

2013-2014 SUMMARY ANNUAL REPORT

September 2014



Opotiki's Motu Trails are a dream for nature lovers and suitable for first-timers and old hands.

- New Zealand Herald

Photo courtesy Whakatāne Beacon



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From the Mayor and CE

In setting its budget for the 2013-2014 year council was mindful of the impact of PSA on our kiwifruit industry and a stagnant national economy. A number of projects were deferred to keep the rates rise at a minimum. The district wide revaluation in 2013 has meant that kiwifruit orchards have had some relief in rates, and it is pleasing to see confidence returning to the point that there is now growth in the sector. We are now also seeing growth in the districts' GDP and our district can now look forward to a more prosperous future in this industry than was envisaged a year ago.

Council and staff enjoyed sharing information and receiving feedback from the public at the "pop up shop" we held in February. We hope the community have seen some of their ideas being implemented already. We hope you will support us to make this an annual event.

The past year has seen Council maintaining its services while positioning itself for three major projects with background work.

An announcement was made in August 2013 that Ōpōtiki District Council had been successful in securing a pledge of \$18M from the Bay of Plenty Regional Council Infrastructure fund for the Harbour transformation project, following a detailed application and due diligence

process. Immediately following the funding announcement, Council embarked on re-shaping the documentation for a government audience, and began talking with a range of central government officials and ministers. We are hopeful the hard work will result in a similar pledge from central government in the 14-15 year.

The approach to an upgrade of the Ōpōtiki Sewerage system has been two pronged. We have bought time by building an innovative overflow pond using carefully tested waste fill from the Ōpōtiki Sale Yards site. We have also increased our focus on investigating and analysing the problems with the existing system. We expect this will mean we can make a better and potentially more cost effective decision on the solution.

The Ōpōtiki Technology and Research Library project is progressing well, with a successful fund raising launch held at the end of June. There was overwhelming support within the community for the project to go ahead. We are hoping this project will be well underway by the end of next year.

This year has seen a number of retirements both within the staff and in the elected members. While we have lost experience, we have gained new ideas.

"...it is pleasing to see confidence returning to the point that there is now growth in the [kiwifruit] sector...our district can now look forward to a more prosperous future in this industry..." - John Forbes



John Forbes
Mayor

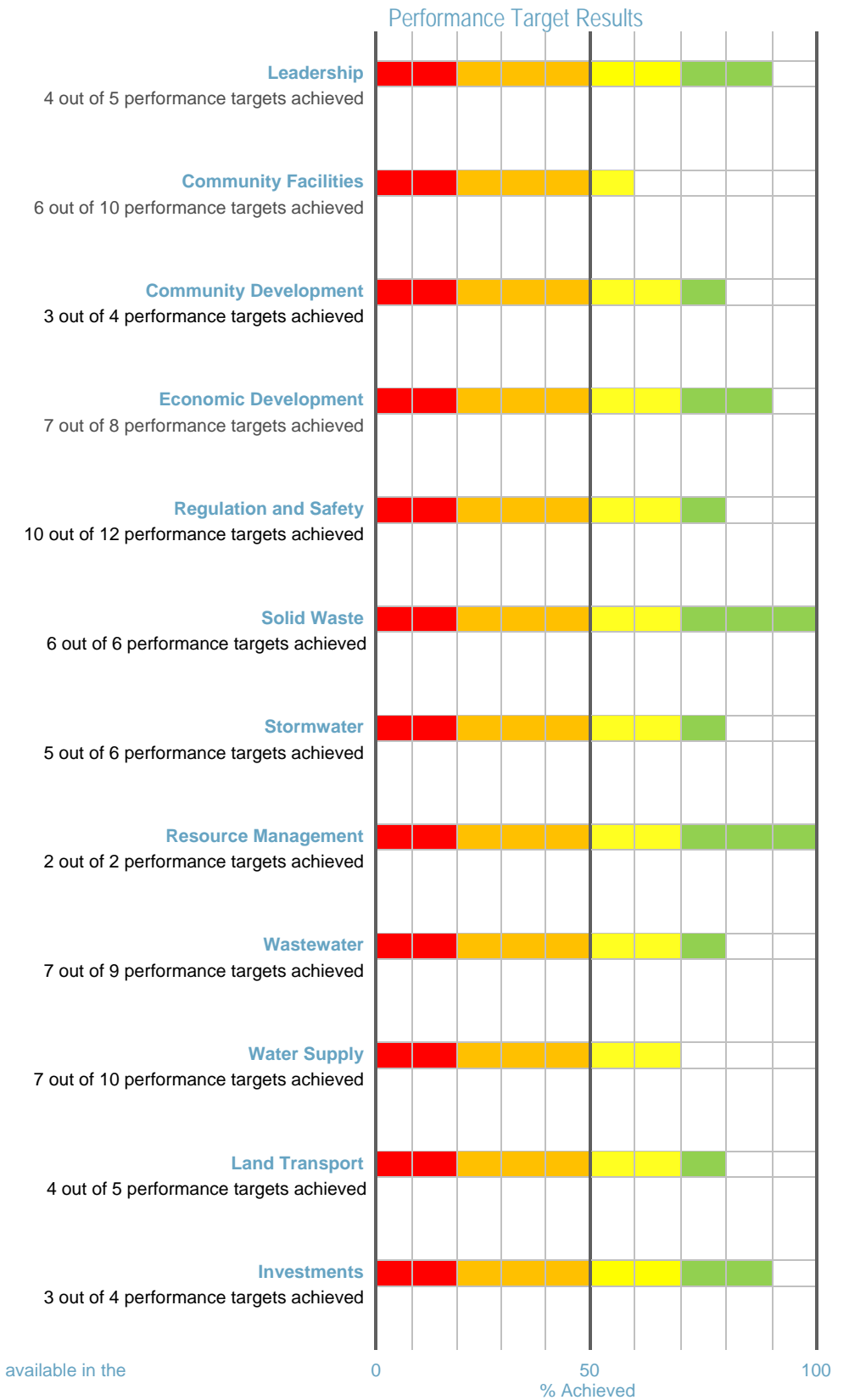


Aileen Lawrie
Chief Executive

How we did

Our projects and work programmes are contained in 12 groups of activities. You'll find the details in the Annual Report.

