



## SUMMARY OF ANNUAL REPORT 2007

*Year ended 30 June 2007*

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### Report from the Mayor and Chief Executive

#### **FINANCIAL RESULT**

The Council recorded an operating surplus for the year of \$499k as compared to a budgeted surplus of \$323k. It needs to be emphasised that this surplus is not all cash and includes an allowance of \$302k for the value of the Council's financial swaps which were secured in 2003.

In terms of capital expenditure only \$3.143 million was spent in the year under review compared to a budgeted allocation of \$4.816 million. The reason for this reduced amount has been due in the main to indecision in respect of the sighting of the new Community Centre in Mataura affecting the construction timetable and delays in developing a suitable design for the new toilets in Main Street, Gore. Additionally, there were some roading works that could not be completed by the year end and have been carried over into the new financial year.

#### **DISTRICT PLAN**

Arguably the biggest highlight of the 2006/07 financial year was the adoption of a new District Plan. Regular readers of the Council's planning and reporting documents will be acutely aware of the tortuous process in developing the new District Plan and the extraordinarily high costs associated with producing a plan that is both legally compliant and acceptable to all sectors within the community. The District Plan was formally approved by the Council on 26 July 2006 and became operational on 31 July 2006.

The benefits of having a modern, progressive and permissive District Plan were felt in the ensuing months of the year. By way of illustration the number of resource consents dropped considerably which is a direct reflection of a degree of flexibility and permissibility of the new plan.

#### **PARKS AND RESERVES**

As promised in the forward to the Long Term Council Community Plan, a Council Working Party was instituted to critically examine both service levels and usage of the Districts parks and reserves portfolio. This working party reported its findings to the Council in April 2007. While the working party may have recommended an increase in operational funding to meet desired and expected service levels in the community, it did identify a number of reserves that could potentially be disposed of.

The prospect of divestment of surplus parks and reserves has understandably caused some consternation in the community. Therefore, the Council has opted to wait until after the October 2007 Local Authority Elections, before determining a future course of action in respect of consultation with the community. If nothing else the extensive deliberations of the Parks and Reserves Working Party proved just how much the community values its parks, gardens and open spaces.

#### **COMMUNITY DEVELOPMENT**

During the year the Council took some tentative steps towards defining its role in the area of social wellbeing and community development. Visits to other local authorities in both the North and South Islands were undertaken in the first half of the year to find out more about local initiatives that have proved successful in other communities. This was followed by a Community Development Workshop in February 2007.

One of the upshots of this workshop was the realisation within the Council that a greater focus on the needs and aspirations of local youth needed to be taken on board by the Council. As a consequence

by the end of the financial year the Council had approved in principle the concept of establishing a Youth Council in the Gore District to enable local youth to be given a designated voice and forum. Once instituted it is hoped that the Youth Council will give the Gore District Council an appreciation of matters of interest or concern that affect local youth and can be factored into the District Council's decision making.

#### **ACCREDITATION AS A BUILDING CONSENT**

##### **AUTHORITY**

A huge amount of work had to be undertaken in the latter half of the year under review to complete the application requirements to have the Council accredited as a Building Consent Authority. This was a huge task given that the building control activity of the Council was short staffed during the latter half of the year and at the same time having to cope with record numbers of building consents to process.

It is a credit to the staff that the application was forwarded to the accreditation agency within the expected timeframe. Accreditation as a Building Consent Authority is expected by the end of the current calendar year.

##### **REPRESENTATION REVIEW**

The Council's six yearly review of representation arrangements culminated in a hearing in Gore convened by the Local Government Commission.

Following the hearing of appellants to the Council's proposal the Commission issued its determination in March 2007. This determination provides for a 12 member Council (11 Councillors plus the Mayor) with eight Councillors being elected from four wards (Gore (5), Mataura (1), Waikaka (1) and Kaiwera/Waimumu (1)), with three Councillors being elected from the entire District.

The new electoral structure will come into force for the October 2007 Local Authority Elections. It will be interesting to witness both voter reaction to the new system and the dynamics between those members elected for the wards and those elected at large.

