

# Summary Annual Report

## 2007/2008



Benneydale Water

## Foreword

This is a summary of the Annual Report.

The Annual Report deals with the Council's first budget aimed at reinstating a financially sustainable plan for the District Council. It was a year in which rates were increased significantly, particularly with regard to correcting the previously under rated and over borrowed roads account. This process of normalisation will be with us for several more annual budgets to come.

In the same period the process of rebuilding WDC into an effective organisation has been successful. However the various tasks carried out by that new organisational capacity is still far from complete, with activity management plans and other operational and capital works components still being completed, fine tuned or resourced with reliable and growing knowledge.

During the year Council adopted a new Revenue and Financing Policy which applied tried and tested policy methods from the past. That new policy also corrected those unfair aspects of the previous rating system as it applied to the Te Kuiti Sewerage scheme and introduced the use of the Targeted and Uniform Annual General rating tools to achieve a much fairer spread of the rating costs. A more rational approach to funding the Te Kuiti swimming pool was also introduced. This new policy, when applied to the 2008/09 financial year, did draw some negative reactions but the impacts are transitional and represent a "one off". The impacts flowing from the application of rating tools targeting separate uses for properties containing multiple separate uses such as flats will not be repeated in the future.

Council was disappointed that the decision to grant Resource Consent for building the Pio Pio sewerage system has been appealed to the Environment Court. Notwithstanding that disappointment the level of government financial assistance at 72% overall on construction cost is a bright spot as was the 95% government subsidy we gained for Benneydale's water upgrade. Unfortunately the cost of defending Council's position against the appeal is not subsidised and is another cost imposed on the Pio Pio community. Council has made a concerted effort to address a number of historic disputed claims made against it. The focus has been to achieve resolutions to all such matters existing at the commencement of the year under report. These historic claims include a dispute over a former Land fill and refuse contract, the cost of defending Council's decision over a new land use development at Waitomo Caves Village which was appealed to the Environment Court and of course the ongoing matter of the proposed Pio Pio sewerage scheme. These matters contributed unforeseen expenditure in the order of \$400,000 for the year.

That consideration, coupled with Inframax's decision not to pay a shareholder dividend, which had been budgeted for at \$1 million and the need to fund an additional \$1.5 million to reimburse Inframax for improvements made over time at the Waitomo District landfill all impacted on the overall outcomes for the 2007/08 financial year. In spite of those considerations WDC has had a remarkably good end of year outrun. The Waitomo District Council is however, now in complete control of future use of the landfill and is in a position to optimise the value of that asset for the District.

The triennial election was held during the year. The outcome was that two new elected members joined the Council in October 2007. Elected Council has been well assisted with executive support during the year enabling both new and longer serving members to add their value.

The 2007/08 performance of Council's investment in Inframax has result has had an impact on WDC group financial performance when measured against budget. However it must be said that a much closer understanding has been developed between WDC and the Board and Management of the company. The Parkside residential subdivision venture has contributed to the Inframax performance as the company has not yet been able to realise the profit potential from that venture. Never the less the Waitomo Community will benefit over time from an asset that will assist the growth of Te Kuiti.

Council has used the 2007/08 year to position itself on a much stronger foundation and looks forward to build further on the gains made during the year under report.

These gains have been independently assessed and are reflected in publicly acknowledged better levels of customer service driven by open and friendly staff and by a more sustainable balance in regard to income meeting expenditure within our operating budget.

Mark S Ammon  
Mayor



Chris Ryan  
Chief Executive



## Statement of Compliance and Responsibility

### Responsibility

The Council and the Management of Waitomo District Council accept the responsibility for the preparation of the annual Summary Financial Statements and the judgements used in them.

The Council and the Management of Waitomo District Council also accept the responsibility for establishing and maintaining the internal controls designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and the Management of Waitomo District Council, the annual Summary Financial Statements for the year ended 30 June 2008 fairly reflect the financial position and operations of Waitomo District Council.

### Compliance

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



**Mark Ammon**  
Mayor



**Chris Ryan**  
Chief Executive

Date: 25 November 2008

**Deloitte Report**



**AUDIT REPORT  
TO THE READERS OF WAITOMO DISTRICT COUNCIL AND GROUP'S  
SUMMARY ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2008**

We have audited the summary annual report.

