

Annual Report Summary

2010/11

Our Community
Our Future

Matamata-Piako District Council recently published the Annual Report for the 2010/11 financial year, which detailed our achievements against the activities, projects and budgets signaled in the 2009-2019 Long-Term Council Community Plan (LTCCP). The information obtained in this summary is drawn from the full 2010/11 Annual Report.

This summary outlines:

- Council's end of year financial position
- Council's performance in the areas of Community Development, Community Facilities, Community Infrastructure and Environmental Care
- Council's audit opinion from – Audit New Zealand

The full 2010/11 Annual Report is available online at www.mppdc.govt.nz or at Council offices in Matamata, Morrinsville and Te Aroha. Alternatively you can phone 0800 746 467 and a copy of the Annual Report will be posted to you.





Foreword

I am pleased to report that Council has completed another successful year and remains in a sound financial position.

Our total income received for the year was \$42,527,000. This includes the following:

• Total Rates	\$25,996,000
• New Zealand Road Transport Agency roading subsidy	\$5,362,000
• User charges	\$4,893,000
• Investment income including unrealised (capital) gains	\$1,318,000
• Other government subsidies	\$698,000

Our total operating expenditure for the year was \$42,382,000.

New loans raised totaled \$8,000,000.

Some significant items you may be interested in were:

1. Power New Zealand (PNZ) investment fund

This fund comprises two separate parts being:

• The overseas capital fund. Balance as at 30 June 11	\$10,430,000 *
• The internal advances fund. Balance as at 30 June 11	<u>\$11,949,000</u>
Total PNZ fund as at 30 June 11	\$22,379,000

PNZ income

• During the year the fund returned a dividend of	\$298,000
• The internal advances fund returned	<u>\$780,000</u>

Total rates subsidy for the year from the PNZ fund **\$1,078,000**

This was credited to various activity accounts.

Plus unrealised (capital and foreign exchange) gains of \$413,000

I do remain concerned that the capital is not being increased in line with the annual CPI.

2. Roading

Council owns and maintains a roading network of 935 kilometres. This excludes the government owned State Highways.

With 94% of the network being sealed, we have the highest percentage of sealed roads of any rural authority in the country.

Road maintenance is our single largest expenditure.

During the year total maintenance and construction was \$12,350,591.

This was funded by:	
Rates income	\$4,300,000
Other income	\$676,000
Borrowing	\$2,012,591
Government subsidy	<u>\$5,362,000</u>
Total	\$12,350,591

3. Water

Council delivers potable water to the communities of Matamata, Morrinsville, Te Aroha, Tahuna, Hinuera, Te Poi, and Waharoa. We also supply water to several industries in our district mainly Inghams Enterprises, Silverfern Farms, Fonterra Morrinsville, Greenlea Meats, Evonik and Barker Fish Farm. The fire at Silverfern Farms had a major effect on our water income for the year.

4. Wastewater (Sewerage)

Council provides wastewater to the communities of Matamata, Morrinsville, Te Aroha, and Tahuna. During the year we completed significant plant upgrades to Matamata, and we have commenced a major new upgrade for Morrinsville.

5. Libraries/Swimming Pools

Our two main community facilities areas are libraries and swimming pools.

During the year our income and expenditure for these was:

• Libraries - Matamata, Morrinsville, Te Aroha	
Total expenditure	\$1,255,000
Total fees received	\$116,000
• Swimming/Leisure Pools - Matamata, Morrinsville, Te Aroha	
Total expenditure	\$2,817,000
Total fees received	\$885,000

Council's accounts have been fully audited by Audit New Zealand and have received full compliance. I would like to thank the CEO and staff for achieving another successful year with sound financial management.



Hugh Vercoe
QSM, ED, JP
Mayor

* Please refer to Financial Statement Notes - note 12 'Other financial assets' on page 119 of the 2010/11 Annual Report

Financials

Council Income

What was our planned income?

Council budgeted for an income of just under \$40 million.

What was our actual income?

