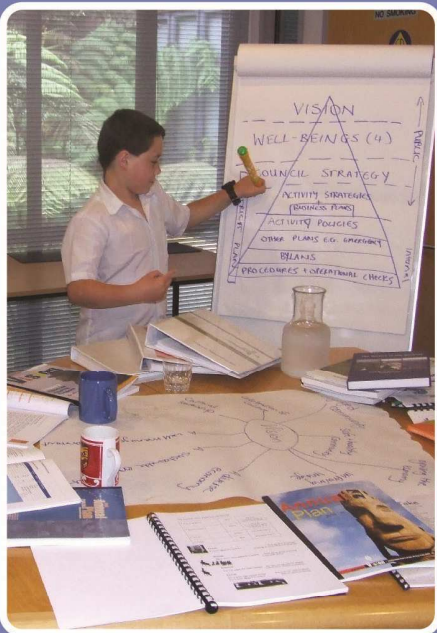


Annual Report

2012-13

Summary



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COUNCIL DIRECTORY

| | | | |
|-----------------|---|--------|-------------------|
| Postal Address | Private Bag 7 TOKOROA 3444 | | |
| Tokoroa Office | Torphin Crescent TOKOROA 3420 | Phone: | +64 (07) 885 0340 |
| | | Fax: | +64 (07) 885 0718 |
| Putāruru Office | Overdale Street PŪTARURU 3411 | Phone: | +64 (07) 883 7189 |
| | | Fax: | +64 (07) 883 7215 |
| Tirau (Agency) | Tirau Information Centre Main Road TĪRAU 3410 | Phone: | +64 (07) 883 1202 |
| | | Fax: | +64 (07) 883 1203 |
| All Areas: | After Hours | Phone: | +64 (07) 885 0340 |
| | Emergency Animal Control | Phone: | +64 (07) 885 0774 |
| | Civil Defence and Rural Fire | Phone: | +64 (07) 885 0778 |
| | Noise Control | Phone: | +64 (07) 885 0340 |



Neil Sinclair MNZM JP BDS - Mayor (Elected at large)
 (07) 885 0716 Bus Phone
 (07) 885 0719 Bus Fax
 (0274) 468 422 Mobile
 (07) 883 8122 Home Phone
 neil.sinclair@southwaikato.govt.nz

YOUR ELECTED REPRESENTATIVES

Mayor and Councillors



Jenny Shattock JP - Deputy Mayor
 (Tokoroa Ward)
 (07) 886 9431 Bus Phone
 (07) 886 8391 Bus Fax
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 (0274) 416 230 Mobile
 jennyshattock@radionetwork.co.nz



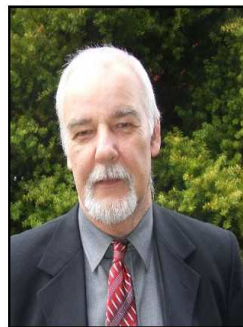
Adrienne Bell
 (Putaruru Ward)
 (07) 883 8045 Bus Phone
 (07) 883 8563 Home Phone
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 adriennejb@yahoo.co.nz



Brenda Watkins
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 (07) 886 5969 Home Phone
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Alan Blair
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 (07) 886 9537 Home Phone
 (0272) 943 106 Mobile
 alan_blair@xtra.co.nz



Warren Lee
 (Tirau Ward)
 July 2012 - May 2013
 Sadly passed away



Anne Edmeades
 (Putaruru Ward)
 (07) 883 8262 Bus Phone
 (07) 883 7490 Home Phone
 (021) 0818 4710
 anneandroyce@xtra.co.nz



Lyn Corban
 (Tokoroa Ward)
 (07) 886 8900 Home Phone/Fax
 (0274) 144 949 Mobile
 lyn.corban@xtra.co.nz



Herman Van Rooijen JP
 (Putaruru Ward)
 (07) 883 6764 Home Phone
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Micheal Gubb
 (Tokoroa Ward)
 (07) 886 6799 Bus Phone
 (07) 886 6755 Bus Fax
 (0274) 766 221 Mobile
 mike@planetcomputers.co.nz



Barrie Herlihy JP
 (Tokoroa Ward)
 July 2012 - October 2012
 Sadly passed away

Tirau Community Board



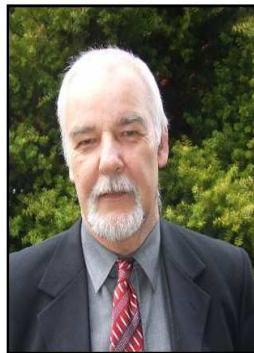
Nora Martelletti JP
Chairperson
(07) 883 4874 Home Phone



Geoff Poole
(07) 883 1181 Home Phone
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geoffpoole@kol.co.nz



Heather Spinley
(07) 883 1573 Home Phone
(027) 273 2238 Mobile



Warren Lee
(Tirau Ward Councillor)
July 2012 - May 2013
Sadly passed away



Clive Collingwood
(07) 883 1788 Home Phone
(027) 458 027 Mobile
noddy_collingwood@clearnet.net.nz
from May 2012

THE 2012-13 YEAR IN NUMBERS

\$369m

Total asset value.

\$4.6m

Net Surplus after tax.

87%

Achievement of our key performance indicators.

77%

Achievement in our capital expenditure by project.

\$2,414

The average rates bill across all ratepayers in our District

538km

Of roading managed and maintained by Council.

4

Urban and two rural water supplies operated and maintained with a combined reticulation length of 227km.

\$22m

The value of the 500 building consents processed during the year while achieving 100% compliance with the statutory timeframes.

7.5

Book issues per resident for the year.

886

Rates rebate applications approved at an average rebate of \$513 per applicant. This scheme is providing considerable relief to those least able to pay their rates.

79

Pensioner housing units with 96% occupancy rate achieved.

2,737 tonnes

Of solid waste recycled for the year, representing 14% of total waste excluding green waste.

MESSAGE FROM THE MAYOR AND CHIEF EXECUTIVE

Our Council is facing a number of challenges like lack of employment availability, talk of amalgamation with other Councils and protecting our investment fund. Council's role is a balancing act. We are responsible for providing quality services and facilities that our community want and need at an affordable cost. All the while keeping our eye on the bigger picture; to facilitate job creation and stimulate economic growth and improve our image through increased district promotion.

Financial overview

Council has been very successful in keeping rate revenue increases as low as possible. However we have not allowed this to stop us investing in community infrastructure like sports grounds; and large infrastructure like our road network and water and wastewater treatment plants. These facilities are necessary to build healthy, vibrant communities and respond to economic investment opportunities.

We believe we have done a good job of maintaining low rate levels. We work very hard to balance maintaining levels of service, escalating costs, central government requirements, community expectations and our ability to fund progress. In terms of debt we are again looking very healthy. Our external debt level per person has long compared very favourably with the average across New Zealand; largely due to our healthy financial position.

One of our key financial challenges over the past year has been how best to protect and utilise our South Waikato Investment Fund capital of \$25 million. Council has done considerable work on investigating establishing two external bodies. The first will be made up of proven and reliable business people who will be provided with \$1 million dollars to identify and seed fund projects that will grow the economic advantages of the district. If approved; the second body (which will also be completely separate from Council) will try to ensure that the remaining capital is protected for the South Waikato community should amalgamation occur. The size of this decision means that the community will be consulted on using a Special Consultative Procedure with is open for submissions until 25th October 2013.