**Unqualified 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 information reported in the summary financial statements complies with FRS-43: *Summary Financial Statements* and is consistent with the full financial statements from which it is derived.

We expressed an unqualified audit opinion, in our report dated 29 October 2008 on:

- the full financial statements; and
- the Council and group's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report.

**Basis of Opinion**

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. In addition to the audit we have audited the 2007/2008 Exceptions Annual Plan, audited the restated NZ IFRS disclosures for the 2007 Annual Report and reviewed the net present value of lease calculations for Inframax a subsidiary of Waitomo District Council. All of these services are compatible with the independence requirements. Other than the audit and these assignments we have no relationship with or interests in Waitomo District Council or any of its subsidiaries. Other than the audit and these assignments we have no relationship with or interests in Waitomo District Council or any of its subsidiaries.

**Responsibilities of the Council and the Auditor**

The Council is responsible for preparing the summary annual report and we are responsible for expressing an opinion on that report. These responsibilities arise from the Local Government Act 2002.

A handwritten signature in black ink, appearing to read "Bruce Taylor".

Bruce Taylor  
**DELOITTE**  
On behalf of the Auditor-General  
Hamilton, New Zealand  
25 November 2008

This audit report relates to the summary annual report of Waitomo District Council and group for the year ended 30 June 2008 included on Waitomo District Council and group's website. The Waitomo District Council and group's Council is responsible for the maintenance and integrity of Waitomo District Council and group's website. We have not been engaged to report on the integrity of Waitomo District Council and group's website. We accept no responsibility for any changes that may have occurred to the summary annual report since they were initially presented on the website.

The audit report refers only to the summary annual report named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the summary annual report. 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 annual report as well as the related audit report dated 25 November 2008 to confirm the information included in the audited summary annual report presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

## Summary Financial Report for the Year Ended 30 June 2008

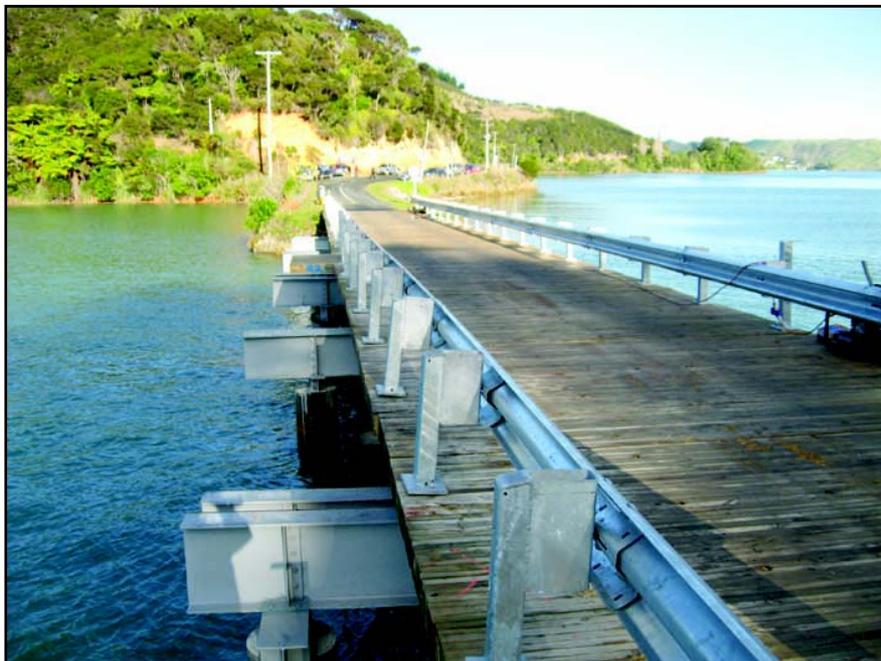
The Summary Financial Report has been extracted from the full Annual Report of Waitomo District Council which was authorised for issue on 29 October 2008 by the Mayor and Chief Executive. An unqualified audit report on the full Annual Report was issued and signed on 29 October 2008. Deloitte have audited this Summary Financial Report and have issued an unqualified opinion dated 25th November 2008. The Summary Financial Report was authorised for issue on 25th November 2008 by the Mayor and Chief Executive. The information included in this report has been prepared in accordance with FRS 43: Summary Financial Statements.