This document summarises how we did, where we met expectations and where we need to improve. Our performance measures provide us with targets to meet, covering aspects such as responsiveness, safety, timeliness, meeting statutory requirements and compliance.



Highlights

Securing \$18 million from Regional Council for the harbour development

In August 2013 Council were fortunate to be pledged \$18M from the contestable Regional Infrastructure Fund. The announcement followed a year long process where Ōpōtiki District Council competed with 47 initial applicants seeking a total of \$126M. This was reduced to 19 final applications, of which 4 were successful. A great deal of work went into the application, and the due diligence process was demanding on Council. The remainder of the 2013 year saw us engaging with Ministers and officials with a re-packaged application suitable for government. We hope to see the results in the coming year.

Motu Trails

The opening of the Tirohanga Bluff section in June 2014 marked the completion of construction of the Mōtū Trails Cycle Trail. The total cost of the project including staff time and partner contributions was in the order of \$3m of which \$2m was received from Government funding. The Dunes Trail in particular is proving very popular with 16,000 riders counted in the past 12 months - nearly double the previous year's count. We can expect a further increase with the showcase Tirohanga section capturing peoples interest. The trail has captured the heart of the community by providing a longed for link between town and the beach, celebrating our heritage and treasuring our coastal environment. Work is proceeding on options to extend the cycling experience around Ōpōtiki to grow the visitor economy based on enjoyment of our outdoor environment.

Ōhiwa Trail

Stage 2 of the Ōhiwa trail was completed in October 2013 – extending the existing Stage 1 along Ōhiwa Harbour Rd another 2km to finish at the Ōhiwa Loop Rd boatramp. Another recreation opportunity enjoyed by both locals and visitors. Consent for Stage 3 is in progress – the trail will complement proposed development of Onekawa –Te Mawhai Regional Park and initiatives that result from the Ōhiwa Harbour Strategy.

Ōpōtiki Technology and Research Library

Plans for the proposed new Ōpōtiki Technology and Research Library were unveiled in July 2014 coinciding with the launch of a fund raising campaign. The new facility will replace the existing library with a larger purpose built facility focussed on information, technology, learning and community. The project relies on securing external funding over the next 12 months.

Infrastructure Insurance Cover

This year we withdrew from the Local Authority Protection Programme, which provides insurance for our below ground infrastructure assets. Since the Christchurch earthquakes wiped out the reserves that this fund had in it there has been

considerable change to the way that this fund has operated. It moved from providing 100% cover in any disaster event to one of mutual liability. After careful consideration and review of the impact and likelihood of events within our district it was resolved that staying in LAPP would pose a significant risk to Council. At the same time our insurance brokers AON came up with a product whereby they would provide 100% cover through commercial brokers. This cover is considerably cheaper with a much less deductible (insurance excess) as well. And there is absolutely no risk that we would have to pay for a natural disaster occurring elsewhere.

Grant Funding

This year Council paid out roughly \$88,000 in grants and operational funding to organisations in the community, the majority of these grants are the main bread and butter for some of these organisations, and without them it would be difficult if not impossible for some of them to continue. Council prides itself as being an enabler within the district, and supporting our local businesses and organisations is very important to us.

Coast Community Board Work

Some of the projects that the Coast Community Board undertook over the year were; Drainage work around Kauaetangohia Marae, Sealing of Putiki Road, funded camera at Te Kaha Medical Centre, funded district Kapa Haka groups, and funded shortfall in sign at Te Whānau a Apanui Area School.

The board also undertook a significant amount of work to try to enable the erection of a Vodafone tower in Te Kaha, due to a number of issues however this project did not proceed. The board is currently reviewing plans for playground upgrades in Waihau Bay and Maraetai Bay. They also dealt with concerns from the public in relation to freedom camping. This required careful consideration as we still want to promote Ōpōtiki District and all it has to offer, but not allow open slather on the coast for campers. There is a need to respect the environment and those that live in the coastal communities.

BCA Audit

In order for a building control authority (BCA) to undertake the functions under the Building Act 2004, the BCA must be accredited in accordance with Building Regulations 2006.

The council initially became accredited in 2008. From then on, council has had to undergo regular reviews to ensure that procedures are up to scratch and take into account any changes in legislation. Our most recent routing reassessment was undertaken between the 23rd and 25th of July 2014. No corrective actions were identified therefore continuation of accreditation was recommended. It is understood that we are the first BCA in the Bay of Plenty to have had a clear audit.

This is a huge achievement for a council of our size, especially with the limited resources available, and is an absolute credit to the hard working planning and regulatory team that we have.

Key Issues

Act and legislation changes

Council faced an onslaught of legislative changes that took effect or have been in process this year. The Sale and Supply of Alcohol act took effect in December 2013, significantly changing the way we administer this part of the business. The impact of the Freedom Camping Act was felt as we started the implementation of a Freedom Camping policy, in conjunction with a Reserves Act Management Plan, and an amendment to the Public Places Bylaw. Likewise the Psychoactive Substances Act and subsequent amendment took up resources. We have also been involved in submissions to the Food Act 2014, changes to the Building Act, the Local Government Act, the Health and Safety Act and the proposal to amend the Resource Management Act.

Keeping abreast and ensuring input into these processes is demanding, yet important that the voice of a small community is heard. We continue to promote cost effective and integration messages to central government, and are always looking to voice any unintended consequences that we foresee.

Roading reviews, 3 Waters reviews, and spatial planning have added to the work load, but we hope some of these will provide cost savings, or level of service improvements in the years ahead.

Wastewater upgrade and works

Because of the significant investment and the risks around the proposed waste water upgrade, Council made a decision to create a Technical Advisory Group to assist with overseeing the project. Independent appointee Richard Kirby brings a wealth of technical experience to support Council with the very important decisions about advancing this project. During the course of the year the Council decided to seek further information on the state of, and problems with, the current sewerage system to allow a full range of options to be considered. This has resulted in a delay to what was programmed in our Long Term Plan, but Council firmly believes the monitoring currently underway will result in longer term savings.