Council measures its annual non-financial performance through 55 key performance indicators (KPIs) that look at a range of services and activities from roading and stormwater to libraries and pools. We are pleased to advise that we have only missed 7 KPIs this year, which gives us an 87% success rate.

Talk of change

It was signalled in December last year that local government is heading for significant reform and is in a time of change. Central government is sending strong signals about amalgamation and a shared approach to the delivery of many services. Council has kept, and will continue to keep, a careful eye on these and related developments to ensure the interests of our community are supported.

Strong relationships

Building strong relationships and working collaboratively continued as a priority with the Waikato Regional Council; with local iwi as the Treaty Settlement process continues; with the Waikato River Authority given our reliance and proximity to the Waikato River; and with our neighbouring Councils.

Sad passings

We couldn't review this past year without mentioning the sad passing of two our Councillors. Tokoroa Ward Councillor Barrie Herlihy passed away in October last year and we lost Tirau Ward Councillor Warren Lee eight months later in May this year. Their untimely deaths saddened co-Councillors and Council staff greatly.

Large asset development

The single biggest initiative this past year has been the construction of the South Waikato Sport and Events Centre. The doors opened in October last year and usage figures to 30 June include 15,800 adults, 4,183 youth, 2,887 children, 1,582 seniors and 50 pre-schoolers. A total of 97 functions, including weddings, funerals, parties, meetings, ceremonies, courses and conferences have been held in the function rooms. The main arena has been used for sports leagues, club nights, casual bookings, sporting clubs and school groups a massive 178 times; and the arena has been used six times for large events including a wedding reception, balls and award ceremonies. This development was discussed in this community for over 20 years. Council's capital commitment of \$2.6 million from this investment account and \$1.55 million from major funders Lotteries, Trust Waikato and the Lion Foundation has brought this facility to life; and since construction started fundraising by the local community has amounted to a further \$700,000.

The recycling crates were introduced for urban areas, not without a few teething problems which appear to have worked themselves through. The new system has improved health and safety concerns and the bins have contributed to neater neighbourhoods on recycling days. The more waste we stop going to landfill, the longer the landfill will last; so Council encourages the community to continue recycling products using the bins provided.

The largest roading project Council undertook this past year was the Arapuni road realignment. The primary driver for this project, that has been in the pipeline for a while was safety. All design work was done in house and the project came in within budget and on schedule. Council has received positive feedback from the local community, travellers and other district councils; so clearly a well-managed project from start to finish.

Asset upgrades to wastewater treatment plants, waste management systems and the road network have all contributed to improving the quality of life for everyone living in the South Waikato.

Caring for the environment

Several years' worth of work on the new District Plan is coming to a close. This document is Council's primary planning and resource management tool for continued district development while protecting our natural environment. Council has worked closely with iwi, local developers and the Waikato Regional Council to achieve a sound document that will be in place for the next ten years.

The Warm Homes Clean Air programme has been in place in the South Waikato since 2005. The programme assists low income residents to install improved insulation and energy efficient heating in order to improve the air quality issues we have in Tokoroa (and to a lesser extent in Putāruru). We are moving into an era of even greater partnership with the Waikato Regional Council and we look forward to improved outcomes in this area.

Aligned to the Warm Homes programme is Council's new Heat Swap scheme that was introduced last financial year. This scheme has the same goal -to improve air quality- but is aimed at middle to high income residents who are being offered the opportunity to install clean heat products and pay Council back through a targeted rate over the next ten years. Uptake is now well over 100 homes and staff receive regular weekly queries.

New things

The inaugural Taniwha running, walking, biking event held in November 2012 along the Waikato River Trails is yet another success story. With a goal of 500 competitors in the first year, an overwhelming 841 registrations resulted. People visiting the South Waikato for events such as this brings money into the district; an estimated \$144,000 over that weekend! The Waikato River Trails itself has been supported by Council since it began in 2004; completed now and growing in popularity, close to 30,000 people walked, ran or biked the trails over the past year. Council can now be found on Facebook and Twitter, marking a step into the social media arena. Staff are pleased with the level of engagement with our community and can only hope it grows in the coming years.

Business growth and the future

Now into its sixth year, the Trade Training Centre (TTC) continues to go extremely well with strong performing and dedicated students enrolled in the 2013 year. These students continue to do their practical work in local engineering and automotive businesses in the district. The 2012 intake saw 17 students start the course, 17 students complete the course and nine of them found employment in our district! The success of the project is simply outstanding.

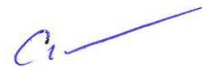
A large amount of new business development has occurred in the district. This range of development weaves through the many aspects of our lives from generating jobs, income and economic growth to improving our community cohesiveness through social and cultural initiatives and events.

The wealth of natural beauty, diverse culture, central location, economic opportunity, inexpensive living and passionate people make the South Waikato a wonderful place to live, work and play.

At Council we are committed to our vision; our strategic goals and outcomes. We are working towards these in everything we do to add value to our local communities. We hope you will support, engage and work with us on this journey.