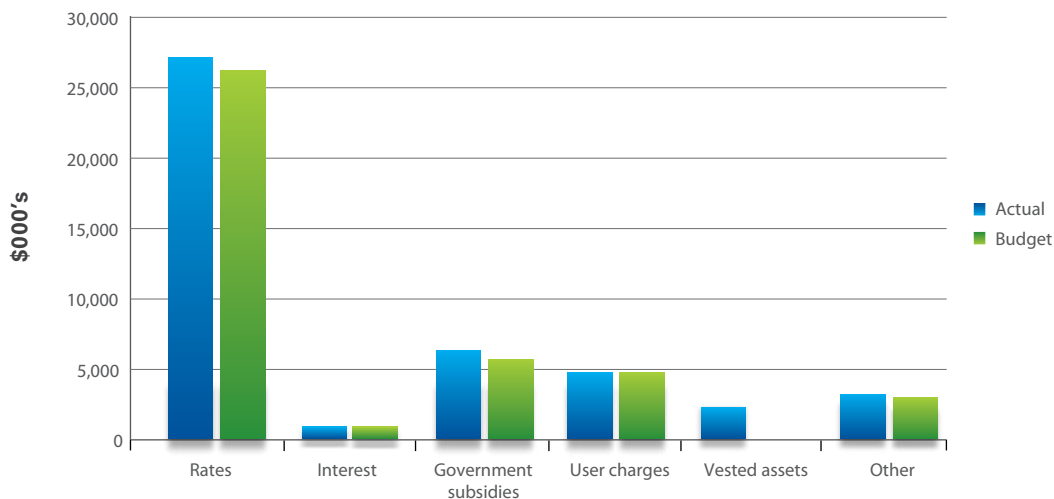
The actual income for the year was \$42.5 million.

Why is there a difference?

In terms of general day-to-day operations, the actual income for the year was very close to the level budgeted. The main differences were:

- Council received an additional \$0.58 million in Government subsidies for wastewater schemes in progress that we had not expected in this financial year.
- Council was assigned ownership of just under \$2 million worth of roading and utility assets that were created by developers. Accounting standards require that the ownership of the new assets and the unrealised gains on investments be reflected as income for the year.

2010/11 Income compared to budget





Financials

Day to day spending

What did we plan to spend?

Council planned to spend just under \$40 million in 2010/11.

What did we actually spend?

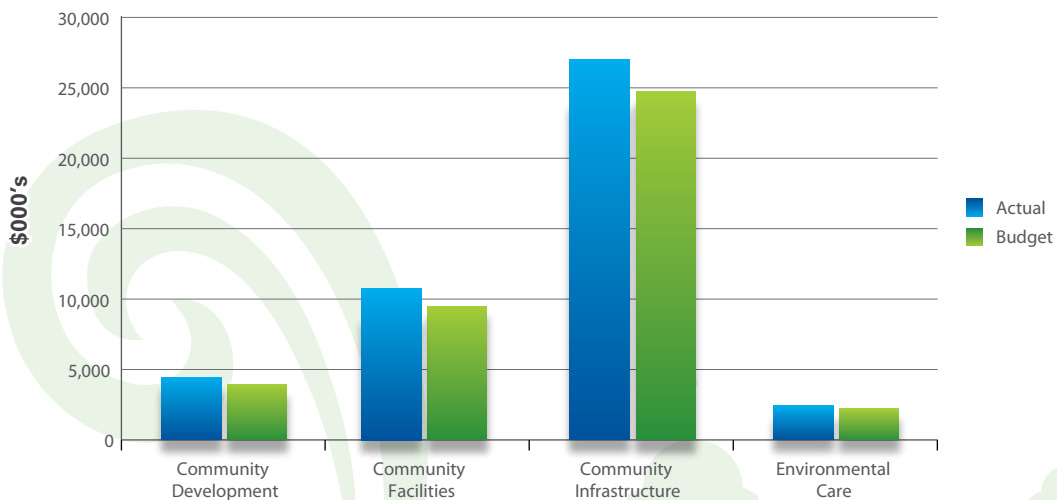
\$42.3 million in expenditure was incurred this year.

Why is there a difference?

In terms of the cost of the general day-to-day activities of Council, overall these were largely in line with what was budgeted for this year. There are a number of adjustments made in the financial statements that affect the final expenditure compared to budget. These adjustments are required to ensure that the financial statements comply with International Financial Reporting Standards, and include:

- Depreciation was \$740,000 higher than budgeted due to the timing of completion of assets that were built and/or acquired during the year.
- Wastewater network investigation expenditure of \$580,000 that was originally budgeted as capital work, has been reclassified as operational expenditure.
- Council wrote off \$511,000 from the value of assets that were replaced before reaching the end of their expected useful lives.
- A provision of \$150,000 was recognised for the future monitoring costs for the former Tui Mine site over the next 35 years.
- Grants of \$570,000 were paid to the Morrinsville Art Gallery and Morrinsville Historic Society for which funds were put aside last year, and were carried forward and paid out in this financial year.