Harbour Development

Council has continued to advance the Harbour Development and this year we have seen significant progress in both the harbour and, independently of Council, the commercial activity of establishing the farm. Issues still facing us are the commitment of government to the final tranche of funding and aligning the timing of the infrastructure provision with the needs (and production volumes) of the commercial entity.

Economic Development

The year has seen the resurgence of confidence in the Kiwifruit

industry, and Council is already facing pressure to respond quickly to potential growth. A growing issue around the need for workers is expected to put pressure on the district in terms of available accommodation and on council infrastructure to support development.

Council were disappointed to see one of the partners in Toi-EDA pull out, with little notice, during the course of the year but the organisation has been retained with support from the Bay of Plenty Regional Council and continues to operate on a reduced basis. We are pleased to see Whakatāne District Council back at the table, albeit in a reduced financial capacity.

Affordability

Council continues to balance its activities with affordability to the local community. Maintaining our current levels of service to the community is constantly challenged by incremental and cumulative effects of legislative changes, increasing the pressure and standard by which we must do things. Inevitably more cost is added to the business to ensure Council continues to comply with legislative requirements. To deal with this, Council is constantly looking at how to maximise grant funding for activities, and our planned Hukutaia water supply upgrade is a good example of this. We are also constantly considering how we can share services with others to gain expertise to implement better standards but without the full cost.

Earthquake Prone Buildings

The CBD has a major issue with a significant number of earthquake prone buildings, or buildings that could potentially be earthquake prone. During the last LTP the community got together to contract the services of an assessor to bulk assess all of the potential earthquake prone buildings in town. For a number of reasons this assessment process fell over and was not undertaken. The community as a whole is still left with an issue of not understanding the extent that some of the buildings are prone to falling down in an earthquake, and what percentage compliance of the current building code these buildings are.

We have recently seen the effect of this with Smith City, who nationally have a policy not to put their staff in earthquake prone buildings. As health and safety in the workplace becomes more and more important, this type of scenario is going to become more frequent. We were lucky to have somewhere available and up to a minimum percentage of code for Smith City to move in to, otherwise the community could have potentially lost one of the large businesses in town.

We are very aware of the impact that losing business in the CBD would have upon the community, and we would dearly like to avoid this occurring. In the Long Term Plan, which will be going out for consultation early next year, we would like to get feedback from the community on how Council can help address this issue. There is and has been opportunity for developers to purchase these properties and renovate or rebuild them yet this has not happened. Is there an opportunity for Council to get involved to help get the ball rolling here? We are already planning significant development work with the proposed Technology and Research Centre.

Financial Reporting and Prudence

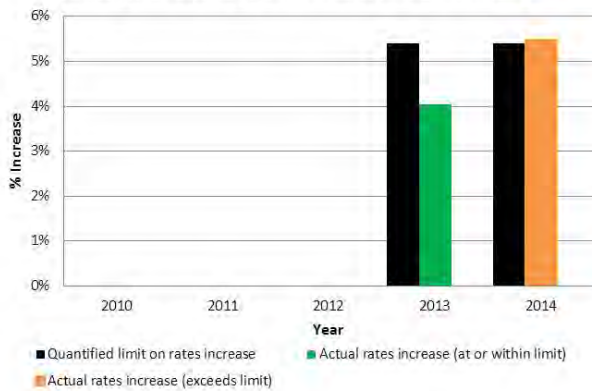
Annual report disclosure statement for year ending 30 June 2014

Rates (increases) Affordability

The following graph compares the council's actual rates increases with a quantified limit on rates contained in the financial strategy included in the council's long-term plan. The quantified limit is 5.40%.

The Council meets this benchmark if its actual rates increases equal or are less than each quantified limit on rates increases.

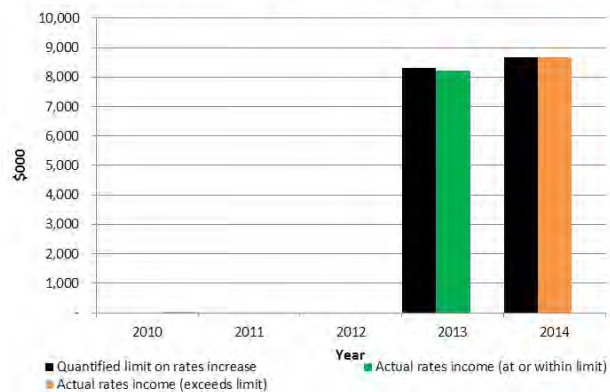
Rates (increases) Affordability Benchmark



Rates (Income) Affordability Benchmark

The following graph compares the council's actual rates income with a quantified limit on rates contained in the financial strategy included in the council's long-term plan. The Council meets this benchmark if its actual rates income is not more than 5.40% higher than the previous year's rates income.

Rates (income) Affordability Benchmark

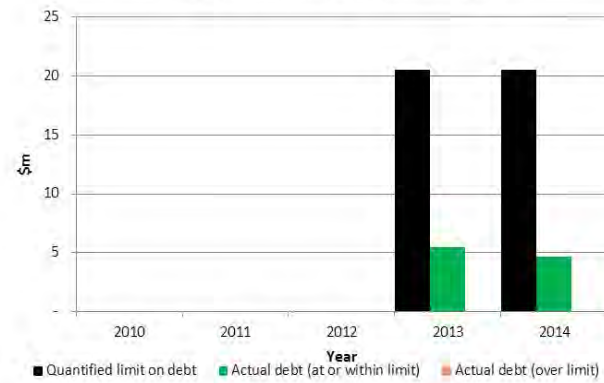


Debt Affordability

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan.

The quantified limit is net debt less than \$20.5 million.