Neil A Sinclair MNZM JP BDS
MAYOR
3 October 2013



Craig Hobbs
CHIEF EXECUTIVE
3 October 2013

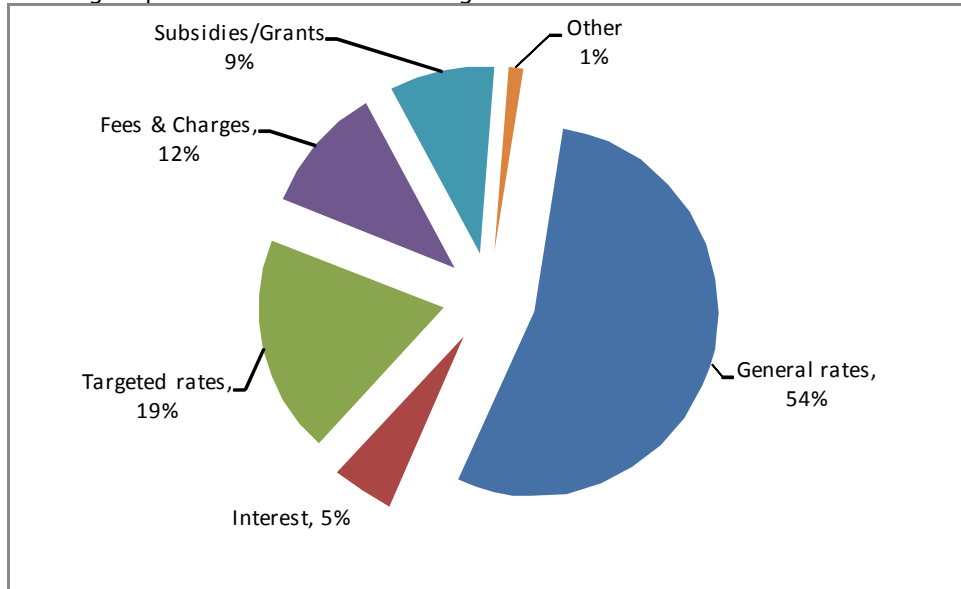
FUNDING IMPACT STATEMENT REPORT

Background

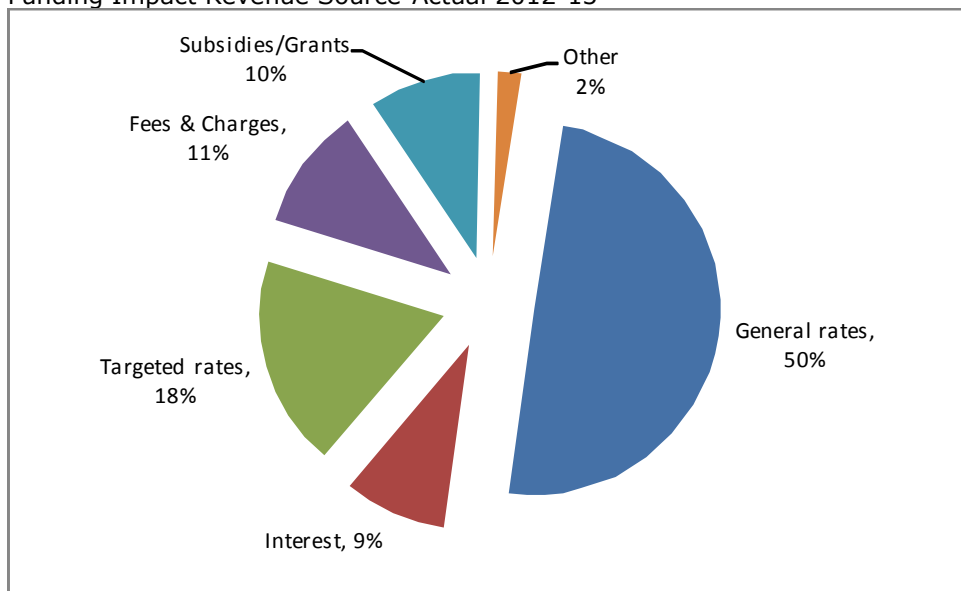
The Funding Impact Statement describes the funding mechanisms the Council intends using each year to achieve the funding proportions indicated by the Revenue and Financing Policy.

Comparison of Actual and Target

Funding Impact Revenue Source-Budgeted 2012-13



Funding Impact Revenue Source-Actual 2012-13



CUSTOMER SATISFACTION SURVEY

Council contracts the National Research Bureau's (NRB) Communitrak™ survey approximately every 2 to 3 years. This survey of the district's residents measures their levels of satisfaction with Council supplied services. Because it is carried out by NRB for a number of local authorities, it provides useful comparison data at both a 'whole sector' and 'peer (or comparable) local authority' level. The most recent South Waikato survey was conducted in March 2011 and the results of this survey are reported in a number of our performance measure disclosures throughout Section 2 of the Annual Report. The next survey is due in early 2014.

Sample sizes are chosen at a level that gives a 95% level of confidence in survey results. In 2011, the geographical spread of respondents by ward was 240 (Tokoroa), 122 (Putāruru) and 40 (Tirau). This spread is roughly consistent with the population distribution. Respondents were also screened to ensure a representative sample in terms of age, gender split, and balance according to ward populations. The result is that the total figures represent the adult population's viewpoint across the entire South Waikato district.

Communitrak™ reports satisfaction results in four categories: 'very satisfied', 'fairly satisfied', 'not satisfied' and 'don't know'. For the purpose of reporting results in this Annual Report, the 'very satisfied' and 'fairly satisfied' results have been combined and assessed as 'satisfied'.

Overall Satisfaction

In brief:

- Overall 82% of ratepayers are satisfied with how rates are spent (5% up on 2008). This is also ahead of our Peer Group* (71%) and the National (72%) average.
- Out of the 20 services surveyed, resident's satisfaction improved between 2008 and 2011 in 13 areas; stayed the same in three areas and went down in just four.
- The area where residents are most satisfied (and which applies to all parts of the district) is parks and reserves, at 88%.
- The areas where satisfaction decreased were sports fields and playgrounds, tourism promotion, community assistance and public toilets. At the time of the survey, the Putāruru public toilets had not yet been replaced.

The overall 'performance rating of the Mayor and Councillors during the last year' increased to 64% positive (60% in 2008) and is significantly higher than both the national average (53%) and the peer group (54%).

Our overall 'performance rating of Council staff during the last year' is 68% satisfied (same as 2006 results, up on 2008) and above the national average (61%) and on par with our peer group (69%).

** Our Peer Group includes the following district councils: Gisborne, Gore, Grey, Hastings, Horowhenua, Marlborough, Masterton, New Plymouth, Queenstown-Lakes, Rodney, Rotorua, Taupo, Timaru, Waikato, Waimakariri, Waipa, Whakatane and Whangārei.*

SIGNIFICANT ASSET ACQUISITIONS OR REPLACEMENTS

Major Capital Projects for 2012-13

| Transport and roading | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|---|-------------------------------|-------------------------------|-------------------------------|
| Formation widening | 478 | 434 | 441 |
| Seal widening | 12 | 12 | 243 |
| Seal extension | - | 65 | - |
| Pavement rehabilitation | 827 | 837 | 861 |
| Drainage renewals | 150 | 139 | 153 |
| Christmas/feature Lighting | 78 | 80 | 23 |
| Maintenance chip seals & reseals | 880 | 910 | 1,061 |
| Asphaltic surfaces | 166 | 140 | 99 |
| Kerb and channel renewals | 91 | 90 | 90 |
| Traffic services renewals-signs | 108 | 108 | 105 |
| Traffic services renewals-street lights | 111 | 110 | 103 |
| Minor improvements | 278 | 189 | 364 |
| Footpath renewals | 51 | 51 | 52 |
| Sundry other | 289 | 19 | 3 |
| Total | 3,519 | 3,184 | 3,598 |

Major variations from budget included:

- Over expenditure occurred as a result of storm damage rehabilitation/reinstatement works, and the purchase of land at Pellikan Place for strategic roading purposes. The works performed due to storm damage was funded 50% by the New Zealand Transport Agency (NZTA), and the balance offset by savings made in operational (non-capital) activities. The Pellikan Place land purchase (under sundry other) was funded from a portion of budget marked for the new recycling centre facility which has been deferred into 2013-14.

Major projects completed included:

- Formation widening, both urban and rural pavement rehabilitation, kerb and channel renewals, minor safety and associated improvements, footpath renewal, Arapuni deviation, both chip and asphalt reseals, and drainage renewal, street-lighting improvements and street sign replacement.

| Community facilities, properties & amenities | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|--|-------------------------------|-------------------------------|-------------------------------|
| Cemeteries | 6 | 13 | 11 |
| Community Halls | 46 | 48 | 43 |
| The Plaza | 47 | 48 | - |
| Sports Events centre | 2,119 | 1,739 | 4,200 |
| Tirau Hall | 9 | 10 | 2 |
| Public toilets | 229 | 168 | 1,164 |
| Tokoroa airfield | - | 12 | 53 |
| Pensioner housing | 77 | 108 | 115 |
| Total | 2,533 | 2,146 | 5,588 |

Major

variations from budget included:

- The South Waikato Sport and Events Centre was completed in October 2012. Expenditure shown reflects carry forward budget from 2011-12.
- Pensioner housing exterior repainting budgeted at \$8,300 has been carried forward into 2013-14.
- A number of public toilets were still in progress in the previous year and only completed this year; associated budget from the previous year was also therefore used in this year.
- Tokoroa airfield fuel supply installation is now scheduled for 2013-14

Major projects completed included:

- Tapapa-The Plaza theatre seating replacement, Tirau Hall vinyl floor replacement, completion of various district-wide toilet projects, pensioner housing interior redecoration, re-roofing, kitchen replacements and accessibility enhancements

| Leisure services | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Library Collection Annual Renewal | 134 | 135 | 144 |
| Library-other | 43 | 84 | 8 |
| Sportsgrounds-Memorial Park | 209 | 160 | - |
| Sportsgrounds-Glenshea Park | 60 | 79 | - |
| Reserves - walkway development | 16 | 49 | 38 |
| Reserves - Putaruru to Duxfield walkway | 12 | 100 | - |
| Playground Equipment renewals | 16 | 37 | 40 |
| Lake Moananui - retaining walls | - | 37 | - |
| Tirau village green development | - | - | 33 |
| Arapuni Village Green carpark development & link road | 7 | - | 79 |
| Other parks and reserves projects | 33 | 42 | 64 |
| District indoor pool - plant replacement | 147 | 178 | 11 |
| Putaruru pool - plant replacement | 25 | 29 | - |
| Total | 702 | 929 | 417 |

Major**variations from budget/projects completed included:**

- Library collection-other includes a number of smaller projects that have been carried forward into 2013-14.
- Sportsgrounds-Memorial Park includes some projects that relate to the previous year that were completed this year, including new signage and the installation of new surfaces to three netball courts.
- The Putaruru to Duxfield walkway was still in progress at year-end, and will be completed in 2013-14.
- Some playground equipment renewals were still in progress at year-end.
- Lake Moana-nui retaining walls is being completed in 2013-14.
- A \$20,000 repaint of the District pool exterior walls will be completed in 2013-14.

Major projects completed included:

- Tokoroa Library rear wall replacement; Library collection books; District indoor pool - UV treatment system; Putaruru pool plant replacement; Te Waihou Walkway - furniture and signage; Arapuni Village Green development, Memorial Sportsground Oval Lighting.

| Community support and economic development | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|---|--------------------------------|--------------------------------|--------------------------------|
| District Promotion - billboards/signs | 24 | 15 | 3 |
| LED lighting | 29 | 30 | 49 |
| Total | 53 | 45 | 52 |

Major**variations from budget included:**

- District promotion - billboards/signs - there was carry over budget (not shown above) of \$20,000 from 2011-12. \$10,000 of the resulting under expenditure is to be carried forward into 2013-14.

| Water supply | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Tokoroa - reticulation replacements | 249 | 256 | 79 |
| Tokoroa - capital component of maintenance | 14 | 12 | 8 |
| Tokoroa - Billah St headworks | 4 | 7 | 59 |
| Tokoroa - Elizabeth Park main switchboard upgrade | - | - | 26 |
| Tokoroa - Colsons Hill - repair leak | 6 | - | 18 |
| Putaruru - Waihou headworks | - | 11 | - |
| Putaruru - headworks | - | - | 21 |
| Putaruru - reticulations replacements | 46 | 42 | 19 |
| Putaruru - capital component of maintenance | 5 | 12 | 11 |
| Putaruru -water treatment system | 318 | 300 | - |
| Tirau - capital component of maintenance | 3 | 12 | 66 |
| Tirau - new works-water treatment | 55 | - | 170 |
| Tirau - reticulation replacements | 26 | 35 | 22 |
| Arapuni - reticulation renewal | 80 | 104 | - |
| Other Capital Projects | - | - | 33 |
| Total | 806 | 791 | 532 |

Major variations from budget included:

- The Putaruru water treatment system upgrade was completed
- Arapuni bores resource consent renewal (\$20,000) was not required

Major projects completed included:

- Tokoroa Smart water meters were installed in Tokoroa
- The Putaruru water treatment system upgrade was completed including Ultra Violet (UV) treatment
- Tirau new works water treatment project was completed
- Reticulation replacements

| Stormwater | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Tokoroa - minor new works projects | 4 | 11 | 5 |
| Putaruru - minor new works projects | 15 | 17 | 16 |
| Putaruru - Tirau Street pipe renewal | 17 | 105 | - |
| Tirau - minor new works projects | 5 | 6 | 10 |
| Arapuni - resource consent renewal | 17 | 50 | - |
| Total | 58 | 189 | 31 |

Major variations from budget included:

- The Tirau Street pipe renewal was still in progress at year-end.
- The Arapuni resource consent renewal was completed.

| Wastewater | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|--|--------------------------------|--------------------------------|--------------------------------|
| Tokoroa - wastewater treatment plant (WWTP) upgrade | 1,254 | 98 | 299 |
| Tokoroa - UV plant upgrade | 10 | 13 | 3 |
| Tokoroa WWTP - nitrogen removal enhancement | 24 | 33 | - |
| Tirau WWTP upgrade | 15 | 15 | 18 |
| Arapuni WWTP upgrade | 14 | 20 | - |
| District-wide above ground/under ground plant renewals | 43 | 54 | 47 |
| Other | 33 | 6 | 60 |
| Total | 1,393 | 239 | 427 |

Major variations from budget included:

- Work on the Tokoroa WWTP upgrade has been completed, with \$1,184,000 of carry forward budget from 2011-12

Major projects completed included:

- Miscellaneous above ground/underground plant renewals; Tokoroa WWTP nitrogen removal enhancement, Tokoroa WWTP upgrade

| Solid waste and recycling | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|--|--|--|--|
| Tokoroa landfill leachate pump | - | - | 11 |
| Tokoroa - recycling facility | 6 | - | 5 |
| Tokoroa - capital component of maintenance | 21 | 22 | - |
| Tokoroa - security fencing | 18 | 55 | - |
| Tokoroa - other minor projects | 7 | 11 | - |
| Putaruru - other minor projects | 10 | 26 | - |
| Recycling crates | - | 240 | - |
| Tirau - Depot Street - refurbish recycling container | 4 | 4 | - |
| Total | 66 | 358 | 16 |

Major variations from budget included:

- Tokoroa Recycling crates were purchased as an operational cost in the 2011-12 financial year, for \$194,000
- The district recycling facility project has been carried forward into 2013-2014. \$115,000 of the \$780,000 budget has been used to purchase land at Pellikan Place, as a strategic transport and roading asset.

| Emergency management | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|---|--|--|--|
| Mobile satellite station and welfare | 11 | 14 | 4 |
| Civil defence/rural fire communication hardware | 6 | 12 | - |
| Rewire Council chambers | - | - | 6 |
| Total | 17 | 26 | 10 |

Major variations from budget included:

- The unused communications hardware budget has been carried forward into 2013-14.

| Governance and corporate | Actual Spend 2013 \$000 | Budget Spend 2013 \$000 | Actual Spend 2012 \$000 |
|----------------------------------|--|--|--|
| Council admin buildings & depots | 2 | 130 | 400 |
| IT expenditure | 480 | 577 | 324 |
| Vehicle replacements | 379 | 290 | 183 |
| Furniture renewals | 6 | 15 | 12 |
| Total | 867 | 1,012 | 919 |

Major variations from budget included:

- A number of IT projects have been carried over into the 2013-14 year.

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

We have audited the summary of the annual report (the summary) as set out on pages 14 to 29, which was derived from the audited statements in the annual report of the South Waikato District Council (the District Council) and group for the year ended 30 June 2013 on which we expressed an unmodified audit opinion in our report dated 3 October 2013.

The summary comprises:

- the summary consolidated balance sheet as at 30 June 2013, and summaries of the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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 Groups of Significant Activities 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 3 October 2013 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*. The Council is also responsible for the publication of the summary, whether in printed or electronic form. 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*.

In addition to the audit we have carried out assignments in the areas of the audit of the Long Term Plan Amendment which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the District Council.



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

SUMMARY OF THE GROUPS OF SIGNIFICANT ACTIVITIES

Council set a number of specific service performance targets in the Long Term Plan 2012-2022. The Annual Report provides a report of our achievements against those targets. A selection of what are considered the key performance targets is set out below. The full Annual Report should be referred to if the reader wishes to see the results achieved for all of the performance targets.

