



INTRODUCTION - Section One

YOUR Council

The Thames-Coromandel District is made up of nine elected members, including the Mayor and eight Councillors. The Councillors each represent a particular geographic area - referred to as 'wards'. Elected representatives set the Council's strategic direction and priorities, carry out decision-making on behalf of the Thames-Coromandel communities and monitor the organisation's performance.

His Worship the Mayor
Glenn Leach JP



Deputy Mayor
Peter French
THAMES WARD



Councillor
Diane Connors
THAMES WARD



Councillor
Wyn Hoadley QSO
THAMES WARD



Councillor
Tony Brijevich
COROMANDEL-COLVILLE WARD



Councillor
Murray McLean JP
MERCURY BAY WARD



Councillor
Tony Fox
MERCURY BAY WARD



Councillor
Jack Wells
SOUTH EASTERN WARD



Councillor
Jan Bartley
SOUTH EASTERN WARD

The Council are supported in their governance role by five community boards who make local decisions and advocate for particular communities in the District.

The elected members are supported by the Council's Chief Executive and staff who implement the decisions of the Council and provide decision-making and policy-making advice.

Our elected members contact details are available on our website.

Council's Vision, Mission and Objectives

When elected in October 2010, the new Council developed a fresh vision as its foundation and guiding principles for its three year term. The new direction has been a fundamental driver for the Council in leading the change evident in the organisation throughout the 2011/2012 year, and this direction plays an important role in every day Council business and decision making.

Accountability, efficiency and approachability are key themes in the Council's Direction over its three year term, as we seek to deliver quality services at affordable rates.



The Council's major goals and objectives are:

- To operate a lean organisation structure which is simple in form, easy to understand and has few layers
- To reduce costs while providing a satisfactory level of service so as to ensure our ratepayers receive good value
- Empowering staff and community boards to the greatest degree practicable
- Streamlining the Council's resource consent and planning processes
- Enabling accountability and responsibility to take place as far down the organisation as is practicable
- To support and promote activities including those related to aquaculture and tourism which have the potential for employment and economic growth in the Coromandel.

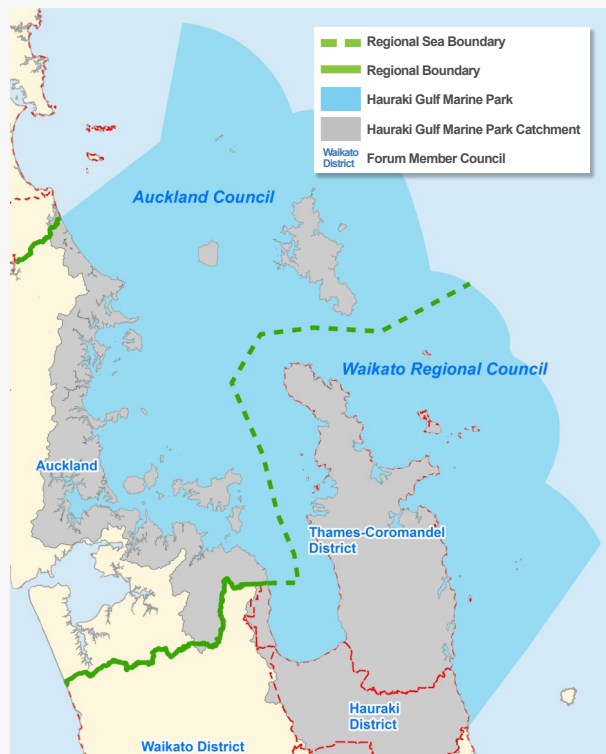
Our Coromandel



We think that the Thames-Coromandel District is the North Island's premier recreation centre amongst the North Island's most beautiful and significant environment.