A Summary Financial Report cannot provide as complete an understanding of the financial and non financial performance of Waitomo District Council as the Annual Report. Specific disclosures included in this summary have been extracted from the full Annual Report. A full copy of the Annual Report is available from Waitomo District Council or on our website [www.waitomo.govt.nz](http://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 2008 comprise the Waitomo District Council and its wholly owned subsidiary Inframax Construction Limited incorporated in New Zealand, and its wholly owned subsidiary Independent Roadmarkers 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).



Waiharakeke Bridge

**Summary Income Statement for the year ended 30 June 2008**

2007 Council Actual \$000's	2007 Group Actual \$000's	Note	2008 Council Estimate \$000's	2008 Council Actual \$000's	2008 Group Actual \$000's
<b>Revenue</b>					
9,302	9,302		10,873	10,801	10,801
8,644	53,605		9,802	10,005	54,582
<b>17,946</b>	<b>62,907</b>	<b>Total Revenue and Gains/(Losses)</b>	<b>20,675</b>	<b>20,806</b>	<b>65,383</b>
<b>Expenditure</b>					
15,606	58,527		18,550	18,982	62,825
1,656	2,711		2,365	2,145	3,507
<b>17,262</b>	<b>61,238</b>	<b>Total Expenditure</b>	<b>20,915</b>	<b>21,127</b>	<b>66,332</b>
<b>684</b>	<b>1,669</b>	<b>Operating Surplus/(Deficit) Before Tax</b>	<b>(240)</b>	<b>(321)</b>	<b>(949)</b>
0	(97)	Share of Associate Surplus/(Deficit)	0	0	0
<b>684</b>	<b>1,572</b>	<b>Surplus/(Deficit) Before Tax</b>	<b>(240)</b>	<b>(321)</b>	<b>(949)</b>
0	603	Less Taxation Expense	0	(100)	(916)
<b>684</b>	<b>969</b>	<b>Net Surplus/(Deficit)</b>	<b>(240)</b>	<b>(221)</b>	<b>(33)</b>

**Explanations of significant variances to budget (Council)**

1. Revenue was \$131,000 more than budget. This is the result of a higher level of subsidy being received for roading, Piopio Wastewater and Benneydale Water. This increase in revenue was offset by no dividend received from Inframax Construction Ltd for the year.
2. Expenditure was \$212,000 more than budget. Other expenditure was more than budget due to loss on disposal of assets that was not budgeted for. In addition to these there were increased operating costs incurred in water and wastewater activities. These additional costs were offset by savings in financing costs from a reduced level of capital expenditure. Depreciation costs were also less than budget due to the change in replacement costs and useful lives assumptions from the 2006 revaluation of assets.



Te Kuiti Muster 2008

**Summary Statement of Recognised Income and Expense for year ended 30 June 2008**

2007 Council Actual \$000's	2007 Group Actual \$000's		2008 Council Estimate \$000's	2008 Council Actual \$000's	2008 Group Actual \$000's
243,891	228,767	<b>Balance at 1 July</b>	276,512	246,431	234,590
4,854	4,854	Property, plant and equipment revaluation gains taken to equity	3,594	0	0
(2,998)	0	Financial assets at fair value through equity valuation (losses) taken to equity	0	(5,450)	0
1,856	4,854	<b>Net Income Recognised directly in Equity</b>	3,594	(5,450)	0
684	969	<b>Net Surplus/(Deficit) for the year</b>	(240)	(221)	(33)
2,540	5,823	<b>Total Recognised Income for the Year ended 30 June</b>	3,354	(5,671)	(33)
246,431	234,590	<b>Balance at 30 June</b>	279,866	240,760	234,557

**Summary Balance Sheet as at 30 June 2008**

2007 Council Actual \$000's	2007 Group Actual \$000's	Note	2008 Council Estimate \$000's	2008 Council Actual \$000's	2008 Group Actual \$000's
246,431	234,590	<b>Equity</b>	279,866	240,760	234,557
3,164	15,770	Current Assets	3,396	6,228	20,115
7,052	26,524	Current Liabilities	10,893	14,809	33,561
(3,888)	(10,754)	Net Working Capital	(7,497)	(8,581)	(13,446)
271,853	267,350	Non Current Assets	314,103	271,129	270,268
21,534	22,006	Non Current Liabilities	26,740	21,788	22,265
246,431	234,590	<b>Net Assets</b>	279,866	240,760	234,557