Road Network and Road Safety

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|------------------------|---|------------------------|---|
| Road quality | At least 80% of Council roads (by length) will meet the New Zealand Transport Agency (NZTA) target for roughness and not more than 15% of road length shall exceed the NZTA maximum target roughness | No data available | In 2011-12, Council achieved this measure, with 91% of Council roads (by length) meeting the NZTA target for roughness |
| Road safety | The number of crashes in the South Waikato District per 100 million vehicle km travelled (VKT) is less than both the crash rate per 100 million VKT for all New Zealand, and Council's peer group, as defined by the NZTA's annual road safety report | No data available | In 2011-12, Council achieved this measure with an overall result of 64 (peer 71, all NZ 68) |
| Service responsiveness | 90% of potholes on Council's roads are repaired within one week of notice with the remaining 10% addressed within a month of notice | Achieved | 28 requests were received for the year. 26 (93%) were responded to within target, with the remaining two repairs within one month |
| Customer Satisfaction | Council receives fewer than 25 complaints about the road network per year (this includes footpaths, signage, street lighting and road markings) | Achieved | Seven complaints were received for the year. |
| Customer Satisfaction | 90% of all sub standard footpaths within the district are attended to within one week of notice and repaired within two weeks, with the remaining 10% addressed within one month | Not achieved | 55 requests were received for the year. 91% were attended to within 1 week, 87% repaired within 2 weeks, with 3 repaired within 1 month. However 4 were not repaired within 1 month |

Community Facilities, Properties & Amenities

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieve | Comments |
|-------------------------------------|---|-----------------------|--|
| Safety: buildings | Council will ensure 100% compliance with the Building Act 2004 and hold current warrants of fitness where required (this includes Council owned buildings in public use, such as the Plaza) | Achieved | All Council buildings that are in public use are compliant with the Building Act 2004. All buildings requiring warrants of fitness have warrants valid until December 2013 |
| Safety: Playgrounds | Council will respond to complaints, service requests and inspection reports relating to unsafe playgrounds equipment within one hour of notification and the equipment will be made safe within 24 hours at least 95% of the time | Achieved | One instance of playground safety was identified, and responded to immediately |
| Service quality: Parks and Reserves | Council receives fewer than ten complaints about parks and reserves per year | Achieved | Four complaints were received for the year |
| Safety: Swimming Pools | At least 90% of pool water tests comply with the relevant New Zealand standards of water quality | Achieved | Pool water testing has achieved an overall rating of 92% |
| Usage: Swimming Pools | An average of at least four visits per resident per year to the South Waikato Indoor Pools will be achieved | Achieved | Four visits per resident were achieved. This based on 100,305 visits and a population of 22,900 |
| Usage: Libraries | An average of at least 8.5 book issues per resident per year will be achieved | Not Achieved | Council has achieved 7.5 book issues per resident. This is based on 170,938 issues and a population of 22,900 |
| Service quality: Public Toilets | Council receives fewer than six complaints each year about public toilets | Achieved | Two requests for service quality complaints were received for the year |
| Service responsiveness: Cemeteries | 100% of all enquiries, requests or complaints are responded to within three working days of notice | Achieved | All enquiries have been addressed within the specified timeframe. 30 requests were received for the year. 18 enquiries were responded to the same day; 9 were responded to the next business day, and 3 within two business days |

Community Facilities, Properties & Amenities (continued)

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|---------------------------------|---|------------------------|---|
| Occupancy: Pensioner Housing | The service delivers affordable and appropriate units for our residents to live in, which is reflected in 95% occupancy of Council's pensioner housing on an annual basis | Achieved | Councils' pensioner housing has achieved an occupancy rate of 96% |

Community Support & Economic Development

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieve | Comments |
|---|---|-----------------------|---|
| Social connectivity and building capacity of community groups | Membership of Council's community connect website is promoted and maintained with a minimum of 80 registered users updating details within the year | Achieved | 109 registered users details were updated during the year |
| Youth Development | Council will sponsor an active Youth Council within the district – with responsibilities including planning and coordinating the School of Zen event, and making youth submissions on Council's draft plans | Achieved | The Youth Council ran the School of Zen event on 6 December 2012 and was then scaled back due to work pressures on the youth. In addition, a youth submission on Council's draft Annual Plan 2013-14 was received from Jade Hohaia - South Waikato Youth Services Manager [Social Sector Trials] representing local youth |
| Events | Council will ensure on average one event per quarter occurs to enhance community cohesiveness | Achieved | Eleven events have been held. These are: the Mayoral breakfast; 6 neighbourhood parties; Involve (October 2012), apprenticeship graduation (November 2012), ANZAC Day service (April 2013) and Honouring Volunteers (June 2013) |
| Local economic development plan | Ensure the development of a local economic development plan (to be implemented through the 2015-25 Long Term Plan) | Achieved | Currently the Waikato Mayoral Forum is developing an Economic Development Strategy for the region and Council staff are contributing to this process. Initially, the plan was to wait for this to be completed to act as the baseline and foundation for the development of a Local Economic Development Action Plan. However, as this is progressing slowly, Council has indicated to staff that we should not wait, and that work on a local economic development plan should begin in the 2013-14 financial year |

Water Supply

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|--|---|------------------------|---|
| Service responsiveness | At least 95% of disruption to Council's urban water supply network will be responded to within one hour of notice on 24/7 basis | Achieved | Council has received 36 service requests. All were responded to within one hour |
| Network reliability | 90% of disruptions to Council's urban water supply network will be remedied within 12 hours of notice | Achieved | Council has received 36 service requests. All were remedied within 12 hours |
| Safety | At least 97% of tests for E.coli carried out on treated reticulated water will indicate a level of E. coli in the reticulated Council systems of less than one per 100ml | Achieved | 587 samples were analysed. 585 (99.66%) achieved the target. |
| Water quality grading - Ministry of Health (at source) requirement | All public water supplies will comply with the NZ Drinking Water Standards (water quality standards) by the date specified in the Health (Drinking Water) Amendment Act 2007. Tokoroa 1 Jul-2012; Putaruru 1 Jul-2014; Tirau 1 Jul-2014; Arapuni 1 Jul-2015; Lichfield 1 Jul-2015 | Not achieved | Water at the Tokoroa water treatment plant is chlorinated and treated with UV as required by the Act. However systems to provide appropriate continuous monitoring were still being implemented |
| Water distribution system grading -Ministry of Health | All public water supplies will comply with the NZ Drinking Water Standards (distribution system standards) by the date specified in the Health (Drinking Water) Amendment Act 2007. Tokoroa 1 Jul-2012; Putaruru 1 Jul-2014; Tirau 1 Jul-2014; Arapuni 1 Jul-2015; Lichfield 1 Jul-2015 | Not achieved | Water at the Tokoroa water treatment plant is chlorinated and treated with UV as required by the Act. However systems to provide appropriate continuous monitoring were still being implemented |

Stormwater

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|------------------------|--|------------------------|--|
| Reliability | Buildings that comply with the Building Code will not be flooded due to failures of system maintenance | Achieved | No flooding of buildings that comply with the Building Code was reported |
| Service responsiveness | At least 90% of non-urgent service requests are responded to within one week of notice. The remaining 10% will be responded to within two weeks | Achieved | Council received 57 service requests. Six requests (10.5%) were not responded to within the target |
| Consent compliance | There will be no more than two 'Formal Enforcement Actions' from the consenting authority in regard to Council's compliance with resource consent conditions | Achieved | Council did not receive any formal enforcement actions from the regional council |