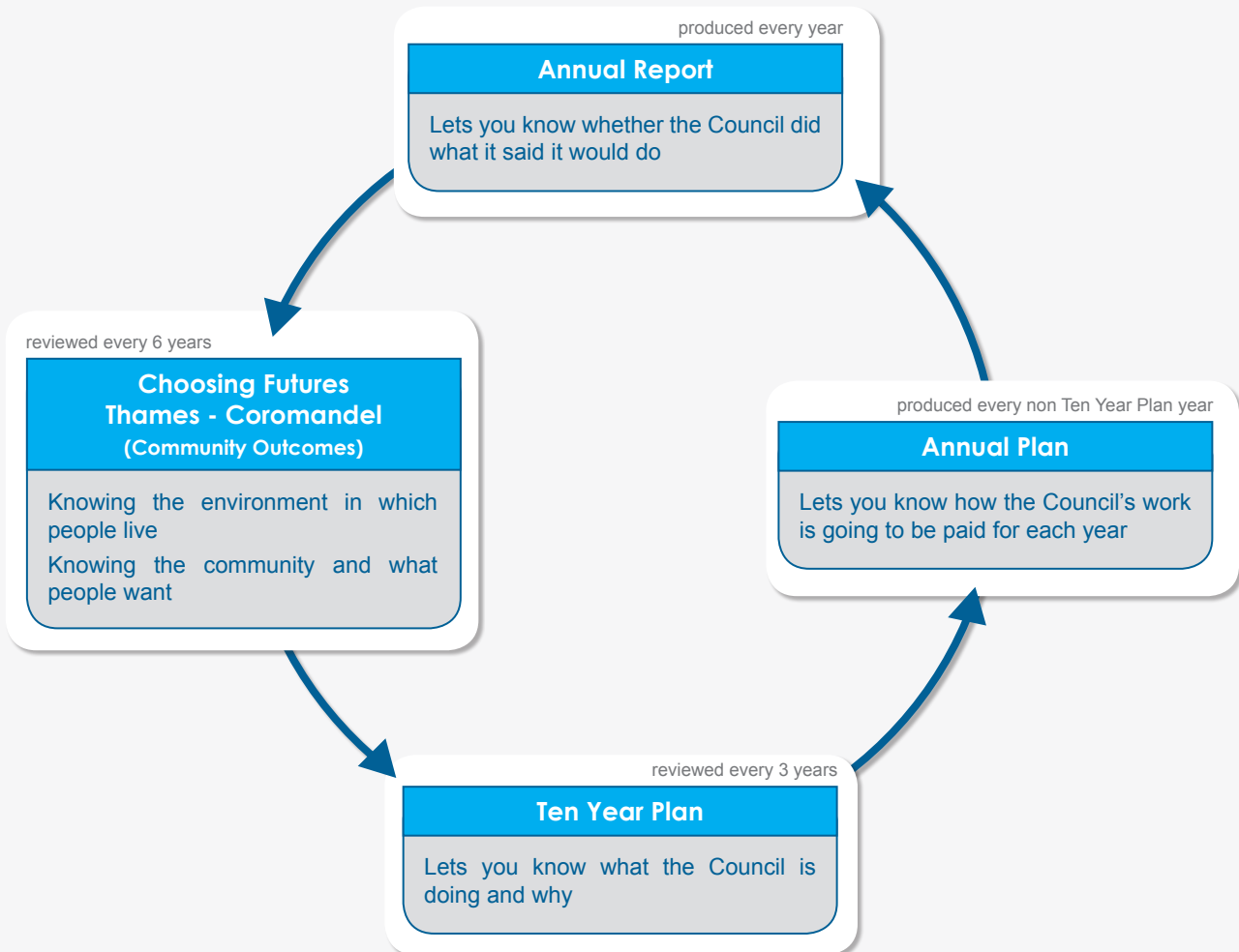
This brings with it some unique challenges for us to manage together.

- We have many small communities and they are diverse.
- Approximately 55% of our ratepayers do not live full time in the District. We often refer to them as our absentee ratepayers.
- We have members of our community at both extremes of the income scale. For our usual residents, we have a higher proportion of people earning less than \$20,000 per year than the national average, which is contrasted by around 47% of our absentee ratepayers earning \$70,000-\$100,000 plus per year.
- Members of our communities have different needs and wants.
- Our population varies at different times of the year - up to eight people per household in summer!
- Our geography makes us different - some services have to be provided separately to different communities across 258,000 hectares of land (such as having ten wastewater plants instead of one and 11 water treatment plants instead of one). This makes it expensive to live here.
- We are located within the Hauraki Gulf Marine Park - a national park of the sea and an area of natural richness.
- We're susceptible to extreme weather events that often come at a cost.
- In the recent past in our District, the number of houses was increasing at a high rate which meant that we had to spend more to cater for that increased growth as well as catch up on past infrastructure deficits. Now however, we are projecting a slow growth in new 'rateable assessments' at a level of only 0.1% - 1.4% per annum over the ten year period.
- The cost of providing local government services (the local government cost index) continues to increase at a higher rate than inflation.
- The devolution of responsibilities from central government (such as alcohol and gambling regulation) and increased standard requirements (such as building regulation) places more mandatory requirements onto us, which ultimately comes at a cost.
- In addition to that, local government is a large and complicated business, providing many different services not only for communities now, but into the long-term future.
- Parts of our communities continue to expect that we will provide more new projects and increased services.
- There is a uniqueness about the Coromandel Peninsula that we want to retain.



