



Introduction

In 2013 the Invercargill District had a total population of 51,696. This is a 2.7% increase on the 2006 population. According to Statistics New Zealand (October 2012 update) a District population of 53,400 (medium projection) is estimated by 2031.

The District's median age is 39.2 years - the New Zealand median age being 38 years.

Most residents (91%) were born in New Zealand.

Home ownership in the Invercargill District (70.4%) is higher than the New Zealand average.

Invercargill houses are older with only 13% having been built since 1980.

Personal income is increasing, with the median income in Invercargill increasing 24% from 2006.

Invercargill City's regional performance growth ranking for 2012 was 39. The ranking is developed by BERL (Business and Economic Research Limited) for all

local authorities with 1 being the local authority with the greatest growth and 66 the lowest. The ranking includes changes in population, employment, GDP and business units.

Extending from Makarewa in the north to Bluff in the south, Kennington in the east and Oreti Beach in the west, the Invercargill district encompasses an area of 49,142 hectares. Landscape features of importance to the community include Bluff Hill (Motupohue) and extensive network of waterways which bisect the District. The urban areas of Invercargill and Bluff contain extensive areas of open space as well as distinct heritage buildings.

The District's coastal location provides a mild climate with long summer daylight hours and defined seasonal variations. The average annual temperature is 9.9°C with 1,614 sunshine hours. Rainfall averages 1,112mm/year and is spread evenly throughout the year.

COUNCIL VISION

Creating an exciting, innovative, safe, caring and friendly City offering lifestyles based on a healthy environment and diverse growing economy.

Mayor's Comment



Prior to the last round of local government reforms the social, cultural, environmental and economic well-beings were Council's *raison d'être*. In today's world these lofty objectives have been given the

boot and councils are expected to focus on the core business of infrastructure.

Of course in local government we always have and always will focus on infrastructure but it made a great sound bite for the six Ministers of Local Government we've had thrust upon us over the last decade. Let's face it, everyone wants water coming out of their taps, their roads tar sealed and their rubbish picked up. The question is should local councils do more than maintain drains and other basic infrastructure? Ironically the governments answer is clearly, "yes!" Take for example the hundred year commemorations of World War 1. This is clearly not infrastructure but local councils throughout New Zealand have been called upon to mobilise our museums, theatres, art galleries and parks so that we have venues in which to commemorate our history. Of course we are proud to respond when the bugle sounds. It is our duty to do so. We will organise displays and events over the next five years and central government has, much to our surprise, agreed to provide substantial funding for this project.

In last year's Annual Report I outlined our commitment to the Tiwai Smelter, Stadium Southland, the challenges we faced over restructuring and earthquake prone buildings. This year we will have to tackle the future of Rugby Park, the Airport Terminal redevelopment, environmental issues regarding water and the Local Government Official Information Act.

A recent poll found that Invercargill was the happiest city in New Zealand and I'm sure our 0.62% 2014/15 year rate increase contributed to that feeling of well-being. Our victory over the government's attempt to establish legal high shops was also a morale booster for our community. I believe however that our greatest success was the population increase of 2.7%. We have all helped transform Invercargill from a dying city to a growing city and we will be doing our best to ensure that growth continues.

Tim Shadbolt
MAYOR OF INVERCARGILL

Chief Executive's Comment



Council's Vision: Creating an exciting, innovative, safe, caring and friendly City offering lifestyles based on a healthy environment and diverse growing economy.

The 2013/14 year has been a very successful one for the City. After a tremendous amount of public consultation and a great deal of changes we are now ready to move forward with the first stage of the City Centre Rejuvenation Project starting with the Pocket Park on Esk Street. This will help bring new life to the city centre. With the completion of the Queens Drive and Tweed Street upgrade, and the addition of new bike lanes and pedestrian crossings it will be great to see more people out on their bikes and walking. What better way to enjoy our long daylight hours over summer?

Our Urban Rejuvenation Projects have also been a great success. From Invercargill to Bluff, community groups have been making major changes to showcase the beauty in our part of the South Island. There has been the addition of community gardens, hanging baskets, green waste removal projects, neighbourhood beautification and even street clean up projects. Soon we will be moving forward on an upgrade of Martin Street and Elles Road offering more lighting and a community focused design that will give people a place to sit and relax while in South City.

We successfully hosted the New Zealand Brass Band Competition bringing in new visitors from around New Zealand. With the completion of the stadium rebuild it will be great to see a lot more major events coming our way. With each new event we host it's another opportunity for even more people to fall in love with our city.

We still face the ongoing challenges that all regions in New Zealand face including an ageing population. However, your Council strives every year to be as innovative and forward thinking as possible. Council has continued to maintain low debt levels and has shown its financial approach to be sustainable by continuing to achieve the outcomes we agreed with the Community through the 2013/14 Annual Plan. Together we have achieved some great things this past year and I would like to thank Councillors, Staff and the Community for their contributions to the City. It is my hope that we will all continue to make the city a success for a long time to come.

Richard King
CHIEF EXECUTIVE

Elected Representatives



Tim Shadbolt
MAYOR
03 211 1777

The Invercargill City Council is chosen by the Invercargill public in elections held every three years. The last election was held in October 2013; the next Election Day will be 8 October 2016. The Council consists of the Mayor and 12 Councillors and its role is to provide and maintain services and amenities for the public of Invercargill. The Council is chosen by electors (the Invercargill public) to govern the City's affairs, such as making decisions on spending, priorities and policies.

Councillors for the 2013/2014 year were:



Lindsay Abbott
03 216 7111



Rebecca Amundsen
027 225 2664



Karen Arnold
03 217 9360



Neil Boniface
03 217 0405



Alan Dennis
027 274 4513



Lloyd Esler
03 213 0404



Peter Kett
03 215 6206



Graham Lewis
021 676 647



Darren Ludlow
DEPUTY MAYOR
021 217 2848



Ian Pottinger
0274 323 597

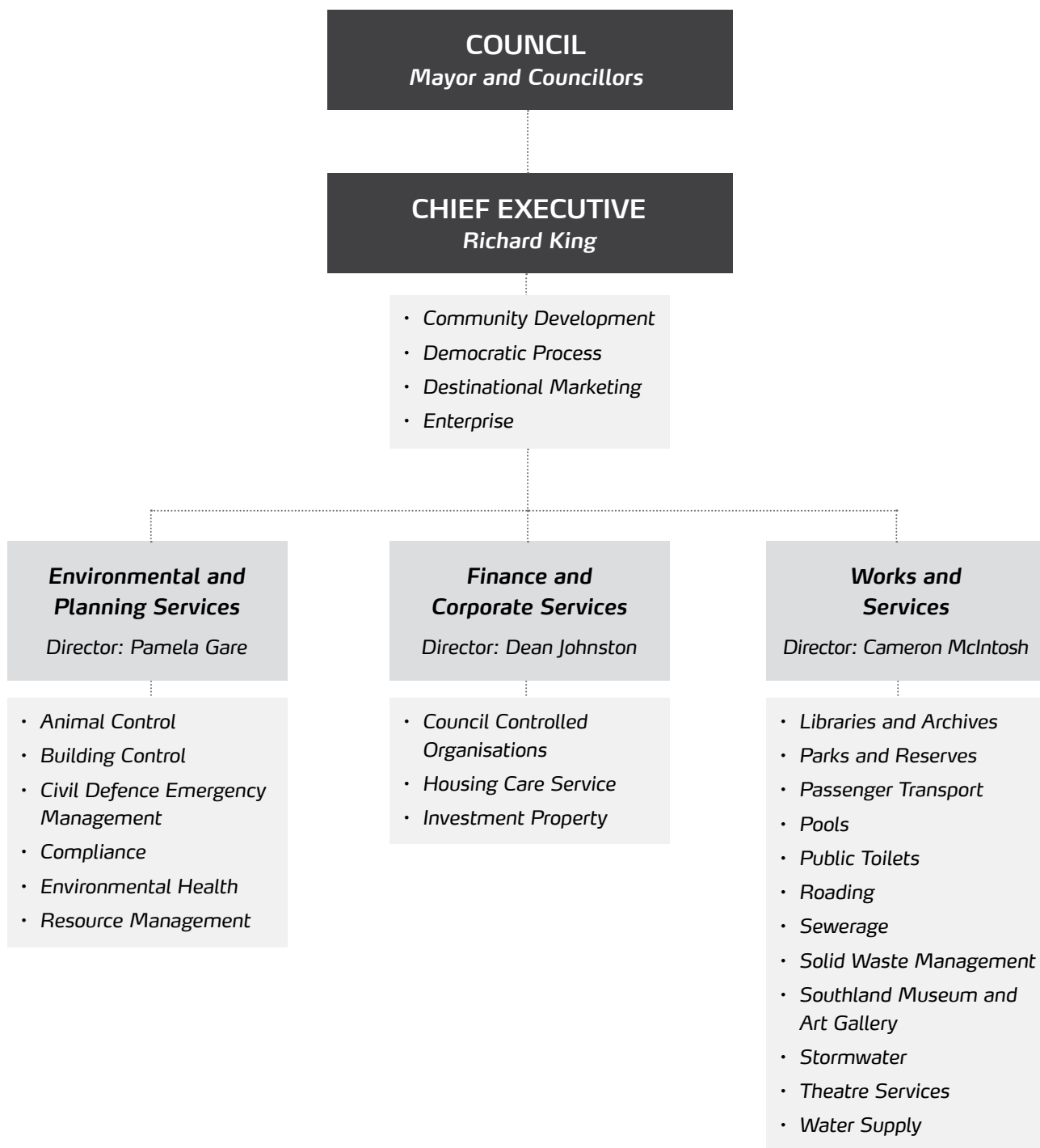


Graham Sycamore
0274 395 045



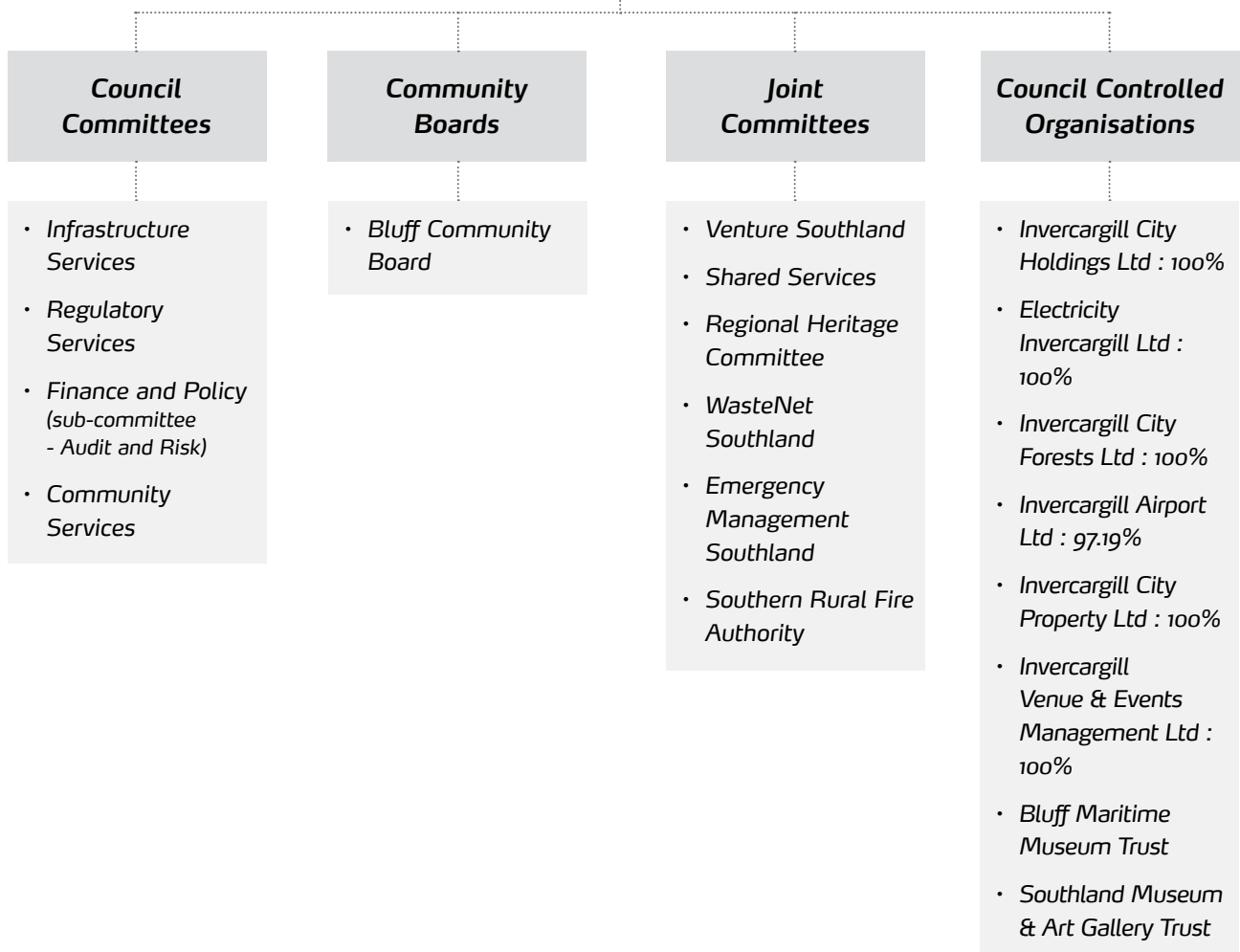
Lindsay Thomas
027 472 4730

Management Structure



The Council (elected members) employs the Chief Executive to head the management structure.

Council Structure



Financial Overview

<i>Financial Performance Summary</i>	2012/13	2013/14
	\$000	\$000
Rates Revenue	45,206	45,781
Other Revenue, Other Gains & Losses and Interest Revenue	32,595	35,607
Operating Expenditure including Interest Expenditure	76,867	78,442
Operating Surplus/(Deficit)	934	2,946
Working Capital (excluding loan facility)	(189)	5,630
Total Assets	698,888	741,827
External Debt	40,331	29,716
Fixed Assets (Net Book value)	617,628	675,635

<i>Financial Statistics Summary</i>	2012/13	2013/14
	\$000	\$000
Proportion of rates to Total Operating Revenue	58.81%	56.24%
Average rate revenue per rateable property	1,808.84	1,830.00
External Term Debt (as a percentage of total assets)	5.77%	4.01%
External Term Debt (per rateable property)	1,638.43	1,187.83

<i>Ratepayer Data</i>	2012/13	2013/14
Total Rateable Properties	24,997	25,017

FUNDING IMPACT STATEMENT - INVERCARGILL CITY COUNCIL

The Funding Impact Statement shows the sources and applications of Council's funding.

	<i>Long Term Plan 2012 - 2022</i>	<i>Actual</i>	<i>Annual Plan</i>	<i>Actual</i>
	<i>2012/13</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2013/14</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Sources of operational funding				
General rates, uniform annual general charges, rates penalties	37,780	37,917	38,334	38,196
Targeted rates (other than targeted rate for water supply)	7,151	7,289	7,247	7,585
Subsidies and grants for operating purposes	3,212	3,518	3,683	3,805
Fees, charges and targeted rates for water supply	12,199	11,687	11,774	11,988
Interest and dividends from investments	4,358	4,626	4,575	4,551
Local authorities fuel tax, fines, infringement fees, and other receipts	7,703	8,112	9,066	9,582
Total operating funding	72,403	73,149	74,679	75,707
Applications of operational funding				
Payments to staff and suppliers	55,894	55,948	58,158	56,816
Finance costs	3,049	2,070	2,986	2,154
Other operating funding applications	-	-	-	-
Total applications of operational funding	58,943	58,018	61,144	58,970
Surplus (deficit) of operational funding	13,460	15,131	13,535	16,737
Sources of capital funding				
Subsidies and grants for capital expenditure	4,455	3,674	3,648	3,894
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	1,957	5,993	4,274	(10,614)
Gross proceeds from sale of assets	94	-	112	-
Lump sum contributions	-	-	-	-
Total sources of capital funding	6,506	9,667	8,034	(6,720)
Application of capital funding				
Capital expenditure				
- to meet additional demand	41	5,723	-	347
- to improve the level of service	3,949	3,298	4,472	1,179
- to replace existing assets	21,519	12,850	17,986	15,022
Increase (decrease) in reserves	(5,544)	2,926	(889)	3,469
Increase (decrease) in investments	-	-	-	(10,000)
Total application of capital funding	19,966	24,798	21,569	10,017
Surplus (deficit) of capital funding	(13,460)	(15,131)	(13,535)	(16,737)
Funding balance	-	-	-	-
Depreciation expense (not included in the above FIS)	16,595	18,826	19,208	19,447

Financial Prudence Benchmarks

The purpose of this Statement is to disclose the Council's financial performance in relation to other benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

The Council is required to include the Statement in its Annual Report in accordance with the Local

Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this Statement.

Please note, prior to the 2012 - 2022 Long Term Plan, these benchmarks were not required, and therefore are missing from the following graphs.

KEY

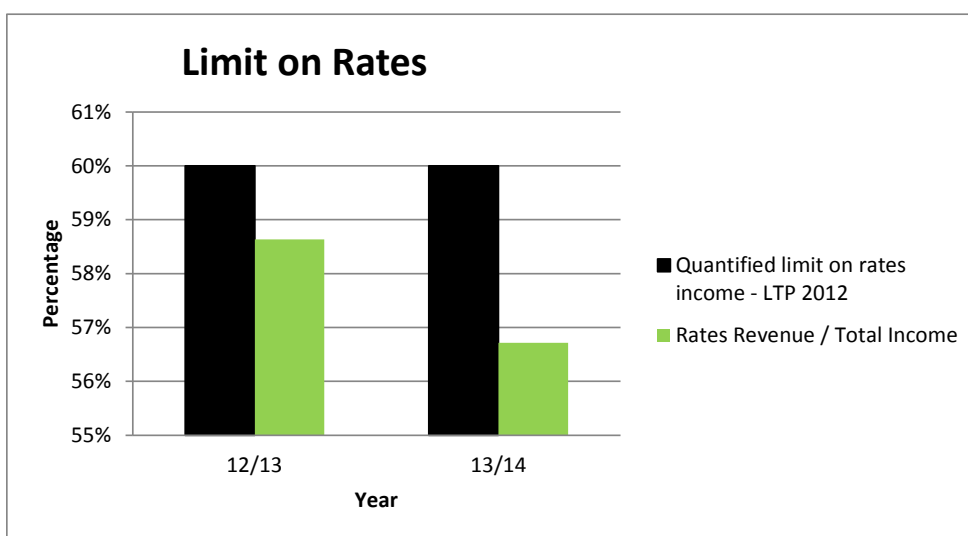
- Benchmark Met
- Benchmark Not Met
- Benchmark

RATES (INCOME) AFFORDABILITY BENCHMARK

	Year of Annual Report	
	2012/13 \$'000	2013/14 \$'000
Total Rates Revenue - Annual Report	45,206	45,781
Other income - Annual Report	31,894	34,939
Total Income - Annual Report	77,100	80,720

- The Council meets the rates affordability benchmark if -
- its actual rates income equals or is less than each quantified limit on rates; and
 - its actual rates increases equal or are less than each quantified limit on rates increases.

The following graph compares the Council's actual rates income with the limit imposed in the 2012-22 Long Term Plan being "Rates revenue as a source will not exceed 60% of its total revenues".



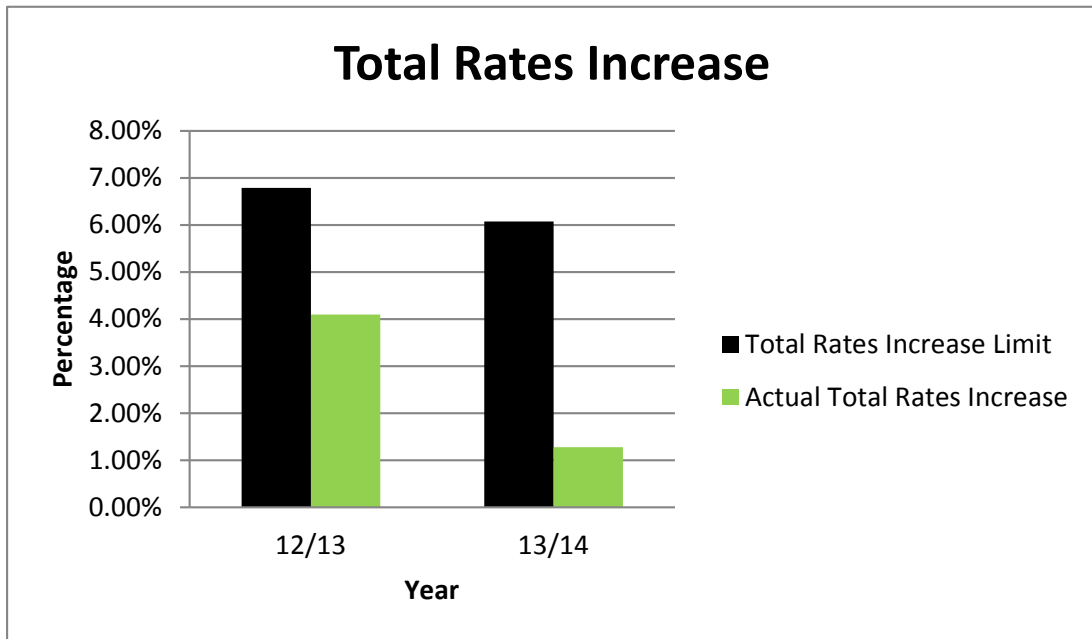
Council aims to maintain the rates collected at a maximum of 60% of the total Council revenue and has increased other sources of funding to meet this limit during the past two years.

TOTAL RATES INCREASE

	Year of Annual Report	
	2012/13	2013/14
	\$'000	\$'000
Total Rates Revenue - Annual Report	45,206	45,781
LGCI (Local Government Cost Index)	3.79%	3.07%
Additional Limit	3.00%	3.00%

The Council meets the rates affordability benchmark if -
 - its actual rates income equals or is less than each quantified limit on rates; and
 - its actual rates increases equal or are less than each quantified limit on rates increases.

The following graph compares the Council's actual rates increases with the limit imposed in the 2012-22 Long Term Plan being "total rates increase will be limited to LGCI + 3.0%".



Since the 2012-2022 Long Term Plan Council has per the financial strategy aimed to limit rates increases to LGCI +3.0%. As seen above Council has achieved this goal over the last two financial years.

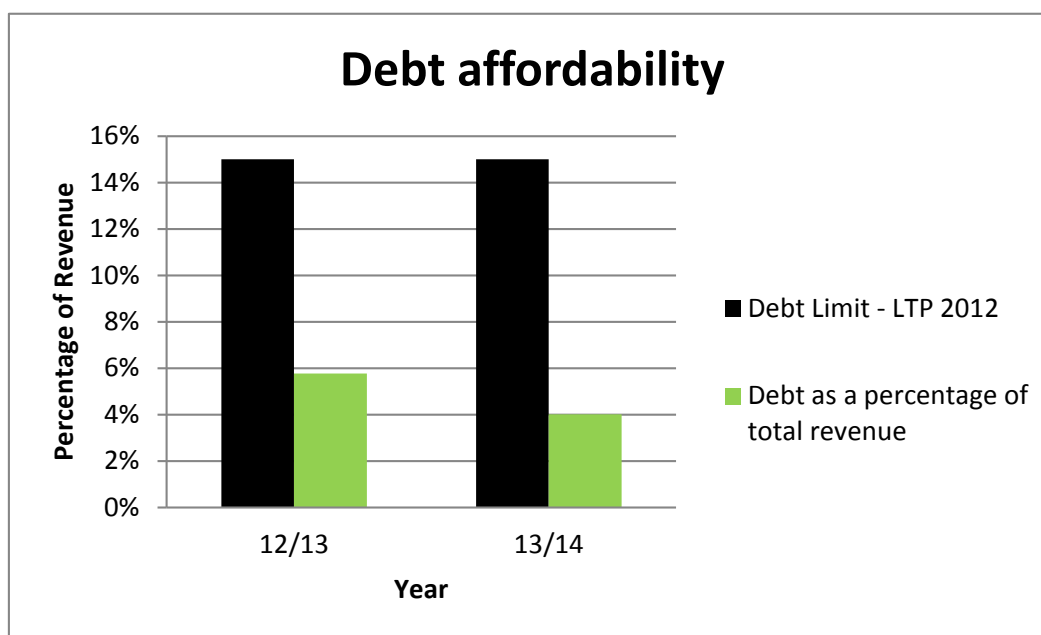
DEBT AFFORDABILITY BENCHMARK

	Year of Annual Report	
	2012/13 \$'000	2013/14 \$'000
Total Assets - Annual Report	698,889	741,827
External Borrowing	40,331	29,716

The Council meets the debt affordability benchmark if its actual borrowings is within each quantified limit on borrowing.

Council's current limit per the 2012-22 Long Term Plan is that borrowing of external funds is limited to 15% of Total Assets.

The following graph compares the Council's actual borrowing with this limit.



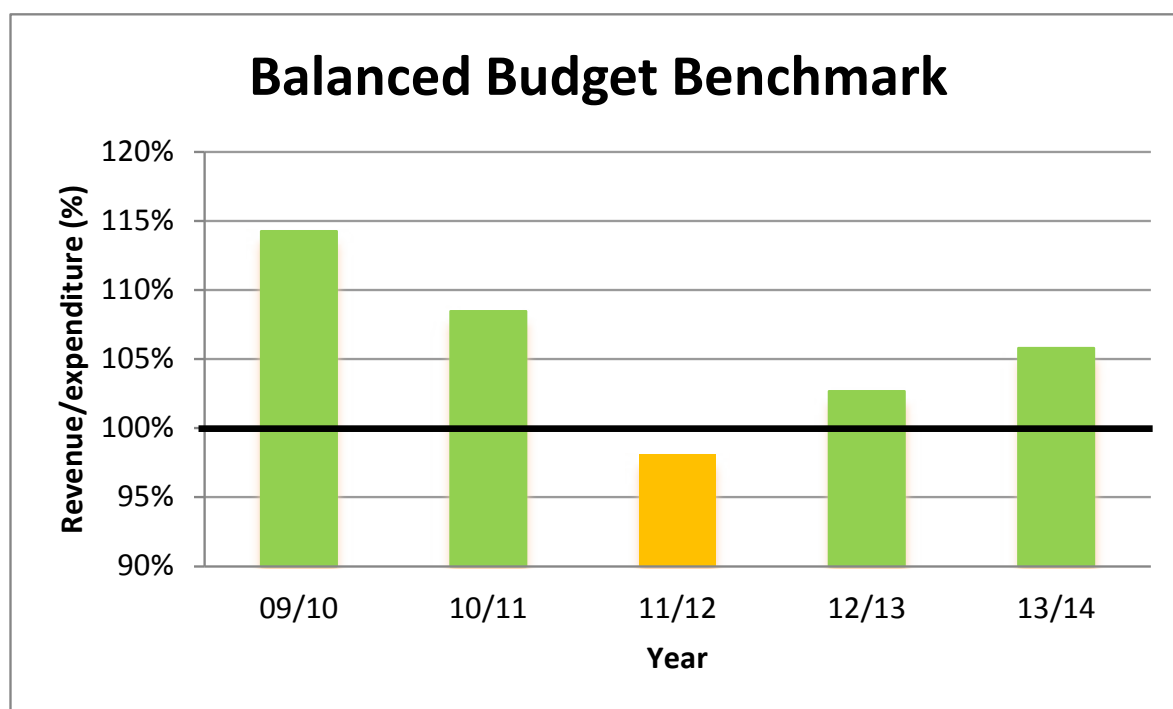
The Council has a low percentage of debt in relation to total assets, and is mindful of keeping debt to a manageable level. Council considers that setting a borrowing limit of 15% of assets will assist in prudently managing Council's borrowing activities to ensure the ongoing funding of Council.

BALANCED BUDGET BENCHMARK

	2009/10	2010/11	2011/12	2012/13	Year of Annual Report 2013/14
	\$'000	\$'000	\$'000	\$'000	\$'000
Total Revenue (Excluding *)	76,203	74,614	69,815	76,776	80,720
Total Expenditure (Excluding ^)	66,703	68,805	71,153	74,797	76,303

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.



* Excludes - Development contributions, financial contributions, vested assets, gains on derivative, revaluation gains.

^ Excludes - Losses on derivative financial instruments and revaluation of Property, Plant & Equipment (Incl share of associate).

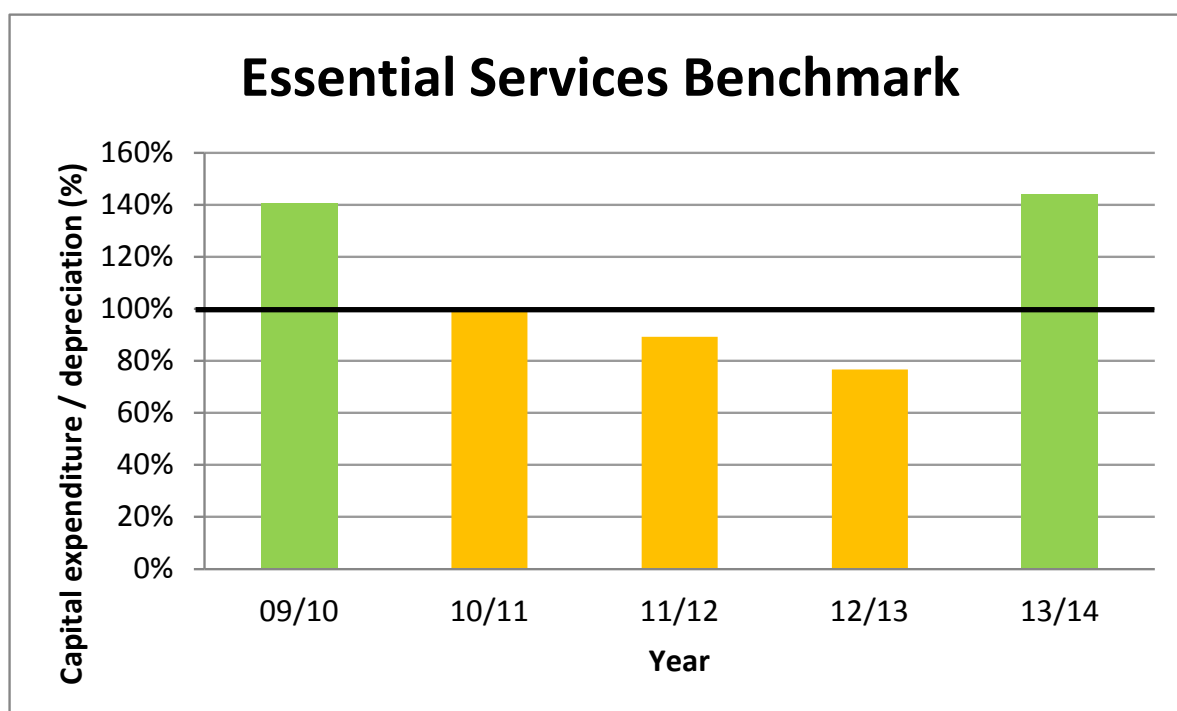
Note: Only Property, Plant & Equipment revaluation are excluded, forestry revaluation and gain / loss on investment are included.

Council is aware of the issue of affordability and financial sustainability. Council revenue has been greater than it's operating expenses in four of the previous five years. Council continues to investigate efficiencies to reduce expenditure and in doing so reduce the revenue needed from rates.

ESSENTIAL SERVICES BENCHMARK

	2009/10	2010/11	2011/12	2012/13	Year of Annual Report 2013/14
	\$'000	\$'000	\$'000	\$'000	\$'000
Capital Expenditure (Additions) *	18,125	13,914	12,918	11,047	21,468
Depreciation ^	12,875	13,945	14,473	14,412	14,895

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on the network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



* Capital expenditure on network assets has been deemed to be additional to note 12 for Infrastructural Assets.

^ Depreciation on network assets has been deemed to be depreciation out of note 14 for infrastructural Assets.

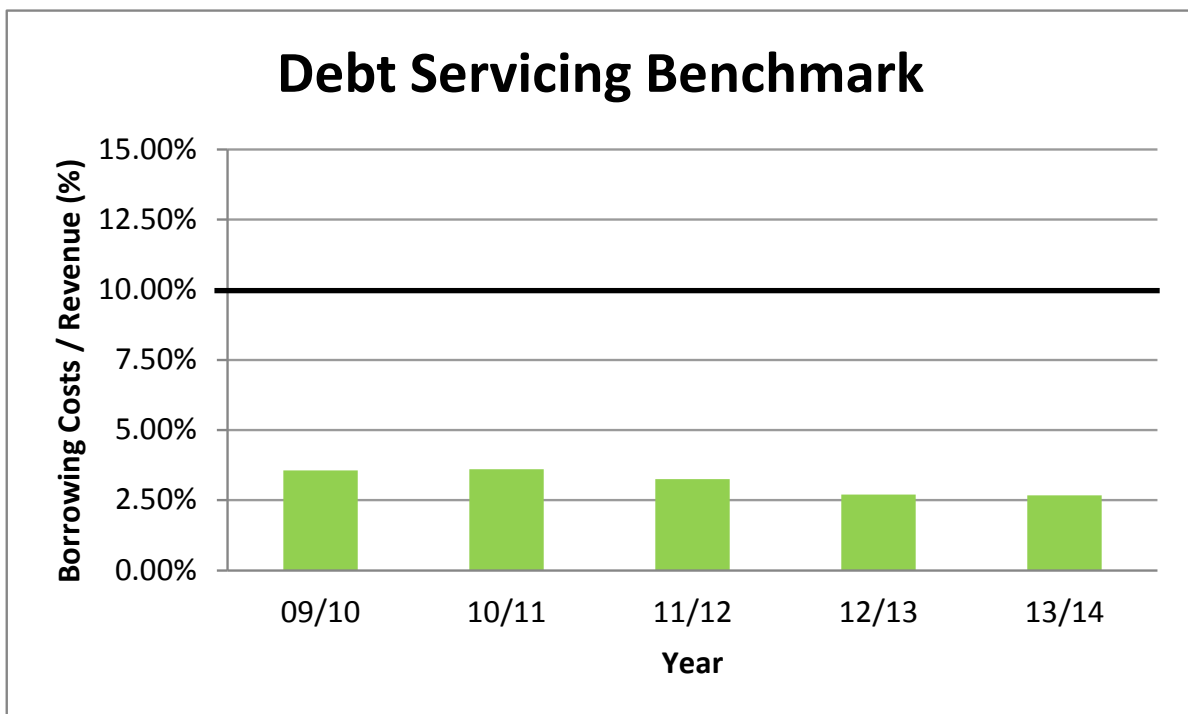
Over time Council's capital expenditure should equal its depreciation, which will mean Council is replacing its assets as they deteriorate, however due to some projects being large it is hard to assess this on a year by year basis. Council is currently spending more than depreciation due to the recent completion of a large water project being capitalised.

DEBT SERVICING BENCHMARK

	2009/10	2010/11	2011/12	2012/13	Year of Annual Report 2013/14
	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowing Costs *	2,713	2,692	2,268	2,070	2,154
Revenue (Balanced Budget)	76,203	74,614	69,815	76,776	80,720

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 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.



* - is obtained from Finance Costs off the face off the Annual Report.

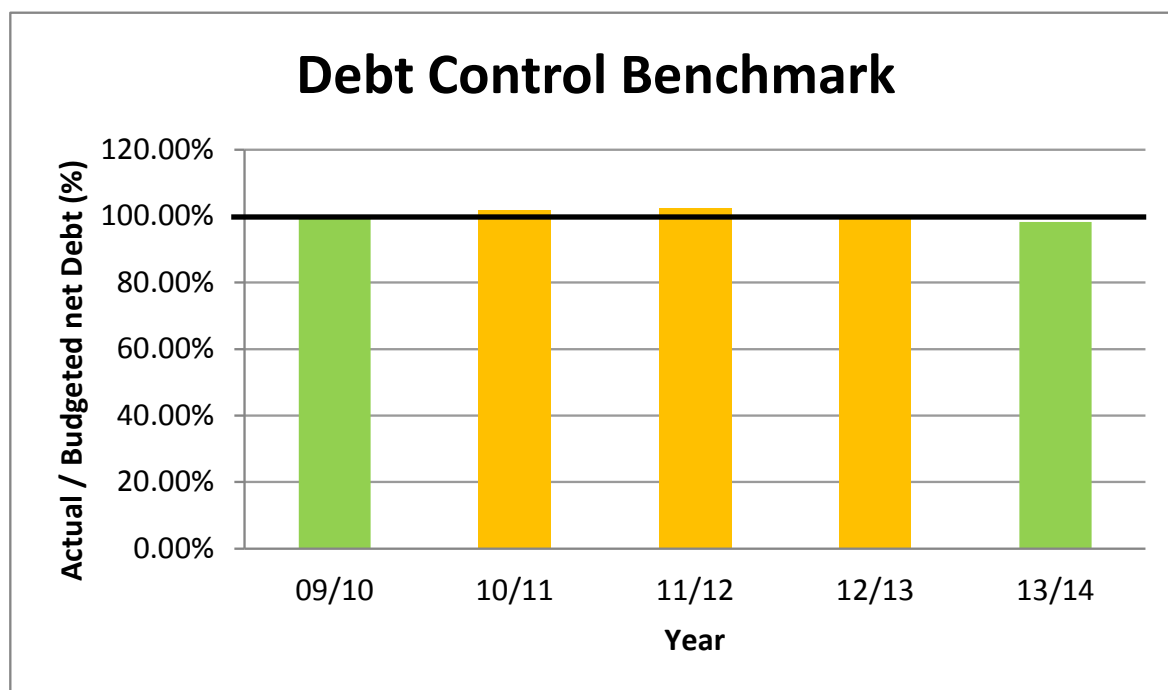
Council currently has minimal debt and the associated cost is well under the legislative threshold of 10% of revenue.

DEBT CONTROