. This rating exceeds Council's target for 2012/13 of greater than or equal to 80% resident satisfaction with the District's Parks and Reserves.



We ensure that staff are equipped and trained to efficiently man the Civil Defence headquarters in an emergency.

NZ Shakeout Exercise involving Civil Defence headquarters staff was undertaken at Waitomo District Council Office on 26 September 2012.

Community Development

There are six performance measures for Community Development, of which four were achieved during the year.

Through our membership with the Hamilton and Waikato Regional Tourism Organisation, we will ensure enhanced presence in national and international markets for the District.

How we measured success	Our Performance
Number of District Promotion opportunities taken by the Hamilton and Waikato Regional Tourism Organisation in key publications and industry events. Target > 4	Achieved Seven District promotion opportunities were taken in key publications.

We support the positive development of youth within the District.

The Youth Council also assisted with the preparation of Muster Bags for the Great NZ Muster event in March 2013 and served guests at the District Farewell event held for the Right Honourable Jim and Mrs Joan Bolger in April 2013.

Regulation

There are seven performance measures for the Regulation activity, of which six were achieved during the year.

We ensure that consented building works adhere to the Building Code.

How we measured success	Our Performance
Percentage of consented buildings under construction (inspected) to ensure code compliance. Target 100%	Achieved 100% of consented buildings under construction are inspected.

We provide an effective environmental health service for the community.

92 percent of residents are satisfied or very satisfied with the Environmental Health Service, in the 2013 RSS.

Resource Management

All three performance measures for the Resource Management activity, were achieved during the year.

We ensure that resource consents are processed in a timely and customer friendly manner so as to facilitate district wide development.

100 percent of non notified consents processed within 20 working days.

There are also areas where our performance is declining or has fallen short of the target, for example:

- The performance target of '100 percent of urban and 10 percent of dog owners' properties inspected per year' was not achieved this year.
- The performance target of '90 percent of urgent requests dealt with within one working day' was not achieved for the Stormwater activity with an actual result of 81%.
- The performance target of 'less than or equal to 1 sewage overflows into habitable buildings due to faults in the wastewater system (measured by RFS system)', was not achieved.
- The performance target of 'less than 10 complaints per annum regarding water supply quality, at any supply scheme' was not achieved.
- The performance target of 'less than four service complaints from ratepayers in any one month regarding the condition of the roading surface' was not achieved.

Further details of the satisfaction survey and of the results measured against Council's Key Performance Indicators (KPIs) can be found on page 15 and in the Statements of Service Performance on pages 17-51 of the full Annual Report.

Summary Financial Statements for the year ended 30 June 2013

The summary financial statements have been extracted from the corresponding full Annual Report which was authorised for issue on 10 October 2013 by the Mayor and Chief Executive. An unmodified audit report was issued and signed as part of the Annual Report on 10 October 2013. Deloitte have audited this Summary Report and have issued an unmodified opinion on 31 October 2013. The Summary Report was authorised for issue on 31 October 2013 by the Mayor and Chief Executive. The information included in the Summary Report has been prepared in accordance with FRS 43: Summary Financial Statements.

A Summary Report cannot provide as complete an understanding of the financial and non-financial performance of Waitomo District Council as the full Annual Report.

For further detailed information please refer to the following sections in the full Annual Report: Financial Statements page 52, Report of the Audit Office page 53-56 and Our Activities page 15-51. A full copy of the Annual Report is available from Waitomo District Council Office, Te Kuiti Public Library or on our website: www.waitomo.govt.nz

The primary objective of the Council is to provide goods or services to the community for social benefit rather than for making a financial return.

Accordingly the Council has designated itself as a public benefit entity for the purposes of NZ IFRS. The full set of financial statements complies with NZ GAAP and other applicable financial reporting standards, as appropriate for public benefit entities.