Our Reporting Cycle

In June 2009 the Council at the time adopted its 2009-2019 Ten Year Plan. This Annual Report explains how we've delivered on year three of that Plan. For every activity we explain exactly what we did compared to what we said we'd do, what it cost and how we performed against budget.



How Did We Do? Summary of Our Service Performance

On the whole, our service performance has remained consistent with the previous year's performance.

In 2010/2011, 71% of our service performance targets were achieved, and 29% not achieved¹. In 2011/2012, this has increased marginally, with 72% of our service performance targets achieved, and 28% not achieved².

This year, six of our 28 activities achieved 100% of their performance targets. These were Social Development, Cemeteries, Airfields, Harbour Facilities, Public Conveniences, and Land Drainage.

A dashboard of service performance achievement by Activity Group highlights that the Strong Communities Activity Group has achieved 82% of its service performance targets.

Activity Group	No. of Activities with the Activity Group	2010/11 Achieved	2011/12 Achieved
Community Leadership	1	38%	12.5%
Planning for the Future	3	60%	70%
Strong Communities	9	81%	82%
Safeguarding the Environment	14	66%	69%

The largest variations in performance were seen in the Community Leadership and Planning for the Future activity groups. The service performance in the Community Leadership activity group tends to fluctuate with the election cycle. Further, due to the small number of activities within these activity groups, small variations appear large when expressed as percentages. The Planning for the Future activity group saw one more service performance target achieved in the 2011/2012 year than the previous year, but this resulted in a 10% increase.

It is necessary to note that the measures of service performance reported on here were set by the Council in 2009. Over the past 18 months the Council has gone through substantial change. We have set major goals and objectives for this organisation - particularly around efficiency, accountability, streamlining, customer service and cost reduction. Our achievement of these goals and objectives are not best measured by these 2009 performance measures, but will be reflected in our 2012/2013 Annual Report.

In section three of this report you will find more detailed information regarding our service performance, along with information about major projects undertaken. We've also included a few highlight stories from the 2011/2012 year.

¹ Excludes not measured and immeasurable performance targets

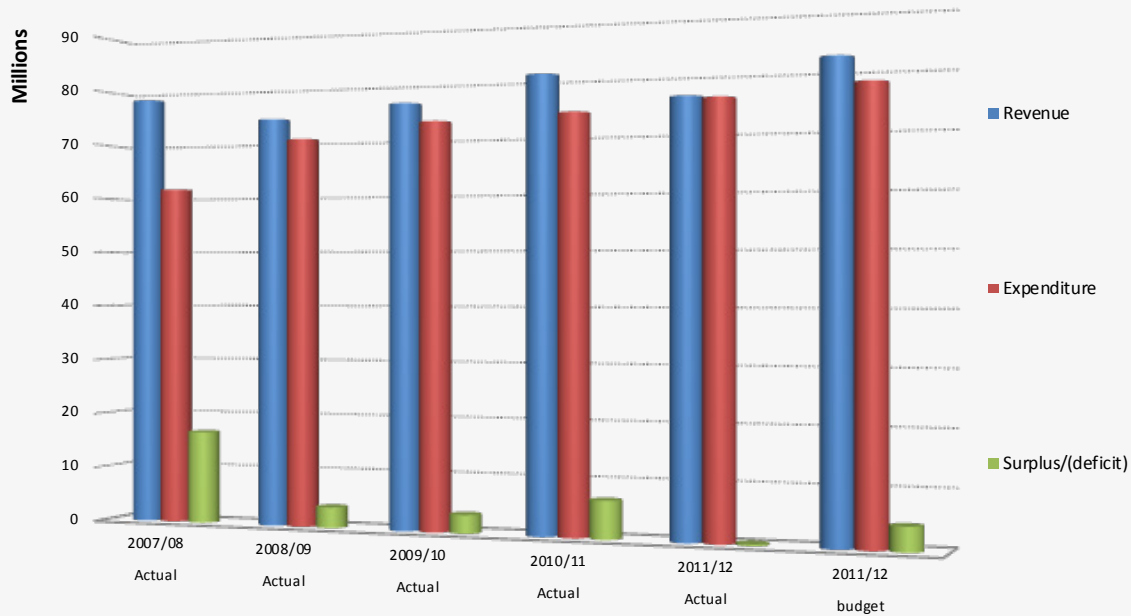
² Again, excluding not measured and immeasurable performance targets