Explanations of variances to Budget (Council)

1. Current assets were \$2.8m more than budget due to a higher level of trade and other receivables than anticipated. The main items were Land Transport subsidy and Ministry of Health subsidies that were receivable at 30 June 2008.
2. Current liabilities were \$3.9m more than budget due mainly to higher level of current portion of borrowings than anticipated.
3. Non current assets were \$43.0m less than budget due to the decrease in value of investment in Inframax Construction Ltd. In addition to this the level of property, plant and equipment was less than budgeted.
4. Non current liabilities were \$4.9m less than budget due to a reduced level of non current borrowings at year end than budgeted.

**Summary Statement of Cash Flows for the year ended 30 June 2008**

2007 Council Actual \$000's	2007 Group Actual \$000's		2008 Council Estimate \$000's	2008 Council Actual \$000's	2008 Group Actual \$000's
3,880	6,645	Net Cash Inflow from Operating Activities	4,186	3,093	4,043
(7,671)	(10,987)	Net Cash (Outflow) from Investing Activities	(11,377)	(8,471)	(10,135)
3,547	3,690	Net Cash Inflow from Financing Activities	4,435	5,399	4,899
<b>(244)</b>	<b>(652)</b>	<b>Net increase (decrease) in cash, cash equivalents and bank overdrafts</b>	<b>(2,756)</b>	<b>21</b>	<b>(1,193)</b>

**Components of Equity as at 30 June 2008**

2007 Council Actual \$000's	2007 Group Actual \$000's		2008 Council Actual \$000's	2008 Group Actual \$000's
195,466	196,385	Retained Earnings	196,741	197,848
3,780	3,780	Council Created Reserves	2,764	2,764
13,091	4	Fair Value through Equity Reserves	7,641	4
34,094	34,421	Revaluation Reserves	33,614	33,941
<b>246,431</b>	<b>234,590</b>	<b>Total Equity</b>	<b>240,760</b>	<b>234,557</b>

**Capital Expenditure (Council)**

2007 Council Actual \$000's		Note	2008 Council Estimate \$000's	2008 Council Actual \$000's
270	Administration		606	488
5,441	Roading	1	4,948	5,287
1,747	Wastewater and Sewerage	2	5,080	1,056
288	Water Supply	3	1,050	673
0	Waste	4	0	1,521
0	Parks and Reserves		70	4
422	Properties and Facilities		241	365
<b>8,168</b>	<b>Total Capital Expenditure</b>		<b>11,995</b>	<b>9,394</b>

Explanations of variances to Budget (Council):

1. Roading expenditure was \$0.3m more than budget due to the replacement of Waiharakeke Bridge. The bridge collapsed during the year and work to replace the bridge was not budgeted for.
2. Wastewater capital expenditure was \$4.0m less than budget. The completion of the Piopio Wastewater system is now on hold due to delays in gaining resource consent. In addition to this the Te Kuiti Wastewater upgrade has been delayed until further investigation is undertaken into the requirements of the scheme.
3. Water expenditure was \$0.4m less than budget. The contract for Mokau watermain renewals has been let however this work will be completed in the 2008/2009 year. The upgrade of the filtration system has also been deferred.
4. Waste capital expenditure was \$1.5m more than budget due to the purchase of landfill asset improvements at Rangitoto Landfill Quarry. This item was not budgeted for.

**Commitments**

Council's commitments on projects where contracts have been entered into but goods and services have not been received is \$17.6m (2007: \$17.1m), of this \$1.2m (2007: \$0.9m) related to capital expenditure, \$0.2m (2007: \$0.3m) relates to non-cancellable operating leases and \$16.2m (2007: \$15.9m) relates to operational commitments.

**Contingencies**

In respect of the mining licence for McKenzies Quarry, Council has provided the Ministry of Commerce with a land reinstatement bond of \$10,700 (2007: \$10,700), in lieu of a cash deposit.

A legal claim has been lodged against Council by A Bryant and D Jacobson in relation to land subsidence at Rata Street, Te Kuiti. Council is unable to quantify the amount, therefore have not provided for this claim.