The financial statements at 30 June 2013 comprise the Waitomo District Council and its wholly owned subsidiary Inframax Construction Limited incorporated in New Zealand, and its wholly owned subsidiary Independent Roadmarkers Taranaki Ltd incorporated in New Zealand.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Going Concern

The summary financial statements of the Group have been prepared on a going concern basis. For further information regarding the basis of preparation of Inframax Construction Limited's financial statements, refer to the Going Concern section of the Statement of Accounting Policies contained on page 61 of the full Annual Report and page 3 of this Summary.

Summary Statement of Comprehensive Income for the year ended 30 June 2013

	Council			Group	
	2013 BUDGET \$000's	2013 ACTUAL \$000's	2012 ACTUAL \$000's	2013 ACTUAL \$000's	2012 ACTUAL \$000's
Continuing Operations					
Rates excluding targeted water supply rates	16,630	16,416	15,668	16,416	15,668
Fees, charges and targeted rates for water supply	562	692	505	692	505
Subsidies and Grants	6,569	7,863	7,740	7,863	7,740
Interest Revenue	5	92	130	107	102
Other Revenue	3,030	3,225	3,039	29,264	29,403
Other Gains/(Losses)	10	195	(887)	195	201
Total Revenue and Gains/(Losses)	26,806	28,483	26,195	54,537	53,619
Employee Benefit Expenses	3,037	3,402	3,256	12,076	13,373
Depreciation and Amortisation	4,704	5,363	4,887	6,351	6,241
Finance Costs	2,775	2,306	2,536	2,862	3,081
Other Expenses	12,851	11,817	12,875	27,739	29,556
Total Expenditure	23,367	22,887	23,554	49,028	52,251
Surplus/(Deficit) Before Tax	3,439	5,596	2,641	5,509	1,368
Income Tax Expense/(Revenue)	0	0	0	26	(22)
Surplus/(Deficit)	3,439	5,596	2,641	5,483	1,390
Other Comprehensive Income					
Items that will not be subsequently reclassified to Profit and Loss Revaluation of Property, Plant and Equipment	0	0	18,424	359	18,746
Items that will not be subsequently reclassified to Profit and Loss Gains/(Losses) from Cash Flow Hedges	0	551	(600)	551	(600)
Other Comprehensive Income/(Loss) for the Year, Net of Tax	0	551	17,824	910	18,146
Total Comprehensive Income for the Year, Net of Tax	3,439	6,147	20,465	6,393	19,536

The major variances in overall performance are explained below:

Revenue was \$1.677 million more than budget due to:

- A total of \$2.609 million of unbudgeted subsidies being received for wastewater capital projects. These were not included in budgets for the year as there was uncertainty at the time subsidy applications were made whether Council was eligible to receive subsidy monies.
- Revenue on acquisition of \$0.2 million on the Railway Buildings, Rora Street, Te Kuiti.
- A \$0.5 million increase in trade waste revenue due to increased activity at local meat works.
- Rates revenue was \$0.2 million less than budget due to the actual rates revenue excluding rates paid on Council properties. The budget figure includes the rates revenue paid on Council property.
- Delays with commencing the Mokau raw water storage dam project meant budgeted subsidy of \$0.8 million was not due to be claimed during the year.
- Refuse dump charges and sales of recycled materials at the Landfill were \$0.2 million less than budget.
- As the combined roading maintenance and renewals expenditures were less than budgeted, total subsidies claimed during the year were correspondingly \$0.4 million less than budget.

Expenditure was \$0.5 million less than budget due to:

- Finance costs were \$0.5 million less than budget due to extended favourable economic conditions resulting in lower interest rates than what was used in the budget preparation.
- A reduction of \$0.5 million in kerbside refuse collections, waste minimisation, transfer stations and landfill operational costs.
- Electricity and insurance costs at the District's water and sewerage schemes were \$0.2 million less than budget due to changes in Council's insurance arrangements and delayed upgrade works.
- A \$0.8 million increase in expenditure over budget required for environmental roading maintenance and emergency reinstatement works, the latter as a result of weather events during the year. This was offset by savings of \$0.5 million in other budgeted roading categories.
- Depreciation charges were \$0.7 million more than anticipated, in particular on the Council's roading network and water and sewerage infrastructural assets, due to increased asset values following the 2012 revaluation which also included a number of changes in the assumptions on the lives of assets.

