

FINANCIAL STATEMENTS

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Purpose of financial statements

Prospective statement of comprehensive income

This statement discloses the net surplus or deficit and their components, arising from activities or events during the year that are significant for assessing past and future financial performance.

Prospective statement of changes in equity

This financial statement presents a measure of comprehensive income. Equity is measured as the difference between the total value of assets and total liabilities. Accumulated Equity represents the community's investment in publicly owned assets resulting from past surpluses.

Prospective statement of financial position

Information about economic resources controlled by council and its capacity to modify those resources is useful in assessing council's ability to generate cash and/or provide services in the future. Information about the financing structure is useful in assessing future borrowing needs, and how future surpluses and cashflows may be distributed. The information is also useful in assessing how successful the council is likely to be in raising further finance.

Prospective statement of cash flows

This statement reflects council's prospective cash receipts and cash payments during the year and provides useful information about council's activities in generating cash through operations to:

- Repay debt; or
- Reinvest to maintain or expand operating capacity.

Statement of accounting policies

The accounting policies adopted by council can have a significant impact on financial and service performance, financial position and cash flows that are reported in its financial reports. Therefore, for an appreciation of those reports, users need to be aware of:

- a) the measurement system underlying preparation of financial reports; and
- b) the accounting policies followed in respect of individual items in the financial reports, especially where there are acceptable alternatives for dealing with such items; and
- c) any changes in the measurement system, assumptions or particular accounting policies.

Understanding council's financial position

Legislation states that councils are required to operate a 'balanced budget' e.g. income must equal or exceed expenditure (operating expenditure must include non-cash items such as depreciation).

However, if a council determines that it is prudent to not have a 'balanced budget' (i.e. that an operating surplus is not required), it must make a formal decision to that effect. The decision must be a prudent one and have included considerations of levels of service and the useful life span of assets.

There are strong grounds for not having a surplus every year to avoid building up unnecessary cash reserves. Council's asset management plans ensure that depreciation necessary to fund periodic renewals (maintaining the key assets we have) is adequate. On this basis, Council is not operating a balanced budget for the 2013/14 financial year.

The impact of the Council's decision to not operate a balanced budget for 2013/14 can be seen in the Statement of Comprehensive Income (page 68), which shows Council depreciation at \$26.30 million. This contributes to a total operating expenditure of \$118.24 million and a deficit of \$4.63 million.

However, in line with council's asset management plans, council is funding \$16.50 million (see page 67) for capital renewals in 2013/14.

Rates income

Council's rates income is shown as \$73.52 million for 2013/14. This figure also includes council rating revenue from water meter charges. This total rates requirement is allocated to individual properties across a range of different rate types. These rates are detailed in the Funding Impact Statement on pages 89 to 94.

Development contributions income

Development contribution is projected to be lower than forecast in the Council's Long-term Plan 2012-2022. The \$700,000 development contribution revenue is identified with all 'other revenue' in the Prospective Statement of Comprehensive Income on page 68.

Council debt and borrowing

Council is projecting to borrow \$11.89m for the 2013/14 financial year. This borrowing is used to fund projects that reflect a level of service increase or to fund growth related projects until sufficient development contribution funds are available to retire the growth related debt.

Council's borrowings are expected to increase from \$159.40 million at the end of 2012/13 to \$168.00 million (this reflects \$2 million of debt repayment from property sales) on 1 July 2014.

Council has committed to reducing its final debt position through the sale of some of the Council's property portfolio. This process will identify property that is no longer required for council purposes and can therefore be disposed of. Council has estimated \$2m of property sales in the 2013/14 financial year. The impact of these property sales on council's total borrowings is shown on page 67.

Whole of council activity summary

Activity	Total revenue	Total operating expenses	Finance costs	Capital renewals	Total expenses	Operating net cost of service	Total capital expenditure	Transfer to / (from) reserves	Loans raised / (repaid)	Rates required AP 2013/14	Borrowing 1 July 2014
\$ in thousands											
Corporate and Customer Services Group											
Community policy and resources	(47)	1,453	-	-	1,740	1,693	-	-	-	1,693	-
District Library	(360)	2,425	124	600	3,748	3,388	-	-	-	3,388	2,256
Emergency management	-	277	-	-	332	332	-	-	(5)	337	0
Rural fire	-	216	1	28	293	293	-	-	(11)	304	0
Governance and strategic direction											
CE group	-	922	-	-	-	-	-	-	-	-	-
Corporate planning and support	(10)	1,495	-	-	10	-	-	-	-	-	-
Corporate property	(939)	1,632	305	195	939	-	-	-	-	-	6,733
Pensioner housing	(760)	406	-	83	586	(174)	-	-	(182)	8	(1,134)
Customer centre	-	1,130	-	-	-	-	-	-	-	-	-
Democracy	(196)	1,405	-	-	196	-	-	-	-	-	-
Financial services	(277)	3,253	-	-	277	-	-	-	-	-	-
Human resources	-	813	-	-	-	-	-	-	-	-	-
Information services	-	2,759	55	1,259	-	-	-	-	-	-	989
Kaupapa Maori	-	262	-	-	-	-	-	-	-	-	-
Land information services	-	511	-	109	-	-	-	-	-	-	-
Procurement and sustainability	-	443	-	-	-	-	-	-	-	-	-
Records	(181)	445	-	-	181	-	-	-	-	-	-
Economic and Regulatory Services Group											
Building services	(1,657)	1,524	-	25	1,855	198	-	-	-	198	-
Economic development											
City services operations	(1,112)	2,722	118	33	3,418	2,306	287	-	287	2,306	2,423
Destination Rotorua Marketing	(665)	3,343	-	-	4,004	3,339	170	-	170	3,339	170
Rotorua Visitor Centre	(1,890)	1,614	26	15	1,978	88	-	-	-	88	474
Economic projects/ ICE	-	2,570	-	-	3,078	3,078	3,094	-	3,094	3,078	3,094
Events and Venues											
Energy Events Centre	(1,583)	1,153	285	391	2,865	1,282	-	-	-	1,282	5,161
Convention Centre	(617)	913	87	200	1,707	1,090	-	-	-	1,090	1,573
International Stadium	(140)	333	149	59	673	533	-	-	-	533	2,697
Venues other	(71)	50	48	-	141	70	-	-	-	70	874
Events and venues administration	(3)	927	-	-	3	-	-	-	-	-	-
Events and community programmes	(12)	640	-	2	769	757	-	-	(4)	761	0
Planning services	(258)	2,325	-	-	2,785	2,527	-	-	-	2,527	-
Regulatory services											
Animal control	(671)	738	1	-	885	214	-	-	(16)	230	(0)
Inspection	(372)	847	0	-	1,015	643	-	-	(4)	647	0
Parking enforcement	(1,962)	743	1	36	934	(1,028)	-	-	(22)	(1,006)	0
Rotorua Museum	(2,433)	3,266	169	276	4,411	1,978	-	-	(99)	2,077	2,963

Prospective statement of comprehensive income

<i>\$ in thousands</i>	Annual Plan 2013/14	Long-term Plan 2013/14	Long-term Plan 2012/13
Income			
Rates revenue	73,518	69,583	67,006
Finance income	-	-	-
Other revenue	40,092	52,951	58,369
	113,610	122,534	125,375
Expenditure			
Personnel costs	34,532	34,898	33,881
Depreciation and amortisation	26,298	25,492	24,391
Finance costs	8,924	9,550	9,119
Other expenses	48,486	40,835	41,287
	118,240	110,775	108,678
Surplus / (deficit) before taxation	(4,630)	11,759	16,697
Income tax expense	-	-	-
Surplus / (deficit) after taxation	(4,630)	11,759	16,697
Other comprehensive income			
Gains on revaluation of property, plant and equipment	-	4,128	6,754
	-	4,128	6,754
Total comprehensive income	(4,630)	15,887	23,451

Prospective statement of changes in equity

<i>\$ in thousands</i>	Annual Plan 2013/14	Long-term Plan 2013/14	Long-term Plan 2012/13
Balance at 1 July	928,419	928,419	904,968
Total comprehensive income	(4,630)	15,887	23,451
Balance at 30 June	923,789	944,306	928,419

Prospective statement of financial position

<i>\$ in thousands</i>	Annual Plan 2013/14	Long-term Plan 2013/14	Long-term Plan 2012/13
Assets			
Current assets			
Cash and cash equivalents	5,901	1,842	1,841
Debtors and other receivables	18,500	18,297	18,837
Inventories	1,279	1,561	1,509
	25,680	21,700	22,187
Non-current assets			
Property, plant and equipment	1,033,954	1,128,918	1,100,037
Intangible assets	2,804	4,029	4,029
Forestry assets	1,230	316	316
Other financial assets	2,147	2,092	2,092
	1,040,135	1,135,355	1,106,474
Total assets	1,065,815	1,157,055	1,128,661
Liabilities			
Current liabilities			
Creditors and other payables	22,500	31,153	33,407
Borrowings	46,000	46,600	25,790
Provisions	604	604	604
Employee entitlements	5,339	5,339	5,160
	74,443	83,696	64,961
Non-current liabilities			
Borrowings	124,001	126,181	132,505
Provisions	2,000	2,130	2,059
Employee entitlements	469	742	717
	126,470	129,053	135,281
Total liabilities	200,913	212,749	200,242
Net assets	864,902	944,306	928,419
Equity	864,902	944,306	928,419

Prospective statement of cash flows

<i>\$ in thousands</i>	Annual Plan 2013/14	Long-term Plan 2013/14	Long-term Plan 2012/13
Cash flows from operating activities			
Receipts from rates revenue	73,518	69,584	67,006
Interest received	-	36	36
Receipts from other revenue	40,092	51,007	56,490
Payments to suppliers and employees	(83,019)	(75,659)	(75,110)
Interest paid	(8,924)	(9,625)	(9,178)
	21,668	35,343	39,244
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	2,000	324	500
Purchase of property, plant and equipment	(31,496)	(50,570)	(48,582)
	(29,496)	(50,246)	(48,082)
Cash flows from financing activities			
Proceeds from borrowings	26,887	29,901	26,839
Repayment of borrowings	(15,000)	(15,000)	(18,000)
	11,887	14,901	8,839
Net increase / (decrease) in Cash and cash equivalents	4,059	-	-
Cash and cash equivalents at the beginning of the year	1,842	1,842	1,841
Cash and cash equivalents at the end of the year	5,901	1,842	1,841