How Did We Do? An Overview of Our Financial Performance

Financial performance is an integral component of the continued financial sustainability of the Council and the affordability of rates within the District.

This section provides an overview of our financial performance for the year to 30 June 2012.

Financials at a glance



We recorded a net surplus from operations of \$0.34 million for the year compared to a budgeted surplus from operations of \$4.32 million.

The net surplus from operations is calculated as: [Total revenue minus total expenses]

This surplus is made up of revenue received towards funding of capital projects from development contributions and New Zealand Transport Agency subsidies (this revenue cannot be used to fund operating expenditure) less unfunded depreciation expenditure, as Council, in adopting the Ten year Plan, resolved that they would not seek to fund the depreciation expense in relation to:

The subsidised portion of roading works, as the Council expects to continue receiving central government funding, from the NZ Transport Agency, at the time these assets are due to be replaced.

The difference in budgeted and actual surplus resulted from a number of factors.

The primary reasons for the difference are:

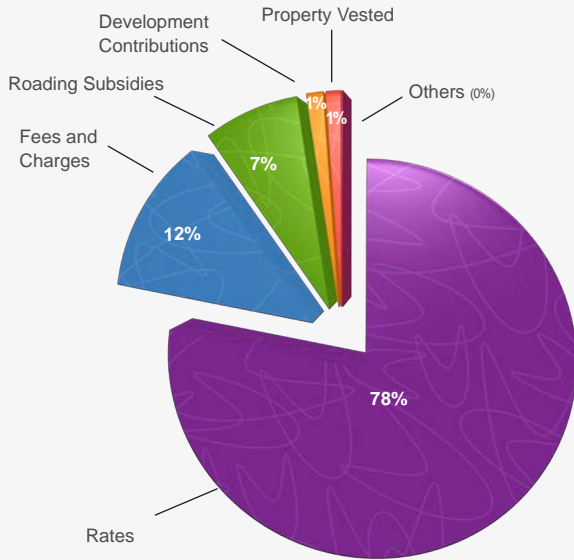
	Variance	Explanation
	\$mill	
Vested Assets revenue	(2.0)	Council received fewer assets such as roading, water and wastewater infrastructure.
Development Contributions	(2.9)	This reflects the recessionary effect on development within the District.
Depreciations and amortisation	1.3	Costs less than budget due to lower asset revaluation and deferral of capital works.
Finance costs	1.0	Lower external debts than budgeted and savings in operational expenses.
Other direct operating expenses	3.3	Council has made significant reductions in expenditure.
Other losses	(1.6)	Losses on disposals of infrastructural assets when replaced. This is a non cash item.
Derivative instruments	(2.0)	Losses on revaluation of derivatives. This is a non cash item.

An Overview of Our Financial Performance (Continued)

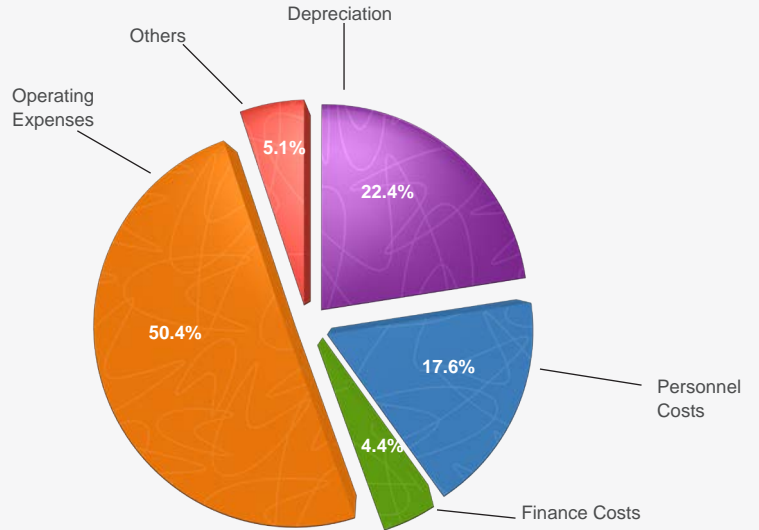
We source our revenue from a variety of places and we spend it on a variety of services....