Debt Affordability Benchmark

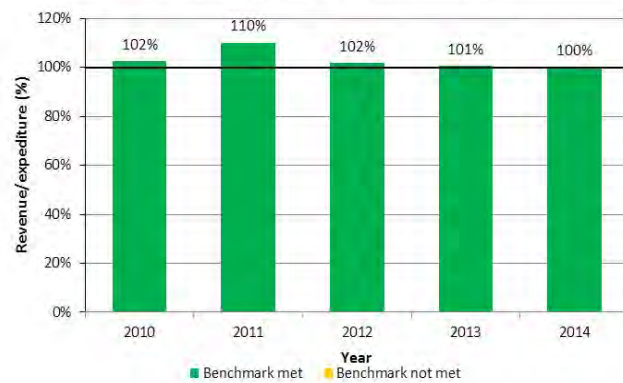


Balanced Budget Benchmark

The following graph displays the council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

The council meets this benchmark if its revenue equals or is greater than its operating expenses.

Balanced Budget Benchmark

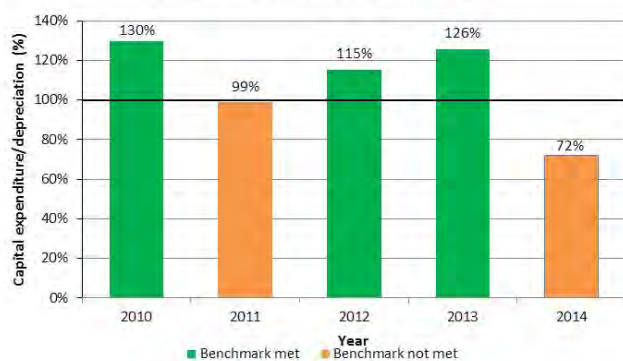


Essential Services Benchmark

The following graph displays the council's capital expenditure on network services as a proportion of depreciation on network services.

The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

Essential Services Benchmark

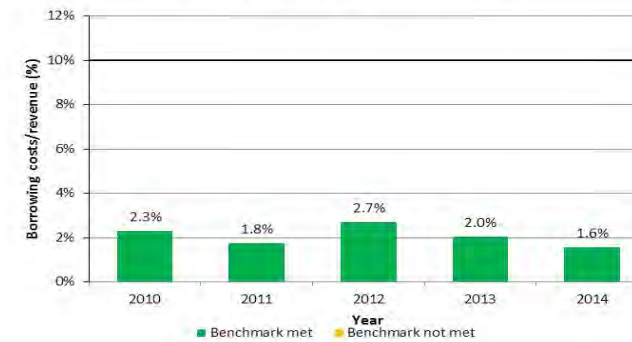


Debt Servicing Benchmark

The following graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and costs equal revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the council's population will grow more slowly than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.

Debt Servicing Benchmark



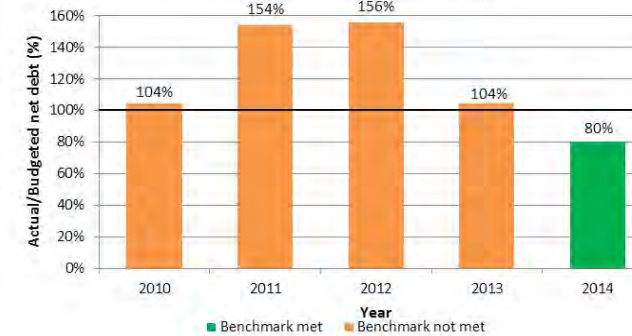
Debt Control Benchmark

The following graph displays the council's actual net debt as a proportion of planned net debt.

In this statement, **net debt** means financial liabilities less financial assets (excluding trade and other receivables).

The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

Debt Control Benchmark

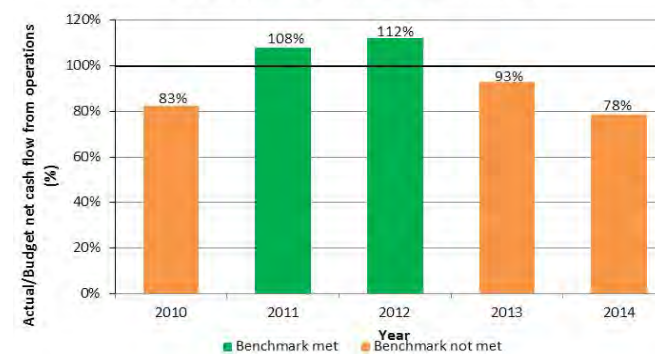


Operations Control Benchmark

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.

Operations Control Benchmark



Future Outlook

Council has always tried to act as prudently as possible in terms of managing its finances, where many other Councils continued to keep rate increases and levels of capital expenditure up during the global financial crisis, we deferred projects, sought external funding, and committed to keeping rates as low as possible, finding new ways to generate savings, and do more with less.

We see this frugality continuing to drive our financial decisions as we are very aware of the issue of rates affordability.

What is difficult is that we and the majority of the community see the opportunities for growth in a number of industries in the District. For this growth to occur Council needs to be able to enable the growth by providing services where previously there were none, be responsive to the requests of business, and do our best to ensure that the harbour and safe portage is developed so that aquaculture and business in the district can flourish. The difficulty arises because we need to spend money to generate this growth. Not only will we need to spend more money, but we will have to borrow more money to build this infrastructure.

The good thing is that our years of frugality have meant that we are in a very strong position to do this, our debt is very low when compared to many other councils, and our balance sheet is strong.

The Long Term Plan, which will be going out to the community for consultation early next year, will outline how Council will help to contribute towards this growth in the district. This is your money that will be going towards building the harbour, and it is your money that will go towards enabling growth in the district. We would really appreciate your feedback and buy into what we are doing.

Part of this process will involve reviewing the benchmarks and limits that we set on debt and rates in the last Long Term Plan, currently they are set as fixed amounts, and allow no movement to cater for growth or decline should this happen. We see it as important to build into these limits some element of flexibility so that should we experience growth, then the limits tied to debt and rates should enable growth rather than restrict it further. There is enough restriction already with trying to obtain external funding, we don't need to throw a self imposed restriction into the mix as well.