2010/11 Day-to-day spending compared to budget



Financials

Spending on assets and how it is funded

How much did we plan to spend?

Council budgeted for a total of \$15 million to be spent during the year on building new and renewing existing assets within the district.

What did we actually spend?

The actual amount spent was close to \$20 million which includes unspent budgets from previous years.

Why is there a difference?

Two significant projects were budgeted for in the previous year and finally got underway during this financial year (e.g. the Matamata and Morrinsville wastewater treatment plant upgrades).

How do we pay for our assets?

Council borrows to fund the building or replacement of the districts assets. We borrow money to pay for large projects that will provide services to the community for a long time (such as water and waste treatment plants). By borrowing the money over a long period of time means that those who benefit from the service in the future will also pay their share.

What did we plan to borrow?

Council planned to borrow \$3.9 million in 2010/11.

What did we actually borrow?

Council borrowed \$8 million in June 2010/11.

Why is there a difference?

The increase in borrowing was in line with the increase in spending on our assets.

Power New Zealand Fund Update

The Power New Zealand fund is invested in overseas equities. The total value of the fund at the start of the financial year was \$10.47 million. The value of the fund including the currency variations at 30th of June 2011 was \$10.57 million.

Total dividends received this year were \$0.3 million, and these were used to fund part of the cost of maintaining the districts roads, resulting in a reduction in the amount of rates that needed to be collected from ratepayers.





Financial Summary

Operating revenue

This is our day to day income received from things such as rates and metered water billing

Operating expenses

These are our day to day expenses such as the cost of collecting rubbish, mowing reserves, maintaining roads, etc

Total comprehensive income

This is the difference between operating revenue and operating expenses for the current year i.e. More revenue = surplus
More expenses = deficit

Assets

The property we own

Liabilities

The amount we owe

Equity

Is the total that we own minus the total that we owe

Operating activities

Difference between operating revenue and operating expenses

Investing activities

Difference between buying and selling assets

Financing activities

Difference between borrowing and repayment of loans

Cash held

Money in bank

Statement of comprehensive income for the year ended 30 June 2011	Actual 2009/10 \$000's	Budget 2010/11 \$000's	Actual 2010/11 \$000's
Operating revenue	40,852	39,718	42,527
Operating expenses	38,352	37,589	40,457
Finance cost	1,614	2,182	1,929
Net surplus/(deficit)	886	(53)	141
Other comprehensive income	-	65	-
Total comprehensive income	886	12	141

Statement of changes in equity for the year ended 30 June 2011	Actual 2009/10 \$000's	Budget 2010/11 \$000's	Actual 2010/11 \$000's
Balance at 1 July	537,196	519,609	538,082
Total comprehensive income	886	12	141
Balance at 30 June	538,082	519,621	538,223

Statement of financial position as at 30 June 2011	Actual 2009/10 \$000's	Budget 2010/11 \$000's	Actual 2010/11 \$000's
Current assets	20,314	9,551	18,511
Non-current assets	553,503	546,338	563,754
Total assets	573,817	555,889	582,265
Current liabilities	7,835	6,710	9,567
Non-current liabilities	27,900	29,558	34,475
Total liabilities	35,735	36,268	44,042
Equity	538,082	519,621	538,223

Statement of cashflows for the year ended 30 June 2011	Actual 2009/10 \$000's	Budget 2010/11 \$000's	Actual 2010/11 \$000's
Net from operating activities	12,624	9,619	10,251
Net from investing activities	(18,961)	(14,451)	(16,255)
Net from financing activities	8,428	3,279	7,331
Net increase/decrease in cash held	2,091	(1,553)	1,327
Opening cash balance	5,590	2,008	7,681
Closing cash balance	7,681	455	9,008

Financials

Additional Disclosures

Reporting Entity

Matamata-Piako District Council is a Local Authority governed by the Local Government Act 2002. The financial statements have been prepared in accordance with the provisions of this legislation. Council has designated itself as a public benefit entity for the purpose of the New Zealand equivalents of the International Financial Reporting Standards.

Capital Commitments

Council's commitment on projects where contracts have been entered into but goods or services have not been received is \$17.091 million (2010: \$5.213 million). A large portion of the \$17.091 million relates to our commitment to the upgrade of the Morrinsville Wastewater Treatment Plant.