The following graphs show the various sources of the Council's revenue of \$76.2 million during 2011/2012, and the expenditure by type of \$75.9 million. The largest revenue contribution continues to be provided from rates. The breakdown is as follows:

Revenue—what came in?



What type of operating expenditure was incurred?



Our Council's expenditure is guided by the priorities identified in our Ten Year Plan. This graph depicts where, by activity group, our Council's operating expenditure was channelled.

This is where we invested in Capital expenditure

Activity	District	Thames	Coromandel	Mercury Bay	Tairua/Pauanui	Whangamata	Total
	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill
Hardware/Software	0.8						0.8
Admin Plant, Vehicle & Fittings	0.3						0.3
Cemeteries & Public Conveniences	0.5						0.5
Rooding - District	6.5						6.5
Rooding - Community		0.5	0.1	0.7	0.2	0.1	1.6
Waste treatment Plant upgrade	2.1						2.1
Waste - Biosolids	0.2						0.2
Waste - Renewals	0.4						0.4
Solid waste	0.2						0.2
Stormwater		0.9	0.1	0.7	0.1	0.3	2.1
Water		1.2	0.1	0.1	0.4	0.2	2.0
Parks		0.3		4.4	0.3	0.3	5.3
Libraries		0.1		0.1			0.2
Harbours			0.2			0.1	0.3
Halls & CPD upgrade				0.5			0.5
	11.0	3.0	0.5	6.5	1.0	1.0	23.0

An Overview of Our Financial Performance (Continued)

Reviewing Our Liabilities - What We Owe

Our Council's external borrowings have increased from last year by \$2.0 million to \$47.4 million as at 30 June 2012. Despite this total external borrowings equates to only 4% of our Net Assets.

We borrow to fund the purchase of new assets that Councillors have approved through the Annual Plan and Ten Year Plan process.

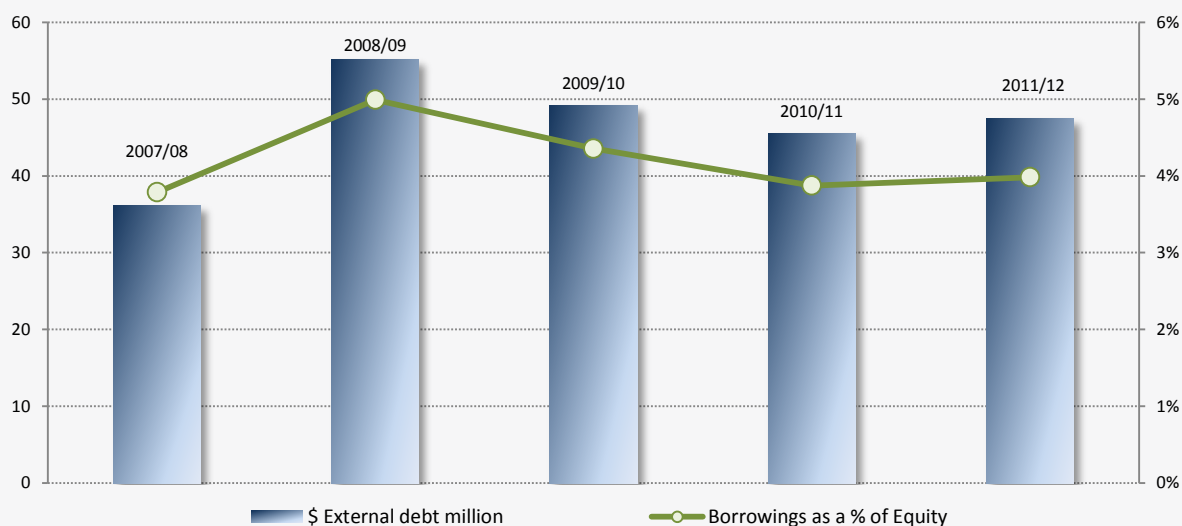
Borrowing is not a source of revenue in itself, rather, it is a 'bridging' mechanism to assist with the financing required for the construction of long-term assets. The debt still needs to be repaid from other sources of revenue (e.g. rates).