Wastewater

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|------------------------|---|------------------------|--|
| Network reliability | No more than one break or blockage per year causing overflow, per 10km of Council's sewerage pipe network. The network comprises 163.9km of reticulation pipelines, so the KPI is for 16 or fewer breaks or blockages per annum | Not Achieved | Council has had 18 blockages for the year |
| Quality of discharge | There will be no "Formal Enforcement Actions" from the consenting authority (Waikato Regional Council) in regard to Council's compliance with resource consent conditions relating to wastewater | Not Achieved | An abatement notice was received from the Regional Council for overflow which occurred on 21-22 October 2012 at Tirau Wastewater Treatment Plant |
| Service responsiveness | At least 95% of urgent service requests are responded to within one hour of the request with the remaining 5% responded to within 24 hours | Achieved | Council received 28 service requests. All (100%) were responded to within 1 hour |

Solid Waste and recycling

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|----------------------------|---|------------------------|--|
| Waste minimisation | The amount of waste that is recycled must not be less than 10% of the residual waste sent to landfill. ('Residual waste' is the gross tonnages over the weighbridge less cover material, sewage sludge, greenwaste, and metal/timber fractions) | Achieved | 13% of residual waste was recycled |
| Consent compliance | There will be no 'Formal Enforcement Actions' from the consenting authority in regard to Council's compliance with resource consent conditions | Achieved | There were no formal enforcement actions received from the regional council. |
| Kerbside refuse collection | There are no more than 50 complaints about the kerbside refuse collection service per annum | Achieved | Only three complaints were received for the year |

Environment

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|---------------------------------------|--|------------------------|---|
| Building Consent- Timeliness | At least 90% of building consents are processed within statutory timelines (20 working days) | Achieved | Council received 500 building consents for the year. 100% of applications were processed within the target |
| Building Consent – Accreditation | Council will retain accreditation as a Building Consent Authority. | Achieved | Council has retained accreditation as a Building Consent Authority for the year |
| Liquor & Food safety | 100% of premises registered under the Food Hygiene Regulations are inspected annually | Achieved | Council has 197 registered premises. 100% have been inspected annually |
| Animal Control-Service Responsiveness | Greater than 90% of urgent* requests are responded to within one hour on a 24/7 basis. (*dog attacks, dog aggression, stock wandering on road) | Achieved | Council has received 90 urgent service requests for the year. 100% were responded to within target |
| Resource Consent Timeliness | At least 90% of non- notified consents are processed within statutory timelines (20 or 40 working days) | Achieved | 42 Resource Consents processed. 100% were processed within target. This made up of 25 land use consents and 17 subdivision consents |
| Resource Consent Conditions | Not less than 80 hours per annum is spent on monitoring resource consent conditions | Achieved | 105 hours has been spent on monitoring resource consent conditions |

Environment (continued)

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|-----------------------------------|---|------------------------|--|
| District Plan-Integrity | Reviews and Plan Changes to the District Plan are carried out in accordance with the statutory requirements in the Resource Management Act 1991 (RMA) | Achieved | The District Plan was under review during the year, with five sets of hearings to consider all 53 submissions, commencing from 1 July 2013. No Plan changes were required |
| Emergency Management preparedness | More than six training sessions are held or attended per year, including one South Waikato Emergency Operations Centre exercise | Achieved | Seven training sessions were held or attended during the year |
| Emergency Management awareness | More than 20 visits to local organisations per year | Achieved | 21 visits were undertaken |
| Rural Fire compliance | Maintain rural fire management arrangements to meet the requirements of the Forest and Rural Fires Act 1977 | Achieved | National Rural Fire Authority statistics reporting, training & equipment audit requirements were met. Attended the Agricultural and Pastoral (A and P) show to promote rural fire management arrangements. Rural Fire Warrants were reviewed and updated. Rural property access was reviewed |

Governance & Corporate Services

| Key Result Areas | 2012-13 Target | 2012-13 Level Achieved | Comments |
|------------------|---|------------------------|--|
| Compliance | Compliance with all sections of the Local Government Act 2002 governing elections and functions of elected officials and the preparation and consultation on all key Council policies required by the Act | Achieved | Key deliverables have all been met |
| Sustainability | Council will implement three actions per year that encourage sustainable behavioral change | Achieved | Three actions implemented were: Energy Policy review, Sustainability Action list and waste education for schools |
| Elections | Council will conduct error-free local government elections (the election process is defined in the Local Electoral Act 2001) | Achieved | Ratepayer Elector enrolment processes up-to-date. Electoral forms revised for 2013. Deputy Electoral Officer appointed. All public notices actioned. All other election processes noted and up to date |

SUMMARY FINANCIAL STATEMENTS

Relationship to full Annual Report

The summary financial statements and summary of the groups of significant activities (the Summary Report) have been prepared in accordance with NZ Financial Reporting Standard No.43 *Summary Financial Statements*.

The presentation currency of the financial statements is New Zealand dollars and values are rounded to the nearest thousand dollars.

The specific disclosures included in the Summary Report have been extracted from the corresponding full Annual Report, which was authorised for issue by Council on 3 October 2013.

South Waikato District Council has designated itself as a public benefit entity for the purposes of the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The full set of financial statements included in the full Annual Report has been prepared in accordance with NZ GAAP and complies with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The full consolidated financial statements of the group have not been prepared using the purchase method due to the small size of the subsidiary, which means that the parent and group amounts are not materially different.

These summary financial statements do not include all the disclosures provided in the full annual report and cannot be expected to provide as complete an understanding of the Council's and Group's financial and service performance, financial position and cashflows as the full Annual Report.

The full financial statements were audited by Deloitte on behalf of the Auditor General, and an unmodified opinion was issued on 3 October 2013.

How to obtain a full Annual Report

The full Annual Report is our key accountability document. You can obtain a full Annual Report by:

- Visiting our website - www.southwaikato.govt.nz to download a copy
- Calling our Customer Services staff on (07) 885 0340 during normal business hours
- Emailing us at: info@southwaikato.govt.nz
- Writing to us at: South Waikato District Council, Private Bag 7, Tokoroa 3444
- Visiting one of Council's office's (located in Tokoroa or Putaruru)

If requesting a full Annual Report, please state whether you require the Annual Report in CD or hard copy format.


STATEMENT OF COMPLIANCE

The Council and Management of South Waikato District Council hereby confirms that all statutory requirements in relation to the annual report, as outlined in the Local Government Act 2002, have been complied with.

The Summary Annual Report was authorised for issue by Council on 3 October 2013.



Neil A Sinclair MNZM JP BDS
MAYOR
3 October 2013



Craig Hobbs
CHIEF EXECUTIVE
3 October 2013



Ben Smit
DEPUTY CHIEF EXECUTIVE
3 October 2013

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

| | Parent and Group | | |
|--|-------------------------|---------------------------|-------------------------|
| | Actual 2013 \$000 | Forecast 2013 \$000 | Actual 2012 \$000 |
| Total income | 32,957 | 28,391 | 28,559 |
| Expenditure other than finance costs | 28,039 | 27,254 | 28,810 |
| Finance costs | 337 | 422 | 293 |
| Profit before tax | 4,581 | 715 | (544) |
| Tax expense | - | - | - |
| Profit after tax | 4,581 | 715 | (544) |
| Other comprehensive income | | | |
| Change in Asset Revaluation Reserve | 13,832 | 4,699 | (5,403) |
| Change in Investment Revaluation Reserve | (2,534) | - | (206) |
| Total other Comprehensive income | 11,298 | 4,699 | (5,609) |
| Total comprehensive income | 15,879 | 5,414 | (6,153) |

Explanation of Council's Surplus after Tax

Council incurred a surplus of \$4.6m this year. A surplus of \$0.7m had been budgeted. A major factor in this variance was the gain on the sale of financial investments of \$4m, as some of these investments were realised when transferring to a new fund manager. Vested assets received were also \$0.4m more than forecast, largely due to the transfer of ownership to Council of the ex-Pirates Rugby Club building, being vested to Council. Rates revenue was slightly higher than budget \$0.274m. Depreciation and finance costs were less than forecast, mostly due to completion of various capital projects at a later date than forecast.