Contingent Liabilities

Council may be exposed to potential future claims for weathertightness of homes within the district which have not yet been lodged up until the statutory limitation period expires. The amount of potential future claims is not able to be reliably measured and is therefore unquantifiable. Claims must be made within 10 years of construction or alteration of the dwelling in order for the claim to be eligible under the Weathertight Homes Resolution Services Act 2006, but other statutory limitation periods could also affect claims.

RiskPool provides public liability and professional indemnity insurance for its members. The Trust Deed of RiskPool provides that, if there is shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any fund year, then the Board may make a call on members for that fund year. The Council received a notice during 2009 for a call for additional contributions in respect of the 2002/03 and 2003/04 fund years as those funds are exhibiting deficits due to the "leaky building" issue. This notice also highlighted that it is possible that two further calls could be made in the future. The second call of \$70,392 has been paid in August 2011. A third call for approximately \$70,300 in 2013 will depend upon the evolution of the liability environment and the flow-on effect on open claims provisions.

Council is party to a property settlement dispute. The potential liability, (if any), cannot be quantified at this stage, however legal costs related to any potential case may be up to \$20,000. The risk of any future liability is considered low.

A contractual dispute has arisen during the period. The potential liability to Council (if any), cannot be quantified at this stage, however the maximum estimate for legal costs and damages is \$100,000. The risk of any future liability is considered low.

Council has a contingent liability of \$1.5 million for uncalled capital in respect of Council's 15.625% shareholding in the Waikato Regional Airport Limited (2010: \$1.5 million). There are no plans at this stage for the capital to be called.





Key Achievements:

This is a summary of Council's achievements in the 2010/11 financial year. The four major groups of activities are outlined below.

Community Development

Community Development has a focus on economic, social, environmental, and cultural wellbeing and includes activities such as communications, democracy, the District Plan, the Long-Term Council Community Plan (LTCCP) and generally increasing community input into Council decision-making.

Key achievements

- Council reviewed its community outcomes with involvement from the community.
- Council decided to change the way it communicates with the community. The communications team is now producing a fortnightly full page ad in the local papers, which includes Council news, public notices and a list of local art events.
- Council launched a facebook page in September 2010 and has also undertaken improvements and updates to its website.
- Council commenced a rolling review of the District Plan.

Summary

6 out of the 12 performance measures for Community Development were achieved.

Key performance measures and trends

Measure	Actual 09/10	Target 10/11	Actual 10/11	Achieved	Comments
Communications Council will hold functions annually to recognise businesses, industry graduates and volunteers	Business Night Out, Industry Training Graduation, Community Volunteer Awards	Business Night Out, Industry Training Graduation, Community Volunteer Awards	Business Night Out, Industry Training Graduation, Community Volunteer Awards	✓	Council events provide opportunities for groups to get together and be recognised for their contributions to our district.
Democracy Percentage of the community satisfied/very satisfied with the performance of Councillors and Mayor	80% satisfied	86% satisfied	81% satisfied	x	For people to participate in the democratic process people need to trust that Council will listen to and respect ideas from the community. 81% of residents surveyed were satisfied or very satisfied, 14% were not very satisfied and 5% were unsure.
District Plan 100% of plan changes researched, proposed, consulted, and reported on as required by Council in accordance with the relevant statutory requirements	100%	100%	100%	✓	The District Plan is a living document that needs to continually be maintained and developed to keep up with legislation, other plans and strategies and changes within the community.
Strategies and Planning Percentage of the community satisfied/very satisfied with the involvement in consultation process	69%	53%	75%	✓	Information and advice provided by Council will ensure that people are able to participate when Council is preparing plans and strategies. 76% of residents surveyed were satisfied or very satisfied, 10% were not very satisfied and 14% were unsure.

Community Facilities

Community Facilities are Council activities focused on recreational and cultural opportunities in the district. This includes providing services and assets, such as libraries, swimming pools, parks and reserves and other public amenities.

Key achievements

- Council offered free internet access within libraries, benefiting the community and attracting new users to the libraries.
- Construction of the Hauraki Rail Trail has begun and a website has been created to keep the public posted with the latest information (www.haurakirailtrail.co.nz).
- The top road upgrade was completed at the Te Aroha Domain. This included the upgrade of the existing geyser access road, and landscaping and beautification in front of the spas.
- New EXELOO toilets were put in at the Studholme Street carpark, Morrinsville Recreation Ground carpark and at Thomas Park.
- Improvements were undertaken at Firth Tower. This included replacing the front fence and installing a new gateway with heritage style gates.