The use of debt allows us to enjoy the asset now while paying the debt back over time. In this sense it is much the same as a home mortgage. If the Council had to fund these capital projects through rates it would cause large fluctuations in rating demands.

By financing long-term assets through its debt funding facilities the Council seeks to strike an equitable balance between funding these assets from its current and future beneficiaries.

The funding options permissible to Council for each type of capital project are specified in the Revenue and Financing Policy. This is summarised as follows.

Borrowing position—trend (\$000s)



(Type of Funding)

Type/Funding Source	Depreciation/Reserves	Debt	Development Contributions
Renewals	✓	✓	
Increased Level of Service	✓	✓	✓
Additional Capacity for Growth		✓	

To fund the Renewal and Increased Levels of Service classes of capital expenditure Council may either increase rates or use borrowing facilities in much the same way as a homeowner takes out a mortgage.

An Overview of Our Financial Performance (Continued)

Detail of departures from Council's Financial Policies:

Council's Liability Management Policy (section 7.7) requires the Council to minimise the risk of large concentrations of debt maturing, or, being reissued in illiquid periods where credit margins are high for reasons within or beyond the Council's control, the Council ensures:

Total committed funding in respect to all loans and committed facilities is controlled by the following system:

Period	Minimum	Maximum	Position 30 June 2011	Position 30 June 2012
0 to 3 years	20%	60%	58%	58%
3 to 5 years	20%	60%	42%	42%
5 years plus	10%	60%	0%	0%

Any exception from these policy parameters is reported to Council each month as part of the Financial Report.

Over the past four years Councils strategy has been to fund the majority of its debt profile through three year bank funding facilities. To take advantage of these advantageous rates Council has had to allow these facilities to mature naturally. This can be seen in the table above. These facilities matured in January 2011. Prior to this date Council sourced replacement funding facilities at competitive rates albeit as forecast these never to be as advantageous as those which had just matured.

Due to cost implications in securing facilities in the five year plus bracket, Council continues to prudently manage its upcoming funding requirements through the use of bank borrowing facilities. Council will continue to explore opportunities to place debt in the five year plus category in line with policy.

Financial Risk

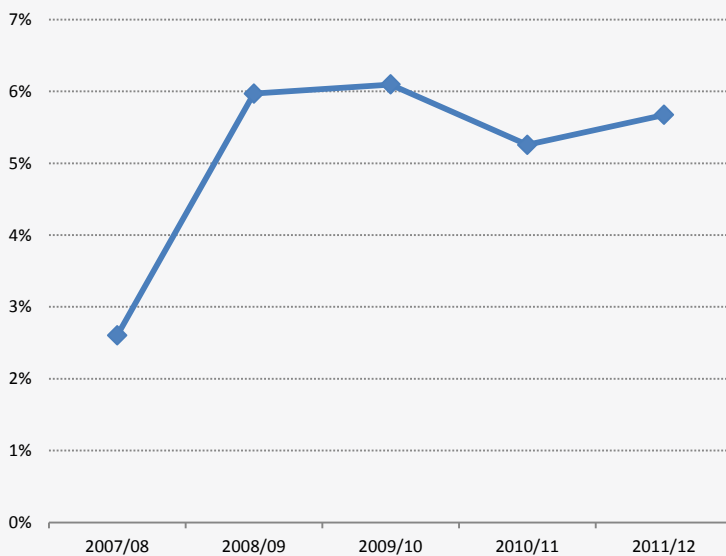
The Council has a number of financial risks to manage. The nature of these risks has been reinforced by the world financial crisis and economic recession of recent years and the volatility and economic uncertainty, both globally and locally that is present today.

The financial sustainability of local government remains critical due to the importance of the services it delivers to its communities. Local government must be financially sustainable to serve its purpose for communities.