It is important to gain feedback and input from the community on these limits, as although we can see the massive opportunity and potential for growth, we also understand that this is in the future, and there are people and businesses that are struggling in the now. So we need to balance these conflicting needs as much as possible.

The journey towards growth and a prosperous district and economy is one which we can't do alone. Council needs the commitment and buy in of everyone. This will mean a contribution towards the future. A future where Opotiki has one of the most utilised and profitable harbours in New Zealand, a future where there are plenty of high paying jobs available, a future where there is a thriving CBD, excellent services, and world class tourism facilities.

We've been making slow and steady process towards these goals for a number of years, reducing debt and strengthening our position.

WE ARE READY TO GO NOW! ARE YOU READY TO COME WITH US?

What's happening in our district

Opotiki Technology and Research Library

- Plans unveiled in July
- Fund raising campaign launched
- Project relies on external funding over next 12 months
- Current library to be replaced with larger purpose built facility
- Focus to be on information, technology, learning and community

Coast Community Board

The Coast Community Board continue to represent the coastal communities of Ōpōtiki and through the Coast Initiatives Fund (on a case by case basis) are able to provide assistance for many worthwhile projects that benefit those communities.

The Board are always happy for members of the public to come along to the six weekly meetings to raise any issues or share their ideas during the public forum.

New citizens

Council held two citizenship ceremonies during the year welcoming new members of the Ōpōtiki community. The Mayor welcomed each new



citizen and acknowledged the skills and diversity that they bring to the community and the contribution they are already making to the district.

Harbour Redevelopment

In August 2013 Council were fortunate to be pledged \$18M from the contestable Regional Infrastructure Fund.

The remainder of the year saw us engaging with Ministers and officials with a re-packaged application suitable for government. We hope to see the results in the coming year.

Shared Services

Toi-EDA

The Eastern Bay of Plenty Economic Development agency has been through a number of changes this year but continues to support economic development in the Bay and is actively involved in supporting the Harbour Redevelopment project.

Boplass

The Council Controlled Organisation owned by the eight councils in the Bay of Plenty Region continues to provide savings and economies through joint purchasing and shared services.



Opotiki Sewerage

Work by contractors on assessing the condition of private sewer lateral lines in the Opotiki Township area has now concluded. Council would like to thank residents for their patience as the CCTV (camera) investigations and sewer smoke tests were performed.



Motu Trails

- Tirohanga Bluff section opened in June 2014
- Dunes Trail proving particularly popular with 16,000 riders in past 12 months
- Trail has attracted recent visits by Ministry of Tourism staff and many favourable reviews
- Has provided a longed for link between town and beach, celebrating our heritage and treasuring our coastal environment.



Ōhiwa Walkway

Stage 2 of the Ōhiwa trail was completed in October 2013 – extending the existing Stage 1 along Ōhiwa Harbour Rd another 2km to finish at the Ōhiwa Loop Rd boatramp.

Consent for Stage 3 is in progress. The trail will complement the proposed development of Onekawa – Te Mawhai Regional Park and initiatives that result from the Ōhiwa Harbour Strategy.

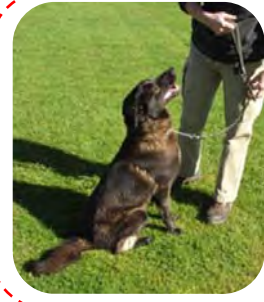
New Water Supply

Council made a successful application for a central government drinking-water subsidy to provide a new connection to the town supply for the Hukutaia and Woodlands communities. The connection to the new supply is expected to be completed by mid-2015.



Did you know?

You may know of the bread and butter work Council does such as providing roading, waste water treatment, water supplies, community facilities, regulation and safety, solid waste management and governance to name a few. But the depth and breadth of services Council is involved in is extensive. This timeline sampling of some of our Facebook posts over the last financial year shows many instances of collaboration with other agencies and community groups and a desire for the community to become more engaged in Council activities. If you would like to know more about the work Council undertakes you can like our Facebook page at www.facebook.com/opotikidistrictcouncil



Council continues to utilise its Facebook page to help find homes for dogs in the pound.

Council released its Draft Economic Development Strategy '20/20 Vision' and invited the public to provide feedback.

The Ōpōtiki Harbour Development receives Regional Infrastructure funding of \$18M



Council holds a two day 'pop up shop' to encourage the community to find out more about what the Council does, get involved, and help decide the future for our District.



Council compiles feedback on the Library Redevelopment project received during the pop up shop and displays the results in the Library.



Council works with Eastern Bay of Plenty Road Safety to release child restraint figures.

Council released the July Panui. The Panui is a quarterly newsletter Council provides to every ratepayer in the District to help keep them informed of its activities.

July 2013

MON	TUES	WED	THURS	FRI	SAT
1	2	3	4	5	6
8	9	10	11	12	13
14	15	16	17	18	19
20	21	22	23	24	25
26	27	28	29	30	31

Council hosts Local Government New Zealand Zone 2 conference in Ōpōtiki.

August 2013

SUN	MON	TUES	WED	THURS	FRI	SAT
					2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Council helps to promote Whakaatu Whanaunga Trust summer holiday programmes.

September 2013

SUN	MON	TUES	WED	THURS	FRI	SAT
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October 2013

SUN	MON	TUES	WED	THURS	FRI	SAT
		1	2	3	4	5
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13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Final results of Local Government Elections available online.

New Councillors for the 2013-2016 triennium are sworn in.



November 2013

SUN	MON	TUES	WED	THURS	FRI	SAT
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

Council holds an information evening to get ideas from the community on the release of the draft Ōpōtiki Visitor Strategy.

December 2013

SUN	MON	TUES	WED	THURS	FRI	SAT
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Kawerau, Opotiki and Whakatane District Councils along with Government agencies from across the Eastern Bay of Plenty met to share resources and provide a joined-up approach to reducing alcohol-related harm in the Eastern Bay.

January 2014

SUN	MON	TUES	WED	THURS	FRI	SAT
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Council keeps residents informed about any heightened volcanic activity at White Island.

February 2014

SUN	MON	TUES	WED	THURS	FRI	SAT
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

Council works with Whakatōhea to organise the Art in the Park event.