Summary

12 out of the 16 performance measures for Community Facilities were achieved.

Key performance measures and trends

Measure	Actual 09/10	Target 10/11	Actual 10/11	Achieved	Comments
Housing and other property Percentage of pensioner housing tenants satisfied/ very satisfied with standard of maintenance and accommodation	94% satisfied	76% satisfied	86% satisfied	✓	Council provides pensioner housing for the community so elderly people can have access to good quality affordable housing. 86% of respondents (59/69) were satisfied or very satisfied with the overall standard of maintenance and accommodation. Unfortunately when conducting the 2009/10 survey the exact wording 'standard of maintenance and accommodation' was not used. We used the question regarding overall satisfaction with pensioner housing as an alternative or proxy question. This needs to be considered when comparing the 2010/11 result with 2009/10.
Libraries 94% of users satisfied/ very satisfied with library services	97% satisfied	94% satisfied	97% satisfied	✓	Providing quality library services contributes to the attractiveness of living in our towns.
Parks and Reserves 90% of users satisfied/ very satisfied with parks and reserves	94% satisfied	90% satisfied	96% satisfied	✓	Parks, reserves and play areas are provided to support the health and wellbeing of the community.
Public Amenities Playground safety to be inspected on a regular basis	Not achieved	Inspections once every two weeks, and once every week during school holidays	Achieved	✓	People's safety will not be at risk whilst using playgrounds. Council has carried out 100% of the required playground inspections.
Recreation and Culture 80% of customers satisfied/ very satisfied with aquatic facilities that have used them	90% satisfied	80% satisfied	83% satisfied	✓	Aquatic facilities are provided to support the health and wellbeing of the community. There is no apparent reason for a decline in satisfaction from 2009/10. The 2009/10 result was higher than the average over recent years (2008/09: 80%).



Community Infrastructure

Community Infrastructure represents many of the responsibilities that Council has historically managed including: maintenance and development of roads, stormwater, wastewater, water supply and waste management.

Key achievements

- Footpath renewal work has been completed at various sites throughout the district with major works on Honi and Whitaker Streets in Te Aroha and Banks Road in Matamata.
- A major upgrade of the existing Morrinsville wastewater treatment plant is being undertaken. Physical works are 30% complete with completion scheduled for January 2012.
- Construction of the Waharoa/Raungaiti sewerage scheme commenced in 2011 and is expected to finish in May 2012. Properties in Waharoa will be connected to the sewerage system later this year.
- Upgrades to the Matamata wastewater treatment plant were completed and the Mayor officially opened the plant in April 2011.

Summary

6 out of the 20 performance measures for Community Infrastructure were achieved. Some performance measure targets were not achieved because Council did not obtain results for the full year, due to the implementation of a new corporate system.

Key performance measures and trends

Measure	Actual 09/10	Target 10/11	Actual 10/11	Achieved	Comments
Roading 85% of users believe the roading network is safe	85%	85%	85%	✓	85% of people surveyed agreed/strongly agreed with this statement. 13% disagreed/strongly disagreed and 2% were unsure.
Stormwater Resource consent compliance for discharge of stormwater to waterways	Not measured by Waikato Regional Council	Partial compliance of resource consents as measured by Regional Council	Not measured by Waikato Regional Council	x	Council has submitted its self assessment reports to the Regional Council which show it achieved full compliance with the conditions. Compliance is yet to be measured by Waikato Regional Council.
Waste Management Proportion of waste recycled and/or composted from transfer stations and kerbside recycling collection service	23.6%	23%	25.8%	✓	Transfer stations and refuse and recycling collection services provide residents with a range of options to manage their waste.
Wastewater Compliance of resource consents for discharge of treated wastewater from wastewater treatment facilities to waterways	Not measured by Waikato Regional Council	Partial compliance of resource consents as measured by Waikato Regional Council	Not measured by Waikato Regional Council	x	Council has five wastewater treatment plants which need resource consent for discharge to waterways. The Matamata, Morrinsville, Tahuna and Te Aroha plants have achieved high levels of compliance. New consent for the Waihou plant was granted in June 2011 and it is proposed to upgrade this treatment plant this summer. The Regional Council is yet to measure compliance.
Water Compliance with New Zealand Drinking Water Standards	Compliance not achieved	Compliance achieved	Compliance not achieved	x	Council has nine water treatment plants which need resource consents for abstraction of water and discharge of backwash water where appropriate. The plants at Tawari and Matamata South are "A" graded and were compliant. Plants at Matamata (Tills Road), Te Aroha, Te Aroha West, Te Poi, Hinuera, Tahuna and Morrinsville were not compliant. In the cases of Matamata, Te Aroha, Te Poi and Morrinsville this was due to sampling frequency required under the DWS2000. Water was still safe to drink from non complying plants.

