

Summary Annual Report 2011/12

Welcome to our Summary Annual Report for the 2011/2012 year. This document summarises the full Annual Report document. It outlines the key achievements and service performance over the past year, across Council's eleven significant 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 2012. This Report provides a record of the year gone by - activities, achievements and financial performance of the Waitomo District Council for the 2011/12 financial year.

The present Council, elected in 2010, has continued to build on the good work of the past 4-5 years and has adhered to the core principles of ensuring rates affordability and balancing it with prudent financial management and sustainable management of assets. However, in line with the feedback from our communities, additional focus has been placed on community development and promoting the Waitomo District; symbolised by Council's new vision "Creating a better future with vibrant communities and thriving business." An example is the establishment of a Youth Council, in January 2011 to engage our youth and develop their leadership skills.

We have performed well in the sustainable management and development of our assets which is one of our guiding principles. Council has worked hard in the last two years, to monitor and review the level of investment in the district roading network with a view to balancing levels of service with affordability. On the Te Kuiti Wastewater Treatment Plant, Council has been working closely with Waikato Regional Council to ensure the necessary planning, design and consenting work is carried out in a timely manner so that maximum benefit can be derived from the \$3.65 million subsidy that has been received for the upgrade. Work has also been carried out to improve our underground assets like CCTV inspections which will help to channel our expenditure in to areas of most need. Te Kuiti and Piopio Water Treatment Plants need upgrading to meet the Drinking Water Standards. An Asset Improvement Programme has been developed in 2011/12 which lists the priority need areas and further upgrades required to fully comply with the Standards which will be carried out over 10 years.

The sustained effort made in delivery of services is demonstrated through the achievement of targets set for different performance indicators. Some performance targets have not been met for various reasons, the key one being the need for asset upgrades (example is the non compliance with 100% resource consent conditions by the Te Kuiti Waste Water Treatment Plant). However, the important point is that these have been identified as top priorities for improvement, by Council. Of course, this needs to be balanced with the consideration of whether the community can afford it.

In terms of our financial performance, we continue to manage the District's finances prudently on behalf of the Waitomo District Community. Despite the loss of investment income from Inframax, results from WDC's own operations were generally in line with the results projected for the third year of the 2009-2019 LTCCP. Our expenditure has been within budget forecast. Our rates revenue was also under budget when compared to the forecast in the 2009-2019 LTCCP. There have been delays in the commencement of capital projects (relating mainly to the upgrades of both the Te Kuiti Wastewater system and the Mokau Water Supply). The level of rates levied was made on the basis of our forecast need to pay loan charges to fund those projects. However that funding was not applied during the year. Also some approved subsidies were not able to be claimed for the same reason. These funds will be claimed during the 2012/13 financial year.

WDC's borrowing and its associated risks have been maintained at prudent levels in line with our policy on Liability Management and the specific borrowing limits have been achieved.

The ongoing investment in Inframax Construction Limited (ICL) has been a matter of consideration for each of the past three financial years. In November 2010 Council approved a Recovery Plan prepared by Inframax Construction Ltd after very careful scrutiny. Since then, considerable effort has been put into working with the newly appointed ICL Board, to ensure that ICL maintains its commercial presence, and remains as a large employer in the Waitomo District. Unfortunately, the tough economic conditions facing the road construction industry and the consequent competition which is squeezing profit margins has carried on and a key challenge for Council is to both monitor and support the restorative process. Though we have not had any income from our investment in the past year, indications are that ICL is working hard to overcome the marketplace challenges and this is evidenced by their trading result for the 2011/12 financial year which was considerably better than had been originally forecast in the approved Recovery Plan.

We not only assess our performance internally through performance indicators but also seek the community's impressions of the standard of services provided by the Council. Immediately following the close of the 2011/12 financial year a Resident Satisfaction Survey (RSS) was undertaken. 77% of residents surveyed were either satisfied or very satisfied with Council's performance. We acknowledge that the measures relating to the aspects of the Roding service have decreased since the survey conducted in 2011. This was due to the requirement to lower the levels of service to ease the transition from debt to rates funding for this activity which had already caused the rates to be increased substantially. However, through the 2012-22 Long Term Plan (LTP) finalised in June of this year, Council has adopted to phase in increases in maintenance levels of some functions under the Roads and Footpaths group of activities and reinstate them to pre-2009 level by 2015-16.

In conclusion, during the 2011/12 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 2011/12 year needs to be recognised. The focus is now on the future and working towards the priorities laid out in the 2012-22 LTP.

Council's Vision

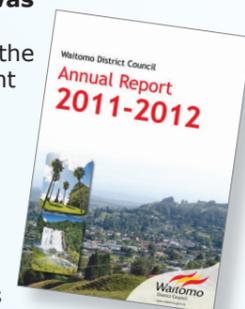


Purpose of the Annual Report 2011/12

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 30th October 2012.

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 12 November 2012.

This Summary Annual Report provides a snapshot of our performance over the last financial year from 1 July 2011 to 30 June 2012. The information contained in this Summary has been extracted from our full Annual Report which contains detailed 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 free phone 0800 932 4357 to request a printed copy of the full Annual Report.



Brian Hanna
MAYOR



Chris Ryan
CHIEF EXECUTIVE

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 2012

We have audited the summary of the annual report (the summary) as set out on pages 3 to 8, which was derived from the audited statements in the annual report of the Waitomo District Council (the District Council) and group for the year ended 30 June 2012 on which we expressed an unmodified audit opinion in our report dated 30 October 2012.