##### **CONCLUSION**

The 2006/07 year was a very difficult year when viewed from a strict political perspective. The resignations of four Councillors in June 2007, was the direct result of the unpleasant and corrosive political tensions that existed, but have since abated. However, in spite of this situation and its undisputed drain of time, energy and resources, it is pleasing to report that the operations of the Council continued throughout the year with very little disruption. This speaks volumes for the professionalism and dedication of the Council staff, who at times were the subject of unwelcome and ill-informed public speculation.



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**Tracy Hicks JP**  
**MAYOR**

25 October 2007

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**Date**



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**Stephen Parry**  
**CHIEF EXECUTIVE**

25 October 2007

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**Date**

## Financial Overview

### What it costs to run the district

TABLE 1 shows the cost for each of the Council's group of activities. Over half of the Council expenditure is on services which includes essential infrastructure.

<b>TABLE 1 Expenditure by group of activities per statement of service performance</b>			
<b>ACTUAL</b>		<b>BUDGET</b>	<b>ACTUAL</b>
<b>30 June 2006</b>		<b>30 June 2007</b>	<b>30 June 2007</b>
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
1,967	<b>Community Services</b> (Arts & Heritage, Library, District promotions, Grants, Regulatory)	2,229	2,393
9,859	<b>District Assets</b> (Aquatic Services, Parks & Reserves, Roading, Water, Waste & Storm Water, Solid Waste, Civil Defence, Cemeteries, Public Conveniences, Property)	10,253	10,084
1,976	<b>Leadership</b> (Democracy, Central Administration)	2,207	2,394
<u>13,802</u>	<b>Total Activity Expenditure</b>	<u>14,689</u>	<u>14,871</u>
	<b>Add</b>		
34	Net Change in fair value of Equity Securities	-	-
	<b>Less</b>		
(1,464)	Internal Expenditure	(1,580)	(1,619)
<u>12,372</u>	<b>Total Operating Expenditure</b>	<u>13,109</u>	<u>13,252</u>

### Financial Performance

TABLE 2 provides a summary of the comparative financial performance of the Council.

The summary shows the operating revenue and expenditure as well as other transactions that have impacted on the Council's net wealth.

<b>TABLE 2 Financial Performance and Changes in Equity</b>			
<b>ACTUAL</b>		<b>BUDGET</b>	<b>ACTUAL</b>
<b>30 June 2006</b>		<b>30 June 2007</b>	<b>30 June 2007</b>
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
8,278	Rate Revenue	8,639	8,655
4,913	Other Revenue	4,793	4,772
149	Other gains / (losses)	-	324
<u>13,340</u>	<b>Total Income</b>	<u>13,432</u>	<u>13,751</u>
(3,486)	Employee Benefits Expense	(3,347)	(3,548)
(3,300)	Depreciation	(3,448)	(3,560)
(485)	Finance Costs	(548)	(485)
(5,101)	Other Expenses	(5,766)	(5,659)
<u>(12,372)</u>	<b>Total Operating Expenditure</b>	<u>(13,109)</u>	<u>(13,252)</u>
<u>968</u>	<b>Operating Surplus / (Deficit)</b>	<u>323</u>	<u>499</u>
243,586	Equity at beginning of year	246,090	244,520
968	Surplus for year	323	499
10	Movement in Available-for-sale Revaluation Reserve	-	12
(44)	Movement in Hedging Reserve	-	(44)
-	Movement in Asset Revaluation Reserve	-	56,521
<u>934</u>	<b>Total recognised income and expenses</b>	<u>323</u>	<u>56,988</u>
<u>244,520</u>	<b>Equity at end of year</b>	<u>246,413</u>	<u>301,508</u>

## Cash Flows

**TABLE 3** summarises how council generated and used cash. The cash surpluses generated from the operating activities, being the cash received from all sources less cash payments made for the supply of goods and services, were invested in new capital expenditure, referred to as investing activities.