The revaluation of waters infrastructural assets was significantly higher than expected, resulting in a gain on revaluation of \$13.9m compared to budget of \$4.7m

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

| | Parent and Group | | |
|--|-------------------------|---------------------------|-------------------------|
| | Actual 2013 \$000 | Forecast 2013 \$000 | Actual 2012 \$000 |
| Balance at 1 July | 339,384 | 361,321 | 345,537 |
| Profit for the year | 4,581 | 715 | (544) |
| Other Comprehensive Income | | | |
| Change in Asset Revaluation Reserve | 13,832 | 4,699 | (5,403) |
| Change in Investment Revaluation Reserve | (2,534) | - | (206) |
| Total comprehensive income for the year | 15,879 | 5,414 | (6,153) |
| Balance at 30 June | 355,263 | 366,735 | 339,384 |

The disclosures on page 29 provide details of each component of equity.

Explanation of Changes in Equity

The difference between actual total equity at 30 June 2013 and what was forecast for the year represents an accumulation of changes since the budget, as part of the Long Term Plan 2012-22 process, was adopted, including lower land, buildings, parks and reserves asset revaluations in 2011-12 than budgeted (\$17.6m), lower net surplus in 2011-12 than budgeted (\$4.2m), higher net surplus this year than budgeted (\$3.8m), and the increase in asset revaluations of water, wastewater and stormwater assets this year than budgeted (\$9.1m).

SUMMARY CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2013

| | Parent and Group | | |
|-------------------------------|-------------------------|---------------------------|-------------------------|
| | Actual 2013 \$000 | Forecast 2013 \$000 | Actual 2012 \$000 |
| Total current assets | 22,957 | 9,029 | 14,546 |
| Total non-current assets | 346,493 | 371,142 | 337,836 |
| Total assets | 369,450 | 380,171 | 352,382 |
| Total current liabilities | 5,149 | 5,992 | 12,073 |
| Total non-current liabilities | 9,038 | 7,444 | 925 |
| Total liabilities | 14,187 | 13,436 | 12,998 |
| Equity/Net assets | 355,263 | 366,735 | 339,384 |

SUMMARY CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

| | Parent and Group | | |
|---|-------------------------|---------------------------|-------------------------|
| | Actual 2013 \$000 | Forecast 2013 \$000 | Actual 2012 \$000 |
| Net cash inflows from operating activities | 6,628 | 5,025 | 7,789 |
| Net cash outflows from investing activities | 4,284 | (12,215) | (11,492) |
| Net cash inflows/(outflows) from financing activities | 1,469 | 1,210 | 296 |
| Net increase/(decrease) in cash and cash equivalents | 12,381 | (5,980) | (3,407) |

SUMMARY FUNDING IMPACT STATEMENT-WHOLE OF COUNCIL FOR THE YEAR ENDED 30 JUNE 2013

| | Parent and Group | | | |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
| | Forecast 2012 \$000 | Actual 2012 \$000 | Forecast 2013 \$000 | Actual 2013 \$000 |
| Total operating funding (A) | 27,566 | 38,090 | 28,734 | 37,986 |
| Total applications of operating funding (B) | 20,539 | 34,765 | 21,380 | 33,767 |
| Surplus (deficit) of operating funding (A-B) | 7,027 | 3,325 | 7,353 | 4,219 |
| Total sources of capital funding (C) | 9,941 | 5,736 | 4,178 | 3,931 |
| Total application of capital funding (D) | 16,968 | 9,061 | 11,531 | 8,150 |
| Surplus(deficit) of capital funding (C-D) | (7,027) | (3,325) | (7,353) | (4,219) |
| Funding Balance ((A-B)+(C-D)) | - | - | - | - |

SUMMARY OF COST OF SERVICES

| | Actual 2013 \$000 | Parent and Group Forecast 2013 \$000 | Actual 2012 \$000 |
|--|-------------------------|---|-------------------------|
| REVENUE | | | |
| General Revenue (Net of Internal Revenue) | 21,096 | 16,774 | 16,022 |
| Revenue From Significant Activities | | | |
| Transport and roading | 2,729 | 2,616 | 2,794 |
| Recreation and facilities-facilities & property | 958 | 989 | 2,102 |
| Economic and community development | 134 | 127 | 122 |
| Recreation and facilities-leisure Services | 362 | 357 | 415 |
| Water supply | 2,313 | 2,075 | 2,048 |
| Stormwater | 428 | 423 | 388 |
| Wastewater | 2,576 | 2,498 | 2,429 |
| Solid Waste and recycling | 1,501 | 1,674 | 1,449 |
| Environment – regulatory sanagement | 759 | 722 | 695 |
| Environment – resource management & planning | 81 | 110 | 79 |
| Environment – emergency management | 3 | 12 | - |
| Governance and corporate | 16 | 14 | 16 |
| Total Service Statement Revenue | 11,860 | 11,617 | 12,537 |
| TOTAL REVENUE | 32,956 | 28,391 | 28,559 |
| EXPENDITURE | | | |
| Expenditure From Significant Activities | | | |
| Transport and roading | 6,800 | 7,052 | 6,854 |
| Recreation and facilities-facilities & property | 1,764 | 2,034 | 1,442 |
| Economic and community development | 2,081 | 2,417 | 2,124 |
| Recreation and facilities-leisure Services | 4,557 | 4,475 | 4,541 |
| Water supply | 2,178 | 2,144 | 2,055 |
| Stormwater | 565 | 550 | 587 |
| Wastewater | 2,627 | 2,814 | 2,767 |
| Solid Waste and recycling | 2,293 | 2,423 | 2,951 |
| Environment – regulatory sanagement | 1,778 | 1,687 | 1,656 |
| Environment – resource management & planning | 1,146 | 1,134 | 1,156 |
| Environment – emergency management | 333 | 340 | 316 |
| Governance and corporate | 1,612 | 1,500 | 1,519 |
| Total Service Statement Expenditure | 27,734 | 28,570 | 27,968 |
| Less: elimination of Internal Expenditure | (769) | (894) | (763) |
| | 26,965 | 27,676 | 27,205 |
| Other Expenditure | 1,410 | - | 1,898 |
| TOTAL EXPENDITURE | 28,375 | 27,676 | 29,103 |
| NET SURPLUS BEFORE TAX | 4,581 | 715 | (544) |