Summary Balance Sheet as at 30 June 2013

	Council			Group	
	2013 BUDGET \$000's	2013 ACTUAL \$000's	2012 ACTUAL \$000's	2013 ACTUAL \$000's	2012 ACTUAL \$000's
Equity	252,451	270,525	264,378	271,182	264,789
Current Assets	5,914	5,809	9,246	11,428	15,742
Current Liabilities	9,454	18,091	18,955	24,791	31,553
Net Working Capital	(3,540)	(12,282)	(9,709)	(13,363)	(15,811)
Non Current Assets	299,904	315,845	308,097	321,720	314,739
Non Current Liabilities	43,913	33,038	34,010	37,175	34,139
Net Assets	252,451	270,525	264,378	271,182	264,789

Balance Sheet

Council's total equity was \$18.0 million more than budget. The significant part of this was due to the increase in revaluation reserve during 2012/13. The results of the revaluation were not known at the time budgets for 2012/13 were being prepared.

Current assets were \$0.1 million less than budget. The \$1.2 million budget for inventory included the Parkside Subdivision. The fair value of the subdivision is now shown in non-current assets as 'Assets Held for Sale' as a result of a change in accounting treatment. Debtors and Other Receivables were higher than anticipated due to the subsidies that were receivable at 30 June 2013 and an increase in rates arrears.

Current liabilities were \$8.6 million more than budget due mainly to three floating rate notes (FRNs) for \$13.8 million maturing during the 2013/14 financial year. These are recognised as current borrowings. Creditors and other payables were also less than budget.

Non current assets were \$15.9 million more than budget due to the revaluation of assets at 30 June 2012 and the introduction of Parkside Subdivision as Assets Held for Sale. Neither of these were recognised during preparation of the 2012/13 budgets.

Non current liabilities were \$10.9 million less than budget as a greater portion of borrowings was anticipated to be non current when the budgets were prepared.

Council and Group Borrowings

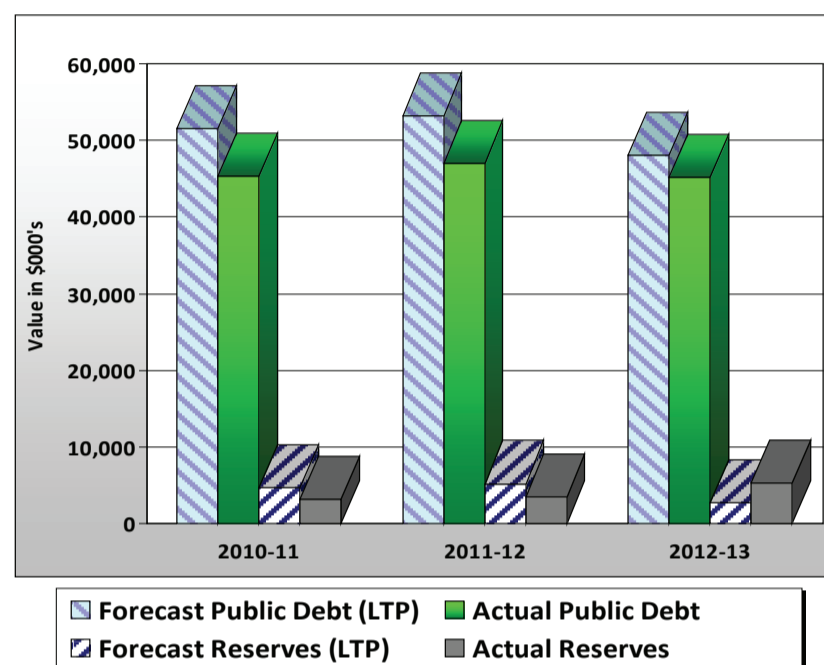
Borrowings of the Council and Group as at balance date:

	Council		Group	
	2013 ACTUAL \$000's	2012 ACTUAL \$000's	2013 ACTUAL \$000's	2012 ACTUAL \$000's
Current				
Bank Overdraft	0	0	3,144	2,876
Secured Loans	13,791	14,208	13,791	19,453
Lease Liabilities	60	56	141	247
Total Current	13,851	14,264	13,932	19,700
Non Current				
Secured Loans	30,497	31,847	34,588	31,847
Unsecured Loans	750	750	750	750
Lease Liabilities	84	144	103	231
Total Non Current	31,331	32,741	35,441	32,828
Total Borrowings	45,182	47,005	49,373	52,528

Summary Cashflow Statement for the year ended 30 June 2013

	Council			Group	
	2013 BUDGET \$000's	2013 ACTUAL \$000's	2012 ACTUAL \$000's	2013 ACTUAL \$000's	2012 ACTUAL \$000's
Net Cash Inflow from Operating Activities	8,323	14,898	8,212	15,386	5,835
Net Cash Inflow from Investing Activities	(13,904)	(15,592)	(12,251)	(15,294)	(7,787)
Net Cash Inflow from Financing Activities	5,581	(1,846)	1,596	(3,178)	236
Net increase/ (decrease) in cash, cash equivalents and bank overdrafts	0	(2,540)	(2,443)	(3,086)	(1,716)

Trend Analysis - Public Debt and Reserves



Public Debt and Reserves

The following tables illustrate favourable trends in the levels of public debt and reserve funds over the last 3 financial years, as follows:

Public Debt	30 June		
	2011	2012	2013
Forecast Public Debt (LTPs)	51,548,000	53,123,000	48,086,000
Actual Public Debt	45,372,000	47,005,000	45,182,000
\$ Trend	-6,176,000	-6,118,000	-2,904,000
% Trend	-12.0%	-11.5%	-6.0%

These trends show that actual debt requirements were considerably less than forecast and that despite major capital works (\$31.537 million) having been completed over the last 3 years, (particularly on water and wastewater networks for the District's urban communities), Council has managed to fund those works from subsidies and available cash whilst reducing its overall debt during that time.

This is a positive result for Council and indicates that Council's debt is being well managed and under control.

Reserves	30 June		
	2011	2012	2013
Forecast Reserves (LTPs)	4,675,000	5,257,000	2,765,000
Actual Reserves	3,199,000	3,529,000	5,277,000
\$ Trend	-1,476,000	-1,728,000	2,512,000
% Trend	-31.50%	-32.9%	+90.8%

In its LTP Council indicated that it intended utilising \$630,288 of reserves over 5 years (2013-2017) to smooth the projected increase in rates over that period, and that from 2018 onwards Council will recover overdrawn (or deficit) reserves through rates to restore long-term financial sustainability for the district.

The re-sequencing of water upgrades for both Te Kuiti and Mokau communities, together with additional revenue from user charges and savings in operational costs achieved during 2012/13 has meant that at 30 June 2013 Council's reserves now considerably exceed forecast.

This is an excellent result for Council as it positions itself for the preparation of its 2014/15 Annual Plan and the triennial review of the LTP during the 2014/15 financial year.

Statement of Changes in Equity for the year ended 30 June 2013

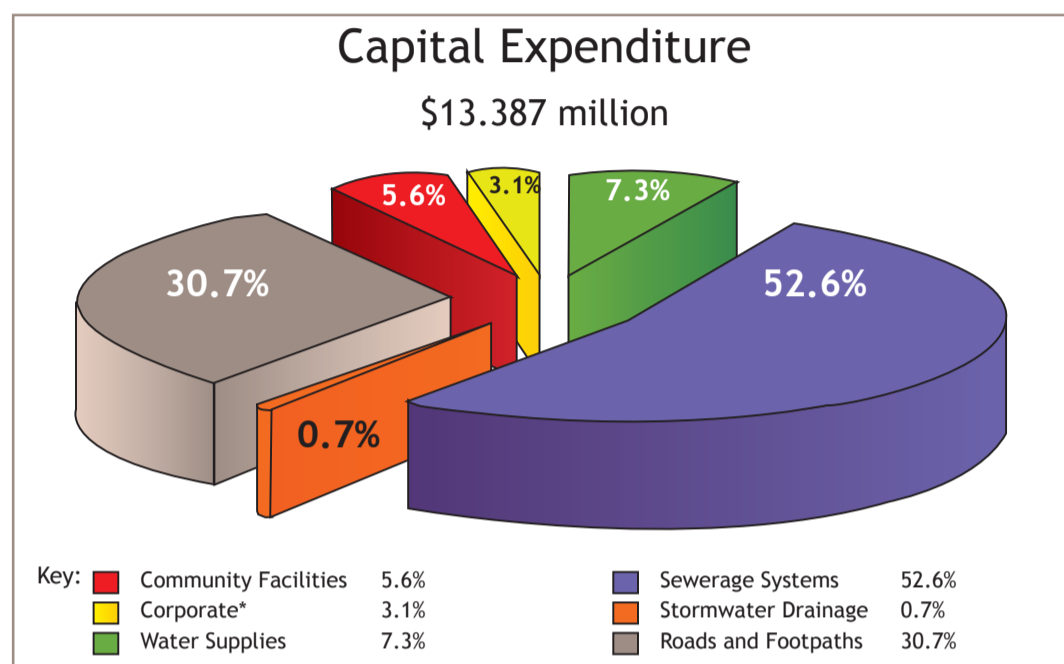
	Council		Group	
	2013 ACTUAL \$000's	2012 ACTUAL \$000's	2013 ACTUAL \$000's	2012 ACTUAL \$000's
Balance at 1 July	192,232	190,449	190,879	190,748
Surplus/(Deficit) for the year	5,596	2,641	5,483	1,390
	5,596	2,641	5,483	1,390
Transfer from Retained Earnings on Asset Disposal	234	72	234	72
Transfer to Revaluation Reserve Prior Period Adjustment	0	0	0	(49)
Prior Period Adjustment	0	0	0	(352)
Transfer to Council Created Reserves	(1,197)	(930)	(1,197)	(930)
Balance at 30 June	196,865	192,232	195,399	190,879
Other Reserves				
Council Created Reserves				
Balance at 1 July	4,226	3,296	4,226	3,296
Transfers from Retained Earnings	1,197	930	1,197	930
	5,423	4,226	5,423	4,226
Available for Sale Reserves				
Balance at 1 July	4	4	4	4
Valuation Gains/(Losses)	0	0	0	0
Balance at 30 June	4	4	4	4
Hedging Reserve				
Balance at 1 July	(701)	(101)	(701)	(101)
Gains/(Losses) from Cash Flow Hedges	551	(600)	551	(600)
Balance at 30 June	(150)	(701)	(150)	(701)
Total Other Reserves at 30 June	5,277	3,529	5,277	3,529
Revaluation Reserves				
Balance at 1 July	68,617	50,265	70,381	51,658
Revaluation Gains/(Losses)	0	18,424	359	18,746
	0	18,424	359	18,746
Transfer from Retained Earnings Prior Period Adjustment	0	0	0	49
Transfer from Retained Earnings on Asset Disposal	(234)	(72)	(234)	(72)
Balance at 30 June	68,383	68,617	70,506	70,381
Total Equity				
Balance at 1 July	264,378	243,913	264,789	245,605
Prior Period Adjustment	0	0	0	(352)
Adjusted Balance at 1 July	264,378	243,913	264,789	245,253
Surplus/(Deficit) for the year	5,596	2,641	5,483	1,390
Other Comprehensive Income				
Revaluation of Property, Plant and Equipment	0	18,424	359	18,746
Gains/(Losses) from Cash Flow Hedges	551	(600)	551	(600)
Total Comprehensive Income	6,147	20,465	6,393	19,536
Balance at 30 June	270,525	264,378	271,182	264,789

Capital Projects

Total capital expenditure amounted to **\$13.387 million**.

Overall, capital projects were under spent by \$519,000 during the year, the majority of which relates to the planned upgrades of water services in Te Kuiti and Mokau and subsidised roading works (see below for more details).

Unplanned capital expenditure includes the \$1.269 million purchase of Parkside Subdivision from Council's subsidiary company, Inframax Construction Ltd.



(* Corporate includes vehicle replacements, office equipment and computer hardware renewals).

Water Supply

Total capital expenditure on water supplies was under spent by **\$1.226 million**.

- As the detail of the design for the Te Kuiti Water Supply Upgrade developed, it soon became apparent that a holistic plan of the total upgrade was needed to ensure that funding is optimised and the final product is the best that the available money can buy. This combined with the pressure of 'affordability' meant that the work initially planned for 2012/13 has been rescheduled for 2013/14. Although subsidy for this project has been approved it is not able to be claimed until the project commences.
- Work on the raw water storage dam at Mokau was planned to be completed during 2011/12. However, as the work potentially affects archaeological sites, progress was delayed in order to complete consultation with Iwi and the Historic Places Trust. It is now anticipated that dam construction will take place during 2013/14 once consents have been finalised.
- The Piopio Water Supply Upgrade was overspent by \$245,000 as a result of reticulation renewals, fencing, additional site works and upgrades required to meet drinking water standards.

(\$000's)	Actual	Budget	Underspent
Te Kuiti	84	487	403
Piopio	688	443	(245)
Benneydale	34	72	38
Mokau	174	1,204	1,030
Total	980	2,206	1,226

Sewerage Systems

With the exception of Te Waitere, all planned upgrades of sewerage systems were completed during the year.

- The upgrade of the Te Kuiti Wastewater System was completed during the 2012/13 financial year. Capital expenditure (for which budgets were provided in the previous year) occurred during the year – reactor modifications (\$1.1 million), aeration system (\$1.5 million) and SCADA and telemetry systems (\$0.4 million). These expenditures were substantially offset by \$1.4 million of reductions in other budgeted capital works.
- The Piopio Sewerage project was completed in December 2012 and commissioned in May 2013. The unbudgeted expenditure in 2012/13 relates to the delayed installation of separator tanks the budget for which was provided in the previous year.
- The upgrade of the Benneydale system was completed in 2011/12. However, there was a carryover of minor unspent project costs into the 2012/13 year the budget for which was included in 2011/12.
- Work at Te Waitere has been deferred until the results of a geotechnical survey are known.

Roads and Footpaths

- Under expenditures were due mainly to a reallocation of the roading programme to cover \$0.4 million of unplanned flood damage works during the year.
- Expenditure on non-subsidised works was for footpath renewals. All other planned non-subsidised works were deferred on an 'as needs' basis and have been carried forward into 2013/14.

(\$000's)	Actual	Budget	Variance
Total Subsidised Works	4,030	4,643	(613)
Non-Subsidised Works	81	213	(132)
Total All Roothing Works	4,111	4,856	745

Miscellaneous Capital Works and Purchases

Other minor capital projects completed during the year included:

» Vehicle Replacements	352
» Railway Station Buildings (revalued)	199
» Land Purchase – Te Kuiti Cemetery	115
» Upgrade Waitomo Cultural & Arts Centre	111
» Stormwater Renewals (Urban)	95
» Landfill & Transfer Stations	63
» Purchase Library Books	61
» Upgrade Council Owned Buildings	56
» Computer & Office Equipment	53
» Land Purchases (incl. easements)	40
» Parks & Reserves	37
» Camping Grounds	34
» Mahoenui Hall Upgrade	18
» Elderly Persons Housing Renewals	11
» Te Waitere Wharf Upgrade	6
Total Miscellaneous Capital Works and Purchases	1,251



(\$000's)	Actual	Budget	Underspent
Te Kuiti	6,869	5,442	(1,427)
Piopio	159	0	(159)
Benneydale	17	0	(17)
Te Waitere	0	8	8
Total	7,045	5,450	(1,595)