March 2014

TUES	WED	THURS	FRI	SAT
				1
2	3	4	5	6
7	8	9	10	11
12	13	14	15	16
17	18	19	20	21
22	23	24	25	26
27	28	29	30	31

Winston Peters visits Ōpōtiki.



April 2014

SUN	MON	TUES	WED	THURS	FRI	SAT
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Council staff attend the Ōhope Markets to raise funds from the sale of surplus books to put towards the new Ōpōtiki Technology and Research Library and to help create much needed space in the current facility.



May 2014

SUN	MON	TUES	WED	THURS	FRI	SAT
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Council advises the opening of the 2014 Sport NZ Rural Travel Fund for junior sports teams.



June 2014

SUN	MON	TUES	WED	THURS	FRI	SAT
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Tirohanga Dunes section of the Mōtū Trails is opened and the day is combined with a Community planting effort.



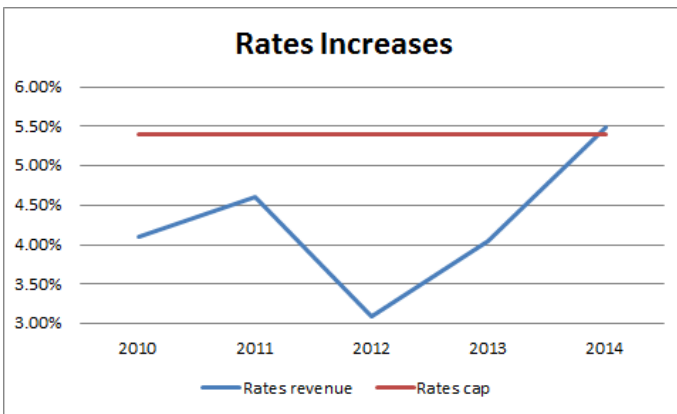
Financial strategy

Rate Increases

Rates affordability continues to be an issue for Council, and will be for the foreseeable future. Council made a conscious decision when the Global Financial Crisis (GFC) hit to try to maintain levels of service and keep rates increases to an absolute minimum. This continued when the PSA virus hit the kiwifruit industry. Now that the GFC and PSA have all but gone it is time for Council to place more of a focus back on developing the district infrastructure to provide for a growing economy.

Council needs to ensure that there is the appropriate infrastructure here in the District to cater for the growth demands in the kiwifruit and aquaculture industry, not to do this means we risk losing opportunity to neighbouring districts that are prepared to invest in theirs.

Council in the 2014-2015 Annual Plan has set a rates increase of 5.4%, which is at the rates limit that it set in the 2012-2022 Long Term Plan. This year we are preparing the 2015-2025 Long Term Plan, and will be reviewing the debt and rates limits that we set in the Financial Strategy to align ourselves with the growing demands of our district.



Investments

Council has limited investments amounting to just over \$2.05 million, which includes cash and short term deposits, and shares in local government entities. Council keeps investments at a minimum because debt rates are more often than not higher than investment rates, so in being prudent Council prefers to reduce debt when able with available cash.

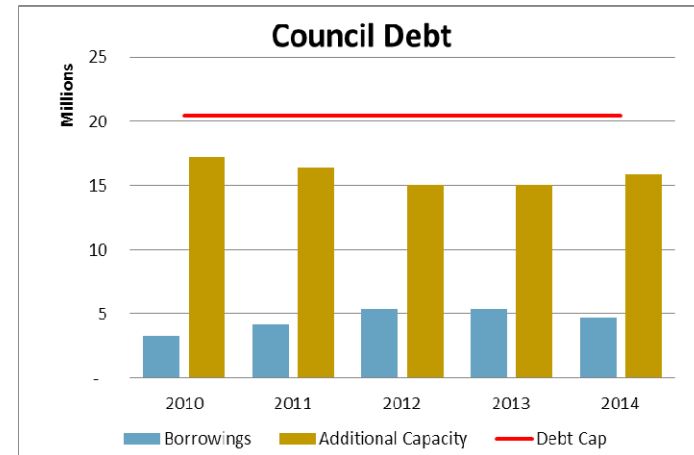
The investments in shares are generally not to generate a return of income, but more to generate an operational efficiency. Council has shares in Civic Assurance, which provides insurance products to Councils nationwide. There are operational efficiencies gained by having a reduced cost structure dedicated to providing a Local Government solution to insurance.

Council also owns shares in BOPLASS Ltd, which is a company set up by the Bay of Plenty Councils to look into shared services amongst the member Councils, and source bulk purchasing efficiencies. A report of the work done by BOPLASS Ltd this year is available in the full Annual Report document.

Public Debt

Council has been prudently managing its levels of debt over the past 5 years to get down to the current level of \$4.6 million.

We have set a limit of \$20.5 million for debt in our financial strategy to allow the council to contribute towards the harbor redevelopment and upgrade the wastewater system to enable the growth in kiwifruit and aquaculture.



Council repaid \$771 thousand of borrowings this year and will continue to repay debt where it makes financial sense to do so.

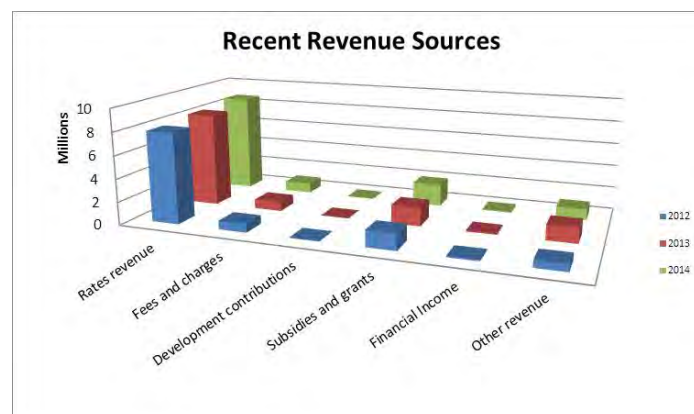
Council has just become a member of the Local Government Funding Agency (LGFA), which has levels of security similar to that of Central Government. What this means is that now Council can borrow funds at rates much lower than it has previously been able to from banks. It is envisaged that all significant borrowing from now on will be through the LGFA. Council will still maintain a certain level of bank borrowing for operational cash flow purposes.