MAJOR FORECAST VARIATIONS

| | Actual 2013 \$000 | Forecast 2013 \$000 | Variance \$000 |
|--|-------------------------|---------------------------|-------------------|
| Total income | 32,957 | 28,391 | 4,566 |
| Assets vested in Council | 559 | 201 | 358 |
| Vested assets income results from the gifting of property to Council. It cannot be reliably estimated in the budget due to the inherent uncertainty in the amount and timing. Vested income for the year exceeded forecast mainly due to the vesting of a sports building (ex Pirates Rugby Club building) to Council from New Zealand Rugby League. | | | |
| Finance Income | 1,184 | 1,502 | (318) |
| Finance income was below budget mainly due to generally lower interest rates on bonds and bank deposits than forecast | | | |
| Gain on financial instruments | 4,049 | - | 4,049 |
| This represents accumulated unrealised gains on investments which became realised when Council changed fund managers at the end of the year. The net difference between this and change in investment revaluation reserve (in other comprehensive income) of \$2.665m represents \$1.384m of actual gain on the current years' movements. | | | |
| Total operating expenditure | 28,376 | 27,676 | 700 |
| Net loss on sale | 1,375 | - | 1,375 |
| The net loss arose mainly from the renewal of infrastructural assets, particularly roading, water, wastewater and stormwater. | | | |
| Transport and Roothing | 6,800 | 7,052 | (252) |
| The transport and roading expenditure was below budget mainly due to lower depreciation cost compared to budget. The budget assumes higher depreciation charges. | | | |
| Recreation and facilities-facilities and property | 1,764 | 2,034 | (270) |
| Under expenditure occurred mainly as a result of lower operational costs on talking poles because the symposium was postponed; interest charges, depreciation and cleaning costs on toilets. A number of new toilets were completed towards the end of the year at a slightly lower capital cost (and therefore lower interest costs) than budgeted. | | | |
| Economic and Community Development | 2,081 | 2,417 | (336) |
| Economic and community development was underspent mainly because Heat Swap expenditure of \$494,000 has been treated as a recoverable investment (financial asset receivable) rather than an operational cost. \$210,000 had been budgeted as an operational cost. (note, these are self-funded via a ten year targeted rate over those ratepayers). Further, Warm Homes expenditure for the year was also less than budget. | | | |

MAJOR FORECAST VARIATIONS (CONTINUED)

| | Actual 2013 \$000 | Forecast 2013 \$000 | Variance \$000 |
|--|-------------------------|---------------------------|-------------------|
| Wastewater | 2,627 | 2,814 | (187) |
| <p>The wastewater activity was underspent mainly due to lower depreciation associated with the timing of completion and capitalisation of major projects such as the Tokoroa wastewater treatment plant(WWTP) new drum filter, WWTP de-watering plant and the UV upgrade.</p> | | | |
| BALANCE SHEET | | | |
| Property, plant & equipment | 334,926 | 348,367 | (13,441) |
| <p>Property, plant and equipment was below budget due to a combination of variations since Council's 2012-22 Long Term Plan was adopted. These include: lower asset revaluation increase in 2011-12 for land, buildings, parks & reserves assets (\$17.6m); and the deferral of some capital projects like the Glenshea Park grandstand replacements. These were partially offset by a higher revaluation increase for wastewater, water and stormwater assets this year (\$9.1m).</p> | | | |
| Other financial assets (non-current) | 11,567 | 22,763 | (11,196) |
| <p>Long term financial assets were below forecast due to the realisation of overseas shares and long term bonds, prior to year end. The realisation immediately prior to year-end resulted in a larger amount of cash and cash equivalents held at year-end.</p> | | | |
| Cash and cash equivalents | 17,581 | 3,573 | 14,008 |
| <p>Cash and cash equivalents were above forecast due to the reasons mentioned above.</p> | | | |
| Borrowings | 8,340 | 7,591 | 749 |
| <p>Borrowings were above forecast due mostly to a number of projects which were to be internally loan funded, being instead externally loan funded, as Council reviewed it's policy on the level of internal borrowing. There was also a more than anticipated take-up in the heat-swap scheme (self-funded by targeted rates).</p> | | | |
| STATEMENT OF CASHFLOWS | | | |
| Net Cash Inflow from Operating Activities | 6,628 | 5,025 | 1,603 |
| <p>Net Cash Inflows from Operating Activities were higher than forecast mainly due to generally lower operational expenditure in the roading and transport, facilities and property, economic development, and waste water activities.</p> | | | |
| Net Cash inflow /(Outflow) from Investing Activities | 4,284 | (12,215) | 16,499 |
| <p>Net cash inflows from investing activities arose as opposed to net cash outflows anticipated in the budget, mainly due to the realisation of most long term investments as mentioned above.</p> | | | |
| Net Cash Inflow/(Outflow) from Financing Activities | 1,469 | 1,210 | 259 |
| <p>Net cash inflows from financing activities were slightly above forecast mainly due to the use of external loans on some projects that were to be internal loan funded, as mentioned above.</p> | | | |

SUMMARY OF COMMITMENTS

| | Parent and Group | |
|----------------------------------|------------------|--------------|
| | Actual | Actual |
| | 2013 | 2012 |
| | \$000 | \$000 |
| Contracts for capital projects | 798 | 588 |
| Non-cancellable operating leases | 688 | 499 |
| Total Commitments | 1,486 | 1,087 |

SUMMARY OF CONTINGENT LIABILITIES

Guarantees

As at 30 June 2013 the South Waikato District Council was acting as a guarantor for a loan of \$29,282 advanced by ANZ National Bank Limited to the Tokoroa Kart Club Incorporated (2012: \$33,123).

Responsibility for shortfall calls for mutual liability

Up until 30 June 2012, the South Waikato District Council was a member of the New Zealand Mutual Liability RiskPool. The New Zealand Mutual Liability RiskPool had been the key mechanism for the sector to protect itself against public liability and professional indemnity claims over the past fourteen years.

In 2012 the Council received advice from RiskPool that payments of weather tightness claims on behalf of members were at a level that had resulted in deficits for the fund. These deficits will require calls on members under the mutual fund rules to meet the funding shortfalls. The mutual fund's rules also require the South Waikato District Council to share in the funding of shortfalls, for those years the Council has been a member of Riskpool (even after it has exited the mutual fund).

There is already sufficient certainty of the extent of some of these shortfalls to enable Council to quantify its share of the liability. Where this is the case, the liability has been accounted for in this financial report. However, there also remains the potential for further currently unquantified obligations/calls on the council. There is considerable uncertainty about any future claims and council is uncertain if there will be additional obligations.

Further losses claimed against Council

Roading and Asphalt Ltd (RAL) is appealing the decision by the High Court to award losses claimed in relation to the third year of a contract (contract 640/379) that was not awarded to RAL. The amount claimed is \$190,000. Due to the uncertainty of the likely outcome, and the legitimacy of the losses sought, Council has not accrued this into its accounts.

Contingent Asset

Appeal against RAL

On 8 June 2012, in its decision against South Waikato District Council in not awarding RAL Contract 640/379, the High Court awarded RAL for loss of profits, plus GST and interest (\$396,000) and court costs (\$77,000). These amounts have been paid over to RALs legal representatives (held in trust). Council is appealing the court decision. If the Court of Appeal overturns the High Court decision, Council will be refunded these payments.

COMPONENTS OF EQUITY

| | Parent and Group | |
|---------------------------------|-------------------------|-------------------------|
| | Actual 2013 \$000 | Actual 2012 \$000 |
| Retained Earnings | 146,899 | 140,449 |
| Restricted Reserves | 9,336 | 12,330 |
| Council Created Reserves | 27,400 | 25,757 |
| Property Revaluation Reserves | 171,094 | 157,780 |
| Investment Revaluation Reserves | 534 | 3,068 |
| Total Equity | 355,263 | 339,384 |

SUMMARY OF EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No other significant events have occurred between balance date and the signing of the financial statements.