Environmental Care

Environmental Care represents Council's role in, and commitment to protecting the natural resources of the district and our mandated responsibility to arbitrate between the different needs and interests of community members. It also contributes to the safety and health of our communities. This activity is responsible for resource consents, building consents, environmental health, liquor licences, animal control and civil defence.

Key achievements

- Changes have been made to the way some environmental care tasks are undertaken as part of Council's implementation of a new corporate system. This has resulted in improvements to the way a number of tasks are allocated and reported on.
- In conjunction with four nearby Councils, Matamata-Piako District Council has been preparing a manual that includes all processing checklists, applicant checklists, forms and procedures.
- A webpage (www.buildwaikato.co.nz) has been set up by Council in conjunction with four other Councils. This website allows Council employees to download documentation they require and it also allows the public to access information and download forms they require.

Summary

2 out of the 12 performance measures for Environmental Care were achieved. Some performance measure targets were not achieved because Council did not obtain results for the full year, due to the implementation of a new corporate system.

Key performance measures and trends

Measure	Actual 09/10	Target 10/11	Actual 10/11	Achieved	Comments
Animal Control 600 property visits carried out each year	633 property visits	600 property visits	273 recorded property visits	x	A total of 273 property visits have been recorded for 2010/11. However, due to the implementation of a new corporate system a number of additional property visits have not been recorded. All property visits in 2011/12 will be recorded.
Building Control 100% of building consents will be processed within statutory timeframes (20 working days)	96.5%	100%	98.6%	x	Building consents need to be completed within statutory timeframes to ensure development projects are able to be completed seamlessly. 98.6% (576/584) were processed within statutory timeframes. Compliance with statutory timeframes has improved. The main reasons for not meeting timeframes are workloads and the complexity of some applications.
Community Protection 100% of food premises in the district are inspected annually to ensure they comply with standards	100% inspected	100% inspected	98.1% inspected	x	People can have confidence in the hygiene standards when purchasing food from premises in the district. 154/157 food premises were inspected within the 2010/11 year. The other three premises were inspected but not inside the target time period. In two instances the target was not achieved due to a delay by the premises owners in applying for a licence. In the other instance the inspection occurred a few days after the target time period.
Regulatory Planning Percentage of resource consents processed within statutory timeframes	88%	81%	96%	✓	Resource consents need to be completed within statutory timeframes to ensure development projects are able to be completed seamlessly. 198 out of 207 resource consents were processed within statutory timeframes which is an 8% increase on the previous year.



Independent Auditor's Report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of Matamata-Piako District Council's summary of the Annual Report for the year ended 30 June 2011

We have audited the summary of the annual report (the summary) as set out on pages 3 to 11, which was derived from the audited statements in the annual report of the Matamata-Piako District Council (the District Council) for the year ended 30 June 2011 on which we expressed an unmodified audit opinion in our report dated 12 October 2011.

The summary comprises:

- the summary statement of financial position as at 30 June 2011, and summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and other explanatory information; and
- the summary of the District Council's groups of activity statements 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 12 October 2011 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.

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.

F Caetano,
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand
12 October 2011

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

This audit report relates to the summary financial statements, non financial performance information and the other requirements of Matamata-Piako District Council for the year ended 30 June 2011 included on the Matamata-Piako District Council's website. The Council is responsible for the maintenance and integrity of the Matamata-Piako District Council's website. We have not been engaged to report on the integrity of the Matamata-Piako District Council's website. We accept no responsibility for any changes that may have occurred to the summary financial statements, non financial performance information and the other requirements since they were initially presented on the website.

The audit report refers only to the summary financial statements, non financial performance information 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, non financial performance information 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, non financial performance information and the other requirements as well as the related audit report dated 12 October 2011 to confirm the information included in the audited summary financial statements, non financial performance information 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.



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