Revenue Sources

Revenue collection is of huge importance to Council, with more focus on the levels of subsidies that are allocated by Central Government it is ever increasingly more important for Council to try to collect revenue from other sources. Rates revenue is Council's single biggest revenue source, however Council is very aware that this is a finite income source, and carries with it the pressures of a struggling economy.

Where Council is able to seek revenue from fees and charges it does so to ease the burden on ratepayers. Also where able to Council seeks as much subsidy revenue for projects that it can, so that it does not need to borrow money for these projects.

This is one of the very challenging areas that we need to deal with in the next Long Term Plan, to try to address a somewhat limited capacity for Council to grow the district's infrastructure, to enable growth in the district.



Our finances in brief

\$12.9
million operating revenue

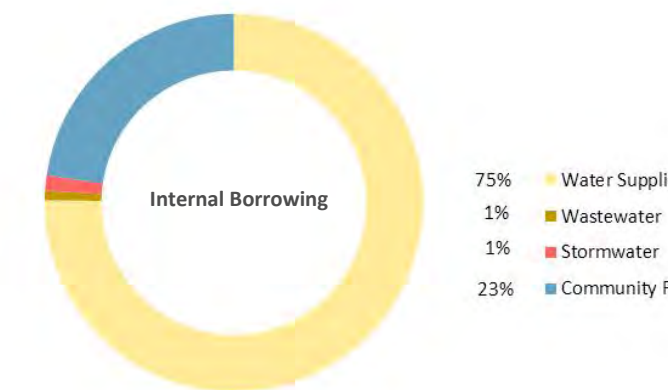
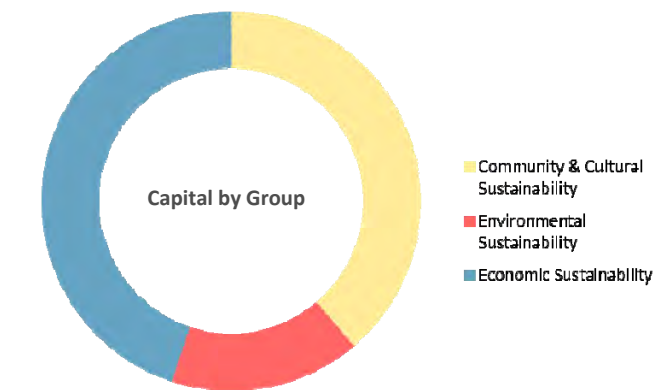
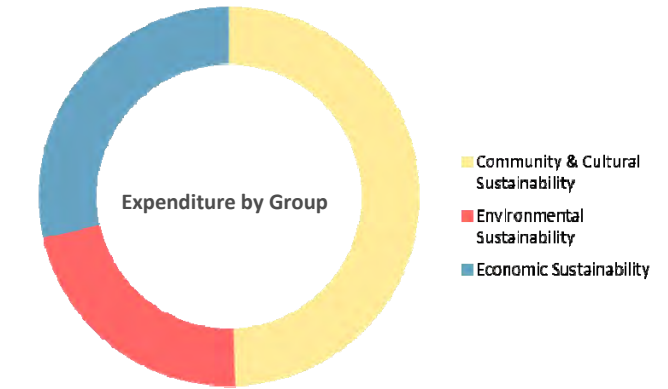
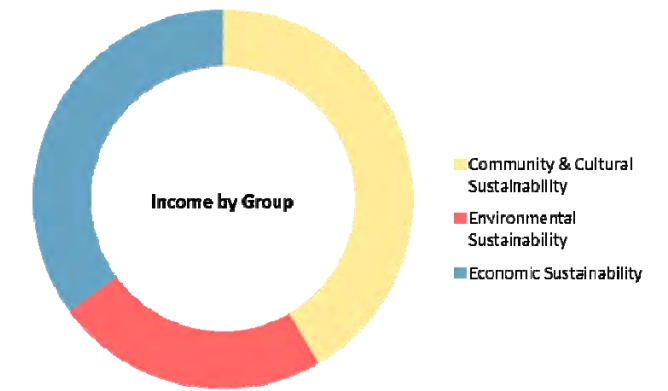
\$13.1
million operating expenditure

\$2.7
million capital expenditure

\$0.4
million general rate increase for 2013-14

\$4.6
million of borrowings

\$186.0
million of assets



It was with much sadness that Council staff attended the funeral of Nethia Morgan on 12 September 2014. At the time of welcoming the new Library Manager Jo Hunt to the role and beginning her well earned retirement earlier in the year, Nethia had tirelessly served as the Librarian for the Ōpōtiki District for 45 years. She will be greatly missed.

Financial Summary

Variance Comments

	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
Summary Statement of Comprehensive Income			
Total Revenue	12,912	13,931	12,085
Operating Expenditure	12,941	11,827	11,723
Finance Costs	200	384	245
Operating Surplus/(Deficit)	(229)	1,720	117
Other Comprehensive Income			
Gains/(Losses) on Property Revaluation	367	12,405	-
Total Comprehensive Income	138	14,125	117

Income

Revenue was \$1.019 million less than budgeted due to close to \$1 million of other revenue not being received. This was because we did not receive the budgeted external funding for the Library Redevelopment, the Pakihi Bridge Renewal Project, and the Opotiki Water Supply Renewal Project. The latter project got pushed out a year, so we will should receive this in the 2014-15 financial year. The Library Redevelopment Project is continuing but there will be delays to the project as it won't progress until the funding is secured.

Finance Revenue is below budget as we expected higher interest rates than we actually received. The same can be said for interest expense, as mentioned below.

We also budgeted optimistically to receive \$108,000 of development contributions, however the expected development did not occur. We do expect to see development work starting to flourish over the next few years in line with some of the growth projects happening within the district.