<b>TABLE 3</b>		<b>Cash Flows</b>	
<b>ACTUAL</b>		<b>BUDGET</b>	<b>ACTUAL</b>
<b>30 June 2006</b>		<b>30 June 2007</b>	<b>30 June 2007</b>
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
3,793	Net Cash inflow/ (outflow) from operating activities	3,761	4,235
(3,845)	Net Cash inflow/ (outflow) from investing activities	(4,806)	(3,893)
(4)	Net Cash inflow/ (outflow) from financing activities	126	(102)
<b>(56)</b>	<b>Net Cash Flow for the year</b>	<b>(919)</b>	<b>240</b>

## Financial Position

**TABLE 4** provides a summary of the Council's financial position representing what the Council owns and owes.

<b>TABLE 4</b>		<b>Financial Position</b>	
<b>ACTUAL</b>		<b>BUDGET</b>	<b>ACTUAL</b>
<b>30 June 2006</b>		<b>30 June 2007</b>	<b>30 June 2007</b>
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>
2,284	Total Current Assets	1,649	3,683
252,290	Total Non-Current Assets	255,629	308,398
<b>254,574</b>	<b>Total Assets</b>	<b>257,278</b>	<b>312,081</b>
1,966	Total Current Liabilities	1,525	2,756
8,088	Total Non-Current Liabilities	9,340	7,817
<b>10,054</b>	<b>Total Liabilities</b>	<b>10,865</b>	<b>10,573</b>
<b>244,520</b>	<b>Net Assets/Equity</b>	<b>246,413</b>	<b>301,508</b>

## NOTES

1. Section 98 (4) (b) of the Local Government Act 2002 requires the Council to make publicly available a summary of the information contained in its Annual Report.
2. The specific disclosures included in the summary report have been extracted from the full financial report completed on the 28<sup>th</sup> September 2007.
3. The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report. The full financial report dated 28<sup>th</sup> September 2007 has received an unqualified audit report. A full copy of the financial report may be obtained from the Council's offices or on its website ([www.goredc.govt.nz](http://www.goredc.govt.nz))
4. This summary financial report has been examined by the auditor for consistency with the full financial report. An unqualified auditor's report is included with this summary.
5. The council has complied with New Zealand equivalents to International Financial Reporting Standards as applicable for public benefit entities.

## EXPLANATION OF TRANSITION FROM PREVIOUS NZ GENERALLY ACCEPTED ACCOUNTING PRACTICE TO NZ INTERNATIONAL FINANCIAL REPORTING STANDARDS (extract from Note 26 of the full financial report)

The Council changed its accounting policies on 1 July 2006 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 '*First-Time Adoption of New Zealand Equivalents to International Reporting Standards*', with 1 July 2005 as the date of transition.

An explanation of how the transition from superseded policies to NZ IFRS has affected the Council's financial position, financial performance and cash flows is set out below:

### Reconciliation of Equity under NZ IFRS

	Notes	30 June 2006 \$'000	1 July 2005 \$'000
Total reported equity under superseded NZ GAAP		244,205	243,352
NZ IFRS adjustments:			
Change in fair value of equity securities	a	44	34
Change in fair value of derivative financial instruments – interest rate swaps	b	320	240
Employee entitlements	c	(49)	(40)
		<u>315</u>	<u>23</u>
Total reported equity under NZ IFRS		<u><u>244,520</u></u>	<u><u>243,586</u></u>

### Reconciliation of Surplus under NZ IFRS

	Notes	30 June 2006 \$'000
Total reported surplus under superseded NZ GAAP		853
NZ IFRS adjustments:		
Change in fair value of derivative financial instruments – interest rate swaps	b	124
Employee entitlements	c	(9)
		<u>115</u>
Total reported surplus under NZ IFRS		<u><u>968</u></u>

### NZ IFRS-1 exemptions

NZ IFRS-1 permits entities adopting NZ IFRS for the first time some exemptions from the full requirements of NZ IFRS when applying the standards to comparative periods.

The Council has applied the following exemptions:

- The carrying value of Library Books at the date of transition has been assessed as deemed cost under NZ IFRS.

## Notes to the Reconciliations of Income and Equity

### (a) Equity Securities

Under superseded NZ GAAP, equity securities were stated at the lower of cost and net realisable value. Under NZ IFRS equity securities are classified as "available-for-sale" financial assets and are measured at fair value based on quoted market prices. The difference represents an adjustment to equity on transition to NZ IFRS.

### (b) Derivative Financial Instruments

Under NZ IFRS derivative financial instruments are measured at fair value. Such instruments were not measured or recognised under superseded NZ GAAP

Under superseded NZ GAAP, the interest rate swaps held by the Council were designated as effective hedges. Accordingly at transition to NZ IFRS, the fair value of these derivative financial instruments was recognised in the Hedging Reserve.

Under NZ IFRS, the Council does not meet the conditions for hedge accounting and has applied the requirements for discontinuing hedge accounting. The carrying amount in the Hedging Reserve will be amortised to the Statement of Financial Performance, based on a recalculated effective interest rate at the date of transition, such that the carrying amount will be fully amortised by maturity of the financial instrument.

All future changes in the fair value of the interest rate swaps will be recognised directly in the Statement of Financial Performance.

### Hedging Reserve

	30 June 2006 \$'000s	1 July 2005 \$'000s
Total reported retained earnings under superseded NZ GAAP	-	-
NZ IFRS adjustments:		
Change in fair value of derivative financial Instruments – interest rate swaps	240	240
Cash Flow Hedge transferred to Statement of Financial Performance	(44)	-
	<hr/>	<hr/>
	\$196	\$240
	<hr/>	<hr/>

### (c) Employee Entitlements

The adjustment under NZ IFRS relates to long service being calculated on an actuarial basis and sick leave. Under superseded NZ GAAP long service leave was recognised only when the employee reached the resting period and no liability for sick leave was recognised.

### (d) Property, Plant and Equipment

The Council elected to measure certain classes of property, plant and equipment on transition to NZ IFRS at carrying value and adopted revaluations performed before the date of transition under superseded NZ GAAP as deemed cost. The following revaluations under superseded NZ GAAP were adopted as deemed cost at the date of transition:

- Library books were valued by the District Librarian at estimated market value at 30 June 1993. The stock of library books is maintained at operational levels in perpetuity and is not depreciated. Replacement books are treated as expenses.

**(e) Retained Earnings**

	<b>30 June 2006</b>	<b>1 July 2005</b>
	<b>\$'000s</b>	<b>\$'000s</b>
Total reported retained earnings under superseded NZ GAAP	135,314	133,211
NZ IFRS adjustments:		
Change in fair value of equity securities	34	34
Change in fair value of derivative financial Instruments – interest rate swaps	124	–
Employee entitlements	(49)	(40)
	<u>109</u>	<u>(6)</u>
	<u>\$135,423</u>	<u>\$133,205</u>

**Effect of NZ IFRS on the Cash Flow Statement for the Financial Year Ended 30 June, 2006**

There were no material differences between the cash flow statement presented under NZ IFRS and the cash flow statement presented under the superseded policies.

# Audit Report



## AUDIT REPORT TO THE READERS OF THE GORE DISTRICT COUNCIL'S SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

We have audited the summary annual report.

### Unqualified Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the information reported in the summary financial statements complies with FRS-39: Summary Financial Reports and is consistent with the full financial statements from which it is derived.

We expressed an unqualified audit opinion, in our report dated 28 September 2007, on:

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

### Basis of Opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. In addition to the audit we have carried out assignments in the areas of conducting the audit of the Long Term Council Community Plan, provision of financial reporting advice and human capital advisory services which are compatible with these independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Gore District Council.

### Responsibilities of the Council and the Auditor

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

A handwritten signature in blue ink, appearing to read "P F Heslin".

The Deloitte logo, consisting of the word "Deloitte" in a blue, stylized font.

P F Heslin  
Partner, Deloitte  
On behalf of the Auditor-General  
Dunedin, New Zealand

### *Matters Relating to the Electronic Presentation of the Audited Summary Financial Statements*

*This audit report relates to the Summary Financial Statements of Gore District Council for the year ended 30 June 2007 included on the Gore District Council's website. Gore District Council is responsible for the maintenance and integrity of the Gore District Council website. We have not been engaged to report on the integrity of the Gore District Council website. We accept no responsibility for any changes that may have occurred to the Summary Financial Statements since it was initially presented on the website.*

*The audit report refers only to the Summary Financial Statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these Summary Financial Statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited Summary Financial Statements as well as the related audit report dated 25 October, 2007 to confirm the information included in the audited Summary Financial Statements presented on this website.*

*Legislation in New Zealand governing the preparation and dissemination of Summary Financial Statements may differ from legislation in other jurisdictions.*

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