The summary comprises:

- the summary balance sheet as at 30 June 2012, and summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of the District Council and group's statement of service performance and summaries of other information contained in its annual report.

Opinion

In our opinion, the information reported in the summary complies with FRS-43: *Summary Financial Statements* and represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

Basis of opinion

The audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand).

The summary and the audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 30 October 2012 on the audited statements.

The summary does not contain all the disclosures required for audited statements under generally accepted accounting practice in New Zealand. Reading the summary, therefore, is not a substitute for reading the 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 in accordance with FRS-43: *Summary Financial Statements*. We are responsible for expressing an opinion on the summary, based on the procedures required by the Auditor-General's auditing standards and the International Standard on Auditing (New Zealand) 810: *Engagements to Report on 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
12 November 2012

Matters relating to the electronic presentation of the summary audited financial statements, statement of service performance and the other requirements

This audit report relates to the summary financial statements, statement of service performance and the other requirements of Waitomo District Council and group for the year ended 30 June 2012 included on the Waitomo District Council's website. The Council is responsible for the maintenance and integrity of the Waitomo District Council's website. We have not been engaged to report on the integrity of the Waitomo District Council's website. We accept no responsibility for any changes that may have occurred to the summary financial statements, statement of service performance and the other requirements since they were initially presented on the website. The audit report refers only to the summary financial statements, statement of service performance and the other requirements named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the summary financial statements, statement of service performance and the other requirements. 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 summary financial statements, statement of service performance and the other requirements as well as the related audit report dated 30 October 2012 to confirm the information included in the audited summary financial statements, statement of service performance and the other requirements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Role and Direction

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

1. To enable democratic decision making and action by, and on behalf of the people of the Waitomo District.
2. To promote the social, economic, environmental and cultural well-being of the people of the Waitomo District, now and into the future.

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

Under other legislation, we are 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.

Our Reporting

WDC completes a financial report on a monthly and quarterly basis and reports the non-financial performance results (Statement of Service Performance) on a quarterly basis along with detailed commentary explaining what we have not achieved, why we did not achieve target and what we plan on doing to improve our future performance results.

Measuring Resident Satisfaction

Ensuring the districts' 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.

The Long-Term Direction of the District

The review of the 2012-22 Long Term Plan (LTP) during the year highlighted the strategic challenge of rates affordability as a critical consideration when shaping projects and work programmes for the next 10 years.

World economies have not yet emerged from the global financial crisis that hit us around 2008-09. In fact the economic troubles of Europe have been added to this conundrum, and like any country in today's interconnected world, NZ is not immune to these external economic conditions.

Council was mindful that households in the Waitomo District are faced with difficult financial times that are forecast to continue some time into the future. That quest for rates affordability was exacerbated by:

- A significant loss of investment income from Council's subsidiary, Inframax Construction Limited. (Traditionally this income was used to offset rates income and fund some of the operations undertaken by Council);
- The need to fund essential upgrades of water and sewerage services in the Districts' urban centres;
- The need to substitute borrowing with rate funding in the Land Transport Activity (subsidised roads); and
- The need to actively reduce debt to more manageable levels.



The focus for the 2011/12 year was to balance the competing goals of rates affordability with the sustainable management of infrastructural assets and the delivery of services in the most prudent manner.

The 2011/12 financial year saw Council continue to work on implementing a strategy that recognises 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.

A key affordability project undertaken during 2010/11 involved a careful review of the Levels of Service provided through the roading network and funded by the Land Transport (Roading) Activity.

The aim of the project was to reduce the spend in the Land Transport (Roading) Activity without compromising Financial Sustainability, while at the same time supporting the drive to achieve rates affordability. The delivery of the roading programme against the approved budget was substantially achieved during the year. Weather conditions contributed to a reduced level of sealed pavement maintenance and an increase in unforeseen emergency works.

At a glance

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...

- ▶ We consulted on and adopted the 2012-2022 Long Term Plan.
- ▶ We completed the renewal of Te Waitere Wharf.
- ▶ Stage two of the upgrade work was nearing completion for the Waitomo Cultural and Arts Centre, including the Supper Room and installation of security alarms.
- ▶ Another successful 'The Great NZ Muster' was held on March 31st 2012 with over 8,000 spectators and a celebration of the event's 20th anniversary.
- ▶ Establishment of the Waitomo District Youth Council.
- ▶ Construction of Landfill Transfer Station completed with improved access to recycling and refuses disposal facilities.
- ▶ Piopio Sewerage System was substantially completed and is performing well and achieving results better than consent requirements.
- ▶ Major upgrade of Benneydale Sewerage System completed.
- ▶ Significant upgrade of Te Kuiti Wastewater Treatment Plant commenced.
- ▶ Successful subsidy applications for upgrades of water treatment plants at Te Kuiti and Piopio to meet drinking water standards
- ▶ 45km of resealing work completed on District roads.
- ▶ Pavement rehabilitations carried out on Te Anga Road, Taharoa Road and Rora Street.
- ▶ Purchase of Parkside Subdivision from Inframax Construction Ltd.
- ▶ Introduction of the Nga Wai o Maniapoto (Waipa River) Act requiring Council and Maniapoto to enter into a joint management agreement (JMA) around co-governance and co-management of the Waipa River
- ▶ Review and adoption of Asset Management Plans covering all of Council-owned assets.
- ▶ Council's subsidiary company Inframax Construction Ltd returning a result considerably better than had been forecast for the year in the approved Recovery Plan.