Subsidy revenue was lower than budgeted by \$138,000 mainly due to not experiencing the same extent of weather related emergency works in the land transport activity.

Expenditure

Overall operating expenditure was higher than budget by \$930,000. The main contributor to this was the other gains and losses being higher than budgeted by \$1.4 million. This was brought about by the write off of the abandoned water storage dam, revaluation losses taken to the Statement of Comprehensive Income, and changes in values of investment property.

Personnel costs were as budgeted. Depreciation expense was below budget by \$25,000, and finance costs were below budget

by \$184,000. This was due to a combination of expecting higher interest rates than we actually achieved, and paying off term debt where we expected to draw down additional borrowings.

Other operating expenditure was below budget by \$264,000.

Other Comprehensive Income

This year we revalued all of our assets, overall our assets went up in value by \$367,000. We budgeted for a revaluation increase of \$12.4 million. However the unit cost index for infrastructural assets did not inflate as much as predicted. Land in general also decreased in value across the district which impacted the revaluation significantly. In terms of the effect on our balance sheet the change is insignificant.

	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
Summary Statement of Changes in Equity			
Equity at the Beginning of the Year	178,045	178,270	177,928
Total Comprehensive Income	138	14,125	117
Equity at the End of the Year	178,183	192,395	178,045

Balance Sheet

This year we paid down \$711,000 of term borrowings with available cash, and did not draw any further borrowings for the year.

We had budgeted to borrow additional debt in the Annual Plan, however this was not necessary and we utilized available cash to fund the development projects.

As always, Council manages it's investments and debt prudently and is in a very strong position, given the extent of some of the proposed projects over the next few years, this is an ideal position to be in.

	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
Summary Statement of Financial Position			
Total Current Assets	5,537	6,035	6,086
Total Non-Current Assets	180,513	195,860	181,262
Total Assets	186,050	201,895	187,348
Total Current Liabilities	5,257	3,372	5,198
Total Non-Current Liabilities	2,610	6,128	4,105
Total Liabilities	7,867	9,500	9,303
Total Equity	178,183	192,395	178,045

Financial Summary—Continued

	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000
Summary Statement of Cash Flows			
Net Cash from Operating Activities	3,116	3,972	2,652
Net Cash from Investing Activities	(2,731)	(4,164)	(3,160)
Net Cash from Financing Activities	(771)	520	-
Net Increase/(Decrease) in Cash	(386)	328	(508)
Cash at the Beginning of the Year	2,578	2,883	3,086
Cash at the End of the Year	2,192	3,211	2,578

Statement of Cashflows

Net cash from operations for the year was lower than budgeted due to a reduced level of subsidy and external revenue to fund some of the capital projects that Council proposed to undertake. The bulk of this related to the roading activity and the library redevelopment project. To offset some of this reduced income Council incurred less than budgeted expenditure, as most of the expenditure hinged on the fact that we were expecting some external funding. Because this was not received the expenditure did not go ahead as planned.

Net cash from investing activities was higher than budget as we did not complete all of the capital projects that we proposed to do. As with above a lot was based on receiving external funding which did not happen.

Net cash from financing activities was lower than budget as we paid off debt instead of borrowing more.

Summary Accounting Policies

The information included in this summary has been extracted from the audited full financial information in the 2013/2014 Annual Report. The financial statements on which the summary has been based were prepared in accordance with NZ GAAP (New Zealand Generally Accepted Accounting Practice) for public benefit entities and relevant New Zealand equivalents to International Financial Reporting Standards. The full and summary reports were audited, with both receiving an unmodified opinion.

The summary financial statements are for Ōpōtiki District Council and comply with the standards FRS43, Summary Financial Statements. All figures are in \$NZ and are rounded to the nearest thousand dollars (\$000). Standards, amendments and interpretations issued but not yet effective, that have not been early adopted, and which are relevant to the Council are: NZ IFRS 9, Financial Instruments, which will eventually replace

NZ IAS 39, Financial Instruments: Recognition and Measurement.

The approval by the Council on 28 October 2014 of the Financial Statements for the year ended 30 June 2014 is within the statutory deadline for adoption established by the Local Government Act 2002, which requires that the financial statements are completed and adopted by Council before the 31st October each year.

Summary Additional Disclosures

Contingencies

We have contingent liabilities at year end of \$124,240 (2013: \$167,000) which relate to a potential weathertightness claim in for a leaky building within the district of \$27,000, and development contributions that were collected in 2004 for the sports and events centre amounting to \$97,240.

We have contingent assets at year end of \$484,453 (2013: \$360,352) which relates to club room buildings erected on reserve land, and an advance to Tamatari Enterprises for the construction of a public toilet at Waihou Bay.

Commitments

Council has operating commitments at 30 June 2014 of \$1.047 million (2013: \$2.049 million). These relate to non-cancellable contracts that have been entered into during the current and preceding financial years. These contacts have the following maturity;

Less than 1 year \$662k (2013: \$1.788M)
Less than 5 years \$385k (2013: \$261k)

Events after balance date

There have been no significant events occurring after balance date (2013: Nil)

Disclaimer

This document is a summary of the full Annual Report, and as such does not include all of the detail and disclosures of the full Annual Report. It cannot be expected to

provide as complete an understanding as provided by the full Annual Report. Copies of the full Annual Report are available from Ōpōtiki District Council Customer Services

or Library. It is also available for viewing or downloading from Council's website at www.odc.govt.nz.

Independent Auditor's Report

To the readers of Ōpōtiki District Council's summary annual report for the year ended 30 June 2014

The summary annual report was derived from the annual report of the Ōpōtiki District Council (the District Council) for the year ended 30 June 2014. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 3, pages 5 to 6 and pages 14 to 15:

- the summary statement of financial position as at 30 June 2014;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 28 October 2014.

Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with FRS-43 (PBE): *Summary Financial Statements*.

Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: *Engagements to Report on Summary Financial Statements*. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS-43 (PBE): *Summary Financial Statements*. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with FRS 43 (PBE): *Summary Financial Statements*.

Other than in our capacity as auditor we have no relationship with, or interest in, the District Council.



Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
28 October 2014