Council has entered into a settlement agreement whereby Council has agreed to replace four bridge towers of Te Matai Bridge. Council expects to receive a contribution from Land Transport New Zealand and the bridge owners. The replacement of the bridge is conditional upon receiving these contributions. The estimated cost of the replacement and contributions is not yet known.

Council is a shareholder in Local Authority Shared Services Ltd. LASS is jointly owned by 13 local authorities and has been set up to develop shared service initiatives, including a valuation database. There is uncalled capital of \$34,221 (2007: \$34,221) that Council may be required to pay if called. Council considers it unlikely that it will be called upon for the capital and therefore have not provided for this claim.

Westpac Banking Corporation has provided bond guarantees to Inframax Construction Ltd totalling \$3,471,913 (2007: \$3,344,981). These bond guarantees will be payable if Inframax cannot fulfil its contractual obligations.



Te Kuiti Swimming Pool

## Related Party Transactions

The Council is the ultimate parent of the Group. Related parties include its subsidiary Inframax Construction Ltd and Inframax's subsidiary, Independent Roadmarkers Taranaki Ltd, the Council's investment in Local Authority Shared Services Ltd and NZ Local Government Insurance Company.

### Council

Waitomo District Council has a 100% shareholding in Inframax Construction Ltd. The following related party transactions are included in the financial statements.

2007 \$000's		2008 \$000's
<b>Transactions with Inframax Construction Limited</b>		
8,730	Road construction and maintenance expenditure	8,992
22	Landfill expenditure	17
75	Other income	82
220	Subvention Income	20
780	Dividend Income	0
<b>Balances Outstanding with Inframax Construction Limited</b>		
1,715	Creditors	3,016
40	Debtors	6

### Inframax Construction Limited

The Company paid plant hire fees of \$303,644 (2007: \$319,172) to C C Browne Contracting, a business owned by C C Browne, an employee of the Company. There was \$37,798 outstanding at year end (2007: \$69,831).

### Remuneration of the Chief Executive (Council)

In the 2007/08 financial year the total remuneration paid to the Council's Chief Executive was \$180,081.

### Key Management Personnel

2007 Council Actual \$000's	2007 Group Actual \$000's		2008 Council Actual \$000's	2008 Group Actual \$000's
742	1,579	Short Term Employee Benefits	1,028	1,798
93	93	Termination Benefits	0	0
<b>835</b>	<b>1,672</b>	<b>Total Payments made to Key Management Personnel</b>	<b>1,028</b>	<b>1,798</b>

Council's key management personnel include the Mayor, Councillors, Chief Executive and other senior management personnel. The Group's key management personnel include the Mayor, Councillors, Chief Executive and other senior management personnel and the Directors and executive staff of Inframax Construction Ltd. In the 2007/2008 financial year the total remuneration paid to Elected Members and Directors was \$204,000 (2007: \$201,000) and for the Group \$329,000 (2007: \$326,000).

There were no other related party transactions during the year (2007: Nil).

**Summary of Significant Service Levels and Performance Targets**

The significant service performance indicators for each activity are detailed below. Readers should refer to the full copy of the Annual Report for a complete understanding of the Council's Service Performance.

<b>Activity</b>	<b>Target</b>	<b>Result</b>
<b>Governance</b>	Provision of public information and consultation on key issues affecting the District. Target = Rating of >35% good or above in Customer Satisfaction survey on 'Inform You'.	Achieved – 42%
<b>Community Development</b>	Four District events held by 30/06/08 within budget. Target = 4 events held.	Achieved - six events held within budget. These were World Rally Championships, Garden and Property Competition, Te Kuiti Christmas Parade and The Muster, ITO Graduation Ceremony and Rally of Waitomo.
	Annual and discretionary grants budget approved and paid Target = 100% paid by 1 November.	Not achieved – 56% of approved grants were paid by 1 November. The remaining approved grants were paid by 31 March 2008.
<b>Regulatory</b>	<b>Resource Management</b>  Non-notified resource consent applications processed within twenty (20) working days of receipt. Target = 90% of applications processed within timeframe.	Achieved – 94% of non-notified resource consent applications were processed in 20 working days.
	Level of informed applicants submitting complete resource consent applications on first submission. Target = 55% complete when lodged.	Achieved - 80% of resource consent applications were complete when lodged.
	<b>Animal Control</b>  Provision of effective animal control service for the community. Target = Rating of >35% good or above in Customer Satisfaction Survey on 'Animal Control'.	Achieved – 57%
	<b>Building Control</b>  Building consents and project information memoranda issued within fifteen working days. Target = 90% issued within timeframe.	Not achieved – 30% of applications were processed within fifteen working days. Accreditation process diverting resources.
	<b>Environmental Health</b>  All food and liquor retail premises that are required are appropriately registered and licensed. Target = 100% of registration completed.	Not achieved - 94% of food and liquor retail premises registrations were completed to 30 June 2008. For a large portion of 2007/08, no Environmental Health Officer was available.