2011/2012 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 \$1.4 million.

The subsidiary experienced another difficult trading year sustaining an after tax loss of \$1.9 million, highlighting the difficult ongoing economic and trading conditions that have faced the roading construction and roading maintenance industry for some time now. That result was however considerably better than had been originally forecast in the subsidiary's Recovery Plan as approved by Council in November 2010.

Balance Sheet

At 30 June 2012 total equity for the Group was \$264.8 million. There was a \$19.5 million increase in equity reflecting:

- The Group's after tax profit of \$1.4 million
- An \$18.7 million increase in the revaluation reserve as a result of revaluations of Council owned assets
- Losses of \$0.6 million from cash flow hedges

Current assets decreased by \$0.4 million due mainly to a \$2.1 million decrease in cash and cash equivalents, and a \$1.7 million increase in trade and other receivables.

Overall current liabilities increased by \$3.3 million mainly as a result of the increase in the current portion of borrowings.

Non-current liabilities decreased by \$3 million due mainly to the change in category of borrowings being recognised in current liabilities.

Non-current assets increased by \$19.9 million due mostly to the revaluation of assets at 30 June 2012.

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 (ICL) continues to face financial difficulties and has been unable to provide a return on Council's investment again this year.

In 2010/11 ICL 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:

- Introduction of \$800,000 by WDC of additional equity in the form of an increase in the shareholding investment.
- The purchase of Parkside subdivision from the Company for book value.
- The advance of a loan for \$750,000 to the Company on terms that are not more favourable than if ICL were to borrow the funds externally.

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

Overall Performance against LTP 2009-19

WDC reported a net surplus of \$2.6 million compared to an LTP forecast surplus of \$3.7 million. This result is directly attributable to a reduction in revenue from rates and investment income.

The LTP forecasts included a budget for investment revenue from ICL however for reasons provided elsewhere in this Summary, ICL was unable to provide a return on Council's investment.

Balance Sheet

- Equity was \$7.3 million more than LTP forecast due to revaluation of assets which was not included in the LTP forecast, partly offset by the write-down of Council's investment in ICL to nil in the 2009/10 year.
- Current assets were \$1.2 million more than LTP due to surplus funds being invested in short term investments.
- Current liabilities were \$11.4 million more than LTP due to a greater portion of borrowings being recognised as current than what was forecast in the LTP.
- Non current assets were \$1 million less than the LTP due to the revaluation of assets at 30 June 2012 that was not included in the forecasts, partly offset by the write-down of the Inframax investment.
- Non current liabilities were \$18.4 million less than LTP forecast due to a lower level of borrowings at 30 June 2012 and a greater portion of borrowings being recognised as a current liability.

Summary of Groups 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.

Council has maintained a strong Service Performance focus over the three financial years up to and including the reporting period covered by this Annual Report. The following information provides a snapshot of progress made by WDC in achieving the performance targets for what are considered the key performance targets.

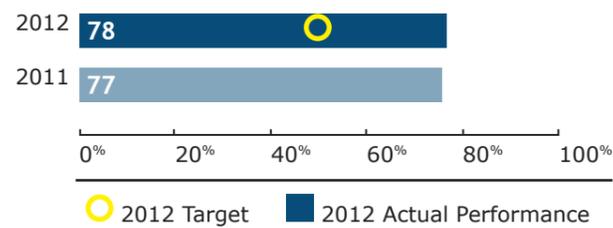
The full Annual Report should be referred to if the reader wishes to see the results for all of the performance targets.

We consult in accordance with the Special Consultative Procedure outlined in the Local Government Act 2002.

| How we measured success | How we did |
|---|-----------------|
| Number of challenges to the process for decision-making. Target 0 (No Challenges) | Achieved |

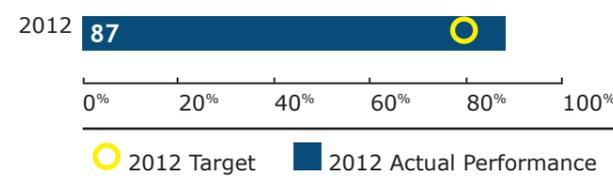
Council provides effective and useful communications.

In the 2012 Residents Satisfaction Survey (RSS), 78% 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%.



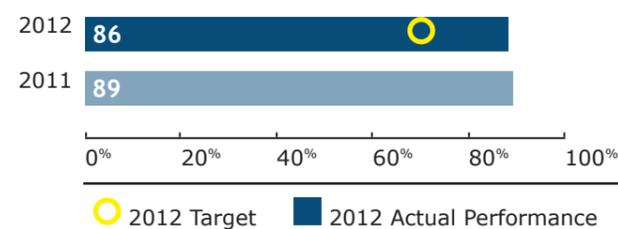
The District has quality Parks and Reserves.

87% of residents are satisfied or very satisfied with the quality of the Districts' Parks and Reserves. This rating exceeds Council's target for 2011/12 of greater than 80% resident satisfaction with the District's Parks and Reserves.



86% of Residents consider road signage and markings to be accurate and visible.

This rating exceeds Council's target for 2011/12 of 70%, but shows a reduction in resident satisfaction with the road signage and markings from the 2011 survey.



We provide assistance for community support activities and advertised the availability of discretionary grants on a quarterly basis.

The Discretionary Grant Funding Round for September was advertised in the Waitomo News on 11 and 25 August 2011 with grants being allocated in September 2011. The December Funding Round was advertised in the Waitomo News on 8 and 15 November 2011 with grants being allocated in December 2011. The March Funding Round was advertised in the Waitomo News 9 and 16 February with grants being allocated in March. The June Funding Round was advertised in the Waitomo News 9 and 22 May 2012 with grants being allocated in June.

Our performance target of 100% of grants for Community Halls was achieved this year.

The funding pool is distributed on an annual basis to community halls located throughout the Waitomo District. The grant assists the Hall Committees' with the costs associated with repairs and maintenance of the halls, hireage and fundraising initiatives.

Grants were allocated with halls receiving \$1,000.

- Mahoenui Hall Society
- Waitanguru Hall Society
- Rangitoto Hall Committee
- Mokau Hall Committee
- Mairoa Hall Committee
- Kopaki Hall Committee
- Awakino Hall Committee
- Aria Hall Committee
- Benneydale & District Ratepayers Association
- Mokauiti Hall Committee
- Mapiu Sport & Recreation Committee

I-SITE delivers effective and efficient services to visitors.

Council has achieved an excellent performance result this year, in its goal to support the growth of the economy through the effective provision of District attractions to domestic and international markets.

On a monthly basis, we accurately record statistical trends and volumes in visitor usage and report these results to Management.

We support the development of Youth within the District and carried out the following activities this year:

1. Youth Forum was held 6 December 2011 at the Waitomo Cultural and Arts Centre.
2. The Youth Leadership Camp was held 25-26 January 2012.
3. The Youth Council hosted a concert in collaboration with Maniapoto FM, for young people during Youth Week. Schools from around the District were invited. 250 youth attended the concert.

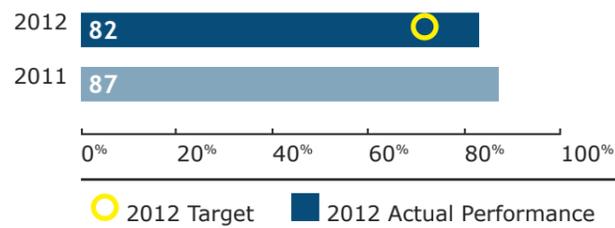
Service requests and failures are responded to as they come in.

Our performance target of 90% of non-urgent requests relating to the Sewerage Activity are responded to within 10 working days was achieved this year.

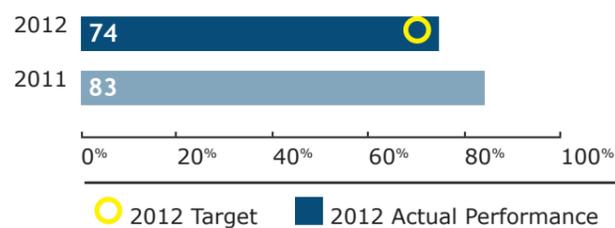
Two non-urgent service requests were received and both were responded to within 10 working days.

Recycling facilities are safe for public use.

Of the 407 residents surveyed, 82% were satisfied or very satisfied with the safety of recycling facilities.



74% of residents were satisfied or very satisfied with the safety of waste transfer stations and landfill facilities. This highlights a reduction in satisfaction from the 2011 survey.

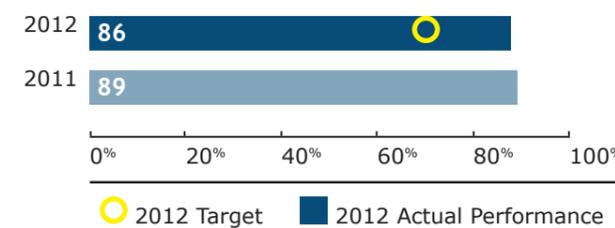


75% of residents surveyed are satisfied or very satisfied with the availability of recycling and refuse disposal services. This result exceeds Council's target for 2011/12 of 70% resident satisfaction.

All food and liquor retail premises are inspected and appropriately registered and licensed.

Traffic services (street lighting, roadside vegetation, road signs, road markings) are visible and accurate.

86% of 407 residents who rated their satisfaction, were satisfied or very satisfied with the road signage and markings, in the 2012 Resident Satisfaction Survey.



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

- Results for resident satisfaction in regards to various **Roading** attributes show a reduction in this year's survey. The quality of street lighting did not meet the 2011/12 target of 70%, with only 67% of residents satisfied or very satisfied with the service. The standard of footpaths was given a rating of 53% resident satisfaction (69% 2011) and repairs and maintenance was given a rating of 56% (62% 2011);
- Service performance of the **Waitomo District Library** has fallen short of its target range of 13,750 - 14,250 for the number of borrowers using the service with a result of 11,109. The number of issues of books this year did not meet the target range of 66,000 - 68,000 reducing this year to 51,183;
- The **Stormwater Activity** has shown a further decline in service performance measures only achieving three of the ten performance targets set for the 2011/12 year.

Summary Financial Statements for the year ended 30 June 2012

The summary financial statements have been extracted from the corresponding full Annual Report which was authorised for issue on 30 October 2012 by the Mayor and Chief Executive. An unmodified audit report was issued and signed as part of the Annual Report on 30 October 2012. Deloitte have audited this Summary Report and have issued an unmodified opinion on 12 November 2012. The Summary Report was authorised for issue on 12 November 2012 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: Section 3 - Financial Statements, Sub-section 3.3 - Report of the Audit Office and Section 5- Groups of Activity Performance. 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 2012 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 in the full Annual Report.

Summary Statement of Comprehensive Income for the year ended 30 June 2012

| | 2012 BUDGET COUNCIL | 2012 ACTUAL COUNCIL | 2011 ACTUAL COUNCIL | 2012 ACTUAL GROUP | 2011 ACTUAL GROUP |
|---|---------------------------|---------------------------|---------------------------|-------------------------|-------------------------|
| (\$000's) | | | | | |
| Continuing Operations | | | | | |
| Rates Revenue (including Penalties) | 15,764 | 15,668 | 14,430 | 15,668 | 14,430 |
| Other Revenue | 14,152 | 11,414 | 10,442 | 37,750 | 36,165 |
| Other Gains/(Losses) | 13 | (887) | 19 | 201 | 95 |
| Total Revenue and Gains/(Losses) | 29,929 | 26,195 | 24,891 | 53,619 | 50,690 |
| Employee Benefit Expenses | 2,968 | 3,256 | 2,950 | 13,373 | 14,998 |
| Depreciation and Amortisation | 4,528 | 4,887 | 4,609 | 6,241 | 6,339 |
| Finance Costs | 2,964 | 2,536 | 2,524 | 3,081 | 3,135 |
| Other Expenses | 12,712 | 12,875 | 12,757 | 29,556 | 28,379 |
| Total Expenditure | 23,172 | 23,554 | 22,840 | 52,251 | 52,851 |
| Surplus/(Deficit) Before Tax | 6,757 | 2,641 | 2,051 | 1,368 | (2,161) |
| Income Tax Expense/(Revenue) | 0 | 0 | 0 | (22) | 1,386 |
| Surplus/(Deficit) | 6,757 | 2,641 | 2,051 | 1,390 | (3,547) |
| Other Comprehensive Income | | | | | |
| Revaluation of Property, Plant and Equipment | 0 | 18,424 | 0 | 18,746 | 0 |
| Gains/(Losses) from Cash Flow Hedges | 0 | (600) | (101) | (600) | (101) |
| Income Tax relating to Components of Other Comprehensive Income | 0 | 0 | 0 | 0 | 0 |
| Other Comprehensive Income/(Loss) for the Year, Net of Tax | 0 | 17,824 | (101) | 18,146 | (101) |
| Total Comprehensive Income for the Year, Net of Tax | 6,757 | 20,465 | 1,950 | 19,536 | (3,648) |

The major variances in overall performance are explained below:

Revenue was \$3.7 million less than budget due to:

- 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.
- A total of \$3.1 million of budgeted subsidies not being received due to delays in the water and wastewater capital projects and a reduced roads capital expenditure programme, partly offset by \$0.3 million of subsidies received for water and wastewater capital projects and youth development that were not budgeted for.
- The impairment loss of \$0.1 million on the Parkside subdivision and the loss on valuation of the investment in Inframax Construction Ltd of \$0.8 million have been recognised in Other Gains/(Losses). These items were not included in the budgets.

Expenditure was \$0.4 million more than budget due to:

- Additional depreciation expenses of \$0.4 million being charged. Road assets that were constructed earlier than anticipated during the year incurred a higher depreciation expense in the budgets.

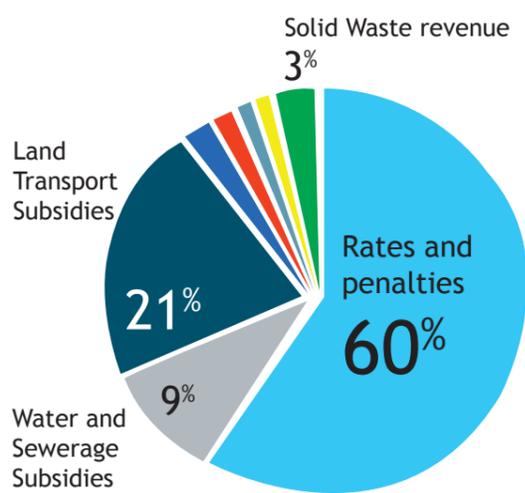
In addition to this there were also changes in assumptions to the lives of assets compared to the assumptions that were made at the time the budgets were prepared.

- Additional employee benefit expenses of \$0.3 million were incurred due to changes in the resourcing requirements of the organisation that occurred during the year.
- Finance costs were \$0.4 million less than budget due to unplanned economic conditions resulting in lower interest rates than what was used in the budget preparation.
- Other expenditure was \$0.1 million more than budget. Additional road expenditure was incurred for emergency reinstatement, environmental maintenance, sealed pavement maintenance and asset management operational expenditure. Additional expenditure was incurred in the processing of rates and rates penalty remissions on Māori Freehold land.

Unbudgeted expenditure was also incurred in holding and maintaining the Parkside subdivision. These costs were offset by reduced expenditure incurred for parks and property maintenance and lower than anticipated operating costs for the landfill.

Where the Money comes from

(Total Revenue \$26.195 Million)

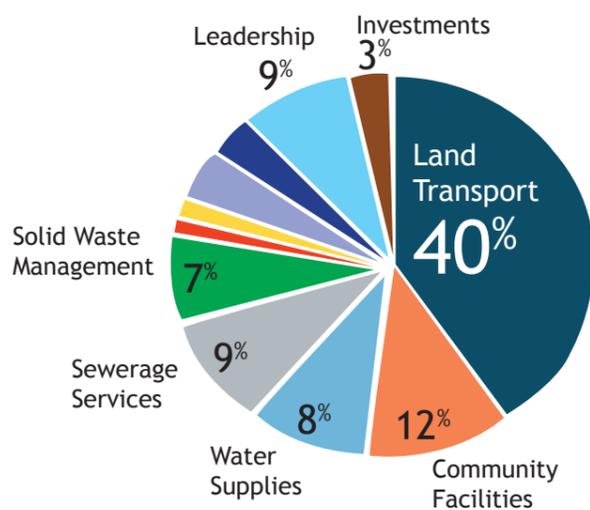


Key:

| | |
|--------------------|----|
| Property rentals | 1% |
| Regulatory revenue | 1% |
| Water charges | 2% |
| Other revenue | 3% |

Where the Money went to

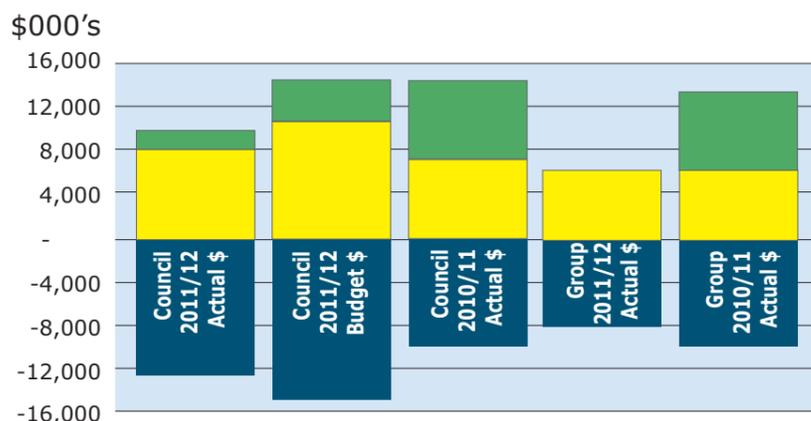
(Total Expenditure \$23.554 Million)



Key:

| | |
|-----------------------|----|
| Regulation and Safety | 4% |
| Community Development | 5% |
| Stormwater | 2% |
| Resource Management | 1% |

Cash Flows



| |
|--|
| Net cash Inflow from Operating activities |
| Net cash Outflow from Investing activities |
| Net cash Inflow from Financing activities |

Summary Balance Sheet as at 30 June 2012

| | 2012 BUDGET COUNCIL | 2012 ACTUAL COUNCIL | 2011 ACTUAL COUNCIL | 2012 ACTUAL GROUP | 2011 ACTUAL GROUP |
|-------------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| Equity | 250,909 | 264,378 | 243,913 | 264,789 | 245,605 |
| Current Assets | 4,243 | 9,246 | 10,231 | 16,854 | 17,283 |
| Current Liabilities | (4,943) | (18,955) | (14,071) | (31,595) | (28,216) |
| Net Working Capital | (700) | (9,709) | (3,840) | (14,741) | (10,933) |
| Non Current Assets | 296,051 | 308,097 | 284,321 | 313,627 | 293,730 |
| Non Current Liabilities | (44,442) | (34,010) | (36,568) | (34,097) | (37,192) |
| Net Assets | 250,909 | 264,378 | 243,913 | 264,789 | 245,605 |

Balance Sheet

Council's total equity was \$13.4 million more than budget. The significant part of this was due to the increase in revaluation reserve that was not included in the budget preparation. This increase was partially offset by a lower than expected surplus, than what was budgeted.

Current assets were \$5 million more than budget. Loans were raised in anticipation of the capital works program which was delayed, these additional funds were invested in short term investments which increased the cash and cash equivalents at year end. Trade and Other Receivables was also higher than anticipated due to the subsidies that were receivable at 30 June 2012.

Current liabilities were \$14 million more than budget due to term loans being refinanced using the wholesale advance facility which are recognised as current borrowings.

Non current assets were \$12 million more than budget due to the revaluation of assets at 30 June and the purchase of Parkside subdivision which were not included in the budgets.

Non current liabilities were \$10.4 million less than budgets as a greater portion of borrowings was anticipated to be non current when the budgets were prepared however term loans were refinanced using the wholesale advance facility which is recognised as a current liability.

Council and Group Borrowings

Borrowings of the Council and Group as at balance date:

| | 2012 ACTUAL COUNCIL | 2011 ACTUAL COUNCIL | 2012 ACTUAL GROUP | 2011 ACTUAL GROUP |
|--------------------------|---------------------|---------------------|-------------------|-------------------|
| Bank Overdraft | 0 | 0 | (2,876) | (3,308) |
| Current | | | | |
| Secured Loans | 14,208 | 9,781 | 19,453 | 16,089 |
| Lease Liabilities | 56 | 50 | 247 | 160 |
| Total Current | 14,264 | 9,831 | 19,700 | 16,249 |
| Non Current | | | | |
| Secured Loans | 31,847 | 35,500 | 31,847 | 35,581 |
| Unsecured Loans | 750 | - | 750 | - |
| Lease Liabilities | 144 | 41 | 231 | 244 |
| Total Non Current | 32,741 | 35,541 | 32,828 | 35,825 |
| Total Borrowings | 47,005 | 45,372 | 52,528 | 52,074 |

Summary Cashflow Statement for the year ended 30 June 2012

| | 2012 BUDGET COUNCIL | 2012 ACTUAL COUNCIL | 2011 ACTUAL COUNCIL | 2012 ACTUAL GROUP | 2011 ACTUAL GROUP |
|--|---------------------|---------------------|---------------------|-------------------|-------------------|
| Net Cash Inflow from Operating Activities | 11,154 | 8,212 | 7,074 | 5,835 | 6,226 |
| Net Cash Inflow from Investing Activities | (14,595) | (12,251) | (9,536) | (7,787) | (9,685) |
| Net Cash Inflow from Financing Activities | 3,141 | 1,596 | 7,218 | 236 | 7,057 |
| Net increase/(decrease) in cash, cash equivalents and bank overdrafts | (300) | (2,443) | 4,756 | (1,716) | 3,598 |

Summary Statement of Equity as at 30 June 2012

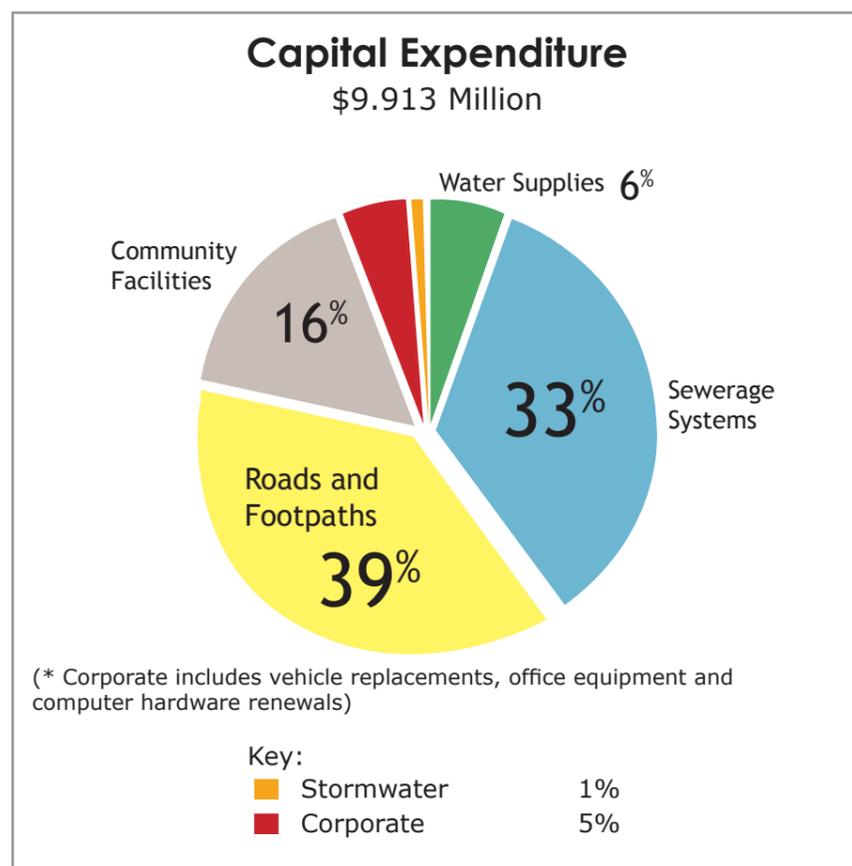
| | 2012 ACTUAL COUNCIL | 2011 ACTUAL COUNCIL | 2012 ACTUAL GROUP | 2011 ACTUAL GROUP |
|---|---------------------------|---------------------------|-------------------------|-------------------------|
| (\$000's) | | | | |
| Retained Earnings | | | | |
| Balance at 1 July | 190,449 | 197,598 | 190,748 | 203,495 |
| Surplus/(Deficit) for the year | 2,641 | 2,051 | 1,390 | (3,547) |
| Transfer to Retained Earnings on Asset Disposal | 72 | 614 | 72 | 614 |
| Transfer to Revaluation Reserve Prior Period Adjustment | 0 | 0 | (49) | 0 |
| Prior Period Adjustment | 0 | 0 | (352) | 0 |
| Transfer to Council Created Reserves | (930) | (9,814) | (930) | (9,814) |
| Retained Earnings at 30 June | 192,232 | 190,449 | 190,879 | 190,748 |
| Other Reserves | | | | |
| Council Created Reserves | | | | |
| Balance at 1 July | 3,296 | (6,518) | 3,296 | (6,518) |
| Transfers from Retained Earnings | 930 | 9,814 | 930 | 9,814 |
| Council Created Reserves at 30 June | 4,226 | 3,296 | 4,226 | 3,296 |
| Available for Sale Reserves | | | | |
| Balance at 1 July | 4 | 4 | 4 | 4 |
| Available for Sale Reserves at 30 June | 4 | 4 | 4 | 4 |
| Hedging Reserve | | | | |
| Balance at 1 July | (101) | 0 | (101) | 0 |
| Gains/(Losses) from Cash Flow Hedges | (600) | (101) | (600) | (101) |
| Hedging Reserve at 30 June | (701) | (101) | (701) | (101) |
| Total Other Reserves at 30 June | 3,529 | 3,199 | 3,529 | 3,199 |
| Revaluation Reserves | | | | |
| Balance at 1 July | 50,265 | 50,879 | 51,658 | 52,272 |
| Revaluation Gains/(Losses) | 18,424 | 0 | 18,746 | 0 |
| Transfer from Retained Earnings Prior Period Adjustment | 0 | 0 | 49 | 0 |
| Transfer to Retained Earnings on Asset Disposal | (72) | (614) | (72) | (614) |
| Revaluation Reserves at 30 June | 68,617 | 50,265 | 70,381 | 51,658 |
| Total Equity | | | | |
| Balance at 1 July | 243,913 | 241,963 | 245,605 | 249,253 |
| Prior Period Adjustment | 0 | 0 | (352) | 0 |
| Adjusted Balance at 1 July | 243,913 | 241,963 | 245,253 | 249,253 |
| Surplus/(Deficit) for the year | 2,641 | 2,051 | 1,390 | (3,547) |
| Other Comprehensive Income | | | | |
| Revaluation of Property, Plant and Equipment | 18,424 | 0 | 18,746 | 0 |
| Gains/(Losses) from Cash Flow Hedges | (600) | (101) | (600) | (101) |
| Total Comprehensive Income | 20,465 | 1,950 | 19,536 | (3,648) |
| Total Equity at 30 June | 264,378 | 243,913 | 264,789 | 245,605 |