We think that the Thames-Coromandel District is a special part of the country. But it also brings with it some unique challenges for us to manage.

Key Management Indicators

Net interest as a % of annual rates revenue

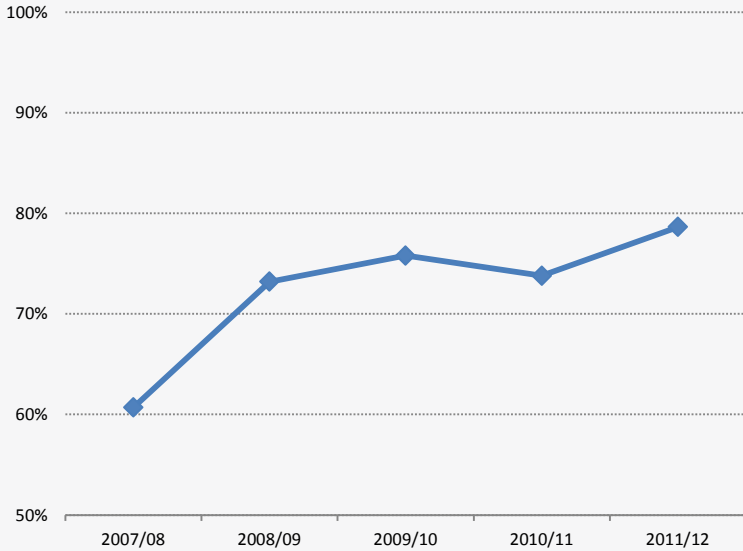


This indicates the percentage of rates revenue that is spent on servicing the external borrowings. This has remained consistent around the 5% mark over the previous four years.

An Overview of Our Financial Performance (Continued)

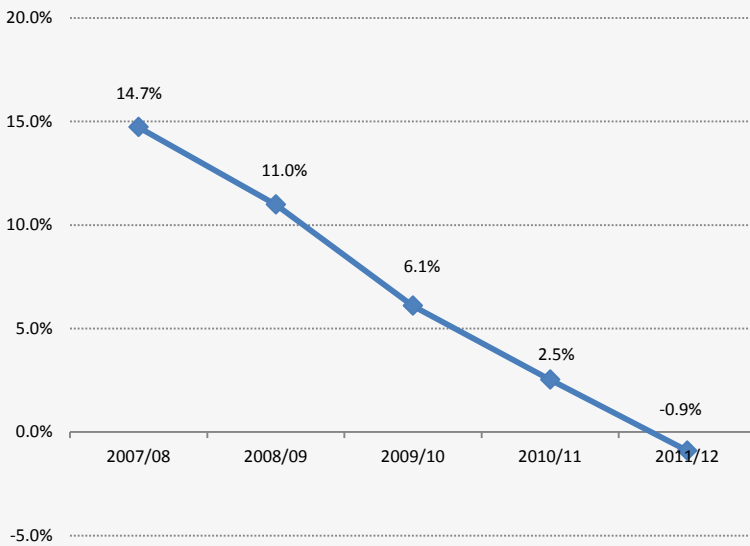
Key Management Indicators (Continued)

Rates as a % of total revenue



Over the last four years the percentage of revenue derived from rates has gradually increased as other sources of revenue have decreased. This has been particularly notable in the areas of Development Contributions and Property vested where the effects of the recession and the slowdown in residential developments have reduced revenue from this source.

Rates increase year on year

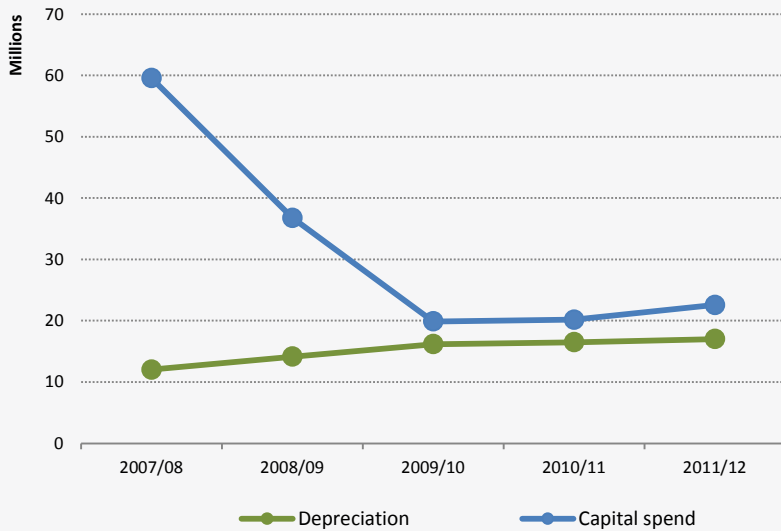


Average rates increases year on year have continued to decline from an average of 14.7% in 2007/08 to 11% in 2008/09. For the 2011/12 year rates have decreased by an average of 0.9%.