Activity	Target	Result
<b>Waste</b>	Monitoring landfill at Te Kuiti to ensure it is operated in manner in compliance with resource consent. Target = 85% compliance with resource consent conditions.	Achieved – 95%.
	Waste minimisation education reduces household waste. Target = Quantity of refuse collected by weekly kerbside collection service, 95% or less of previous year.	Achieved - target of 95% of previous year is 271kg per premise. The result at 30 June 2008 is 267kg per premise.
<b>Water Supply</b>	To monitor drinking water supplies to comply with New Zealand Drinking Water Standards (NZDWS: 2000). Target = 85% Microbiological water tests meet standard of NZDWS: 2000. Across all schemes.	Achieved – 99% of all tests met the standard.
	Level of compliance of water supply plants and networks with resource consent conditions. Target = 85% compliance.	Not achieved – 75% of all tests complied with resource consent conditions.
<b>Wastewater</b>	Treated effluent discharge test results are in accordance with resource consent conditions. Target = 80% compliance with resource consent conditions.	Not achieved – 43% of tests complied with resource consent conditions. Council is working with other parties to bring wastewater schemes up to a standard that will ensure it complies with resource consent requirements.
	To implement and monitor compliance with bylaw. Target = 60% compliance with bylaw by trade waste volume.	Achieved – 76% of tests complied with trade waste bylaw.
	A wastewater system to be installed and operational in Piopio. Target = 40% progress to completion.	This target was not measured at 30 June 2008. This project is on hold due to delays in obtaining the resource consent.

Activity	Target	Result
<b>Roading (including stormwater)</b>	Kilometres of road network sealed, resealed within annual budget. Target = >8% of total sealed road network resealed within annual budget.	Achieved – 9.5% of roads resealed within budget.
	Kilometres of sealed road network reconstructed within annual budget. Target = <3% of total sealed road network reconstructed within annual budget.	Achieved – 1.8% of road was reconstructed within budget.
	Kilometres of unsealed road network reconstructed within annual budget. Target = <3% of total unsealed road network reconstructed within annual budget.	Achieved – 1.1% reconstructed.
	Quality of unsealed roads. Target = 35km of unsealed roads with more than 100 Vehicles Per Day (VPD).	Achieved - 7.7km of unsealed roads with more than 100 vehicles per day.
<b>Council Properties and Facilities</b>	<b>Cultural and Arts Centre</b> Promote the use of the centre for events, private functions and community benefit activities. Target = 105 bookings.	Not achieved – there were 72 bookings to 30 June 2008.
	Provision of effective facilities for the community. Target = Rating >45% good or above in Customer satisfaction survey on 'Civic Centre Services'	Achieved – 63%
	<b>Swimming Pool</b> Water quality meets safety standards. Target = <5 tests of pool water quality, do not comply with NZS 5826:2000 Standards.	Achieved – 2 tests did not comply with the standards.
	Provision of effective pool facilities for the community. Target = Rating >35% good or above in Customer Satisfaction Survey on 'Swimming Pool' questions.	Achieved – 50%
	<b>Libraries</b> Provision of comprehensive library facilities for the community. Target = Rating of >35% good or above in Customer Satisfaction Survey on "Libraries" question.	Achieved – 77%
<b>Parks and Reserves</b>	Provision of sports grounds/parks facilities for the community. Target = Rating of >35% good or above in Customer Satisfaction Survey on "Sports Grounds" questions.	Achieved – 68%
	Mowing and gardening contracts to achieve compliance with existing contract standards. Target = 90% compliance	Achieved – 90% compliance with contract standards.