The Council's equity grew by \$20.5m in 2011/12 to \$264.4m and the Group's equity grew by \$19.2m to \$264.8m. The increase to equity was due mostly to the revaluation of assets which increased the Revaluation Reserve and reported surpluses for both Council and Group.

Capital Projects

Capital projects were under spent by \$4.682 million during the year, the majority of which relates to the approved roading programme and the planned upgrades of water and wastewater services in the urban centres.

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



Water Supply

Total capital expenditure on water supplies was under spent by \$585,000.

- Design of the Te Kuiti Water Supply Upgrade was advanced into the 2011/12 year. However, as detailed design developed, it soon became apparent that a holistic plan of the total upgrade is 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 planned initially for 2012/13 has been moved to 2013/14. Although subsidy for this project has been approved it is not able to be claimed until the project commences.
- The Piopio Water Supply Upgrade was advanced to 2011/12 following an unexpected successful application for Ministry of Health subsidy. At 30 June this project was a 'work in progress' and is now scheduled for completion in December 2012.

Work on the raw water storage dam at Mokau was to have been completed during 2011/12. However, as the work potentially affects archaeological sites, progress has been delayed in order to complete consultation with Iwi and the Historic Places Trust. It is now anticipated that dam construction will take place in the early part of 2013 once consents have been finalised.

| (\$000's) | Actual | Budget | Underspent |
|-------------------|------------|--------------|--------------|
| Te Kuiti | 147 | 21 | 126 |
| Piopio | 398 | 13 | 385 |
| Benneydale | 11 | 6 | 5 |
| Mokau | 52 | 1,153 | (1,101) |
| | 608 | 1,193 | (585) |

Sewerage Systems

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

- The upgrade of the Te Kuiti Wastewater System has progressed more slowly than originally anticipated and the balance of the project will be now undertaken during the 2012/13 financial year.
- The Piopio Sewerage project was substantially completed at 30 June. Final completion date for this project is planned for December 2012.
- The upgrade of the Benneydale system was completed at year end. The majority of the cost of this project was budgeted for in the 2010/11 financial year – there was a carryover of unspent project costs into the 2011/12 year.
- Work at Te Waitere has been deferred until the results of a geotechnical survey are known.

| (\$000's) | Actual | Budget | Underspent |
|-------------------|--------------|--------------|--------------|
| Te Kuiti | 2,502 | 6,106 | 3,604 |
| Piopio | 678 | 1,104 | 426 |
| Benneydale | 138 | 23 | (115) |
| Te Waitere | 0 | 185 | 185 |
| | 3,318 | 7,418 | 4,100 |

Roads and Footpaths

- Under expenditures were due to a reallocation of the roading programme to cover unplanned flood damage works during the year.
- Drainage renewals were overspent as part of a programmed catch-up of deferred renewals.
- Expenditure on non-subsidised works was for footpath renewals. All other planned non-subsidised works were deferred for affordability reasons and have been carried forward into 2012/13.

| (\$000's) | Actual | Budget | Variance |
|-------------------------------|--------------|--------------|------------|
| Total Subsidised Works | 3,833 | 4,570 | 737 |
| Non-Subsidised Works | 70 | 216 | 146 |
| | | | |
| Total All Roding Works | 3,903 | 4,786 | 883 |

Miscellaneous Capital Works and Purchases

Other minor capital projects completed include:

| | (\$000's) |
|--|--------------|
| » Parkside Subdivision | 1,269 |
| » Finance Leases (Copiers, Telephones, R/T's) | 218 |
| » Computer & Office Equipment | 124 |
| » Vehicle Replacements | 110 |
| » Stormwater Renewals (Urban) | 85 |
| » Upgrade Cultural & Arts Centre | 61 |
| » Purchase Library Books | 55 |
| » Te Waitere Wharf Renewal | 46 |
| » Upgrade Council Owned Buildings | 36 |
| » Parks & Reserves | 26 |
| » Piopio Hall Upgrade | 20 |
| » Te Kuiti Netball Court Fencing | 13 |
| » Elderly Persons Housing Renewals | 10 |
| » Camping Grounds | 6 |
| » Landfill Weighbridge/Recycling Station | 5 |
| Total Miscellaneous Capital Works and Purchases | 2,084 |