An Overview of Our Financial Performance (Continued)

Key Management Indicators (Continued)

Capital Expenditure compared to Depreciation



New capital expenditure has largely been funded from depreciation for the last 3 financial years. Prior to this there was substantial investments in capital expenditure which needed to be funded by external borrowings.

Statement of Compliance and Responsibility

Compliance

The Council and management of the Thames-Coromandel District Council confirm that all of the statutory requirements of Schedule 10, Part 3 of the Local Government Act 2002 regarding financial management and borrowing have been complied with.

Responsibility

The Council and management are responsible for the preparation of the Thames-Coromandel District Council's financial statements and statement of service performance, and the judgements made in them.

The Council and management of the Thames-Coromandel District Council have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Council and management's opinion, these financial statements and statement of service performance fairly reflect the financial position, performance and operations of the Thames-Coromandel District Council for the year ended 30 June 2012.



Glenn Leach

Glenn Leach JP
DISTRICT MAYOR

Date: 26 September 2012



David Hammond

David Hammond
CHIEF EXECUTIVE

Date: 26 September 2012

Independent Auditor's Report

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of

Thames-Coromandel District Council's

Annual Report

for the year ended 30 June 2012

The Auditor General is the auditor of Thames-Coromandel District Council (the District Council). The Auditor General has appointed me, David Walker, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, nonfinancial performance information and other information required by schedule 10 of the Local Government Act 2002 (other information) of the District Council on her behalf.

We have audited:

- the financial statements of the District Council on pages 106 to 173, that comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies, explanatory information and other information required by schedule 10 of the Local Government Act 2002; and
- the nonfinancial performance information of the District Council on pages 28 to 102 that includes other information required by schedule 10 of the Local Government Act 2002.

Opinion on the financial statements, nonfinancial performance information and other information

In our opinion:

- The financial statements of the District Council on pages 106 to 173:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the District Council's financial position as at 30 June 2012; and
 - the results of its operations and cash flows for the year ended on that date.
- The nonfinancial performance information of the District Council on pages 28 to 102:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the District Council's levels of service for the year ended 30 June 2012, including:
 - the levels of service as measured against the intended levels of service adopted in the long-term council community plan; and
 - the reasons for any significant variances between the actual service and the expected service.
- The other information of the District Council contained in the financial statements and the nonfinancial performance information, complies with the requirements of Schedule 10 of the Local Government Act 2002 applicable to the annual report and fairly reflects the required information.

Our audit was completed on 26 September 2012. This is the date at which our opinion is expressed.

Independent Auditor's Report

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements, nonfinancial performance information and other information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, nonfinancial performance information and other information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, nonfinancial performance information and other information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, nonfinancial performance information and other information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the District Council's financial statements, nonfinancial performance information and other information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the financial statements, nonfinancial performance information and other information;
- determining the appropriateness of the reported nonfinancial performance information within the Council's framework for reporting performance; and
- the overall presentation of the financial statements, nonfinancial performance information and other information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, nonfinancial performance information and other information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and nonfinancial performance information that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the District Council's financial position, financial performance and cash flows;
 - fairly reflect its service performance, including achievements compared to forecast; and
- other information in accordance with Schedule 10 of the Local Government Act 2002 that fairly reflects the required information.

The Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements, nonfinancial performance information and other information that are free from material misstatement, whether due to fraud or error.

The Council's responsibilities arise from the Local Government Act 2002.

Independent Auditor's Report

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements, nonfinancial performance information and other information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit and carrying out the audit of long term plan, we have no relationship with or interests in the District Council.



David Walker

Audit New Zealand

On behalf of the Auditor General

Tauranga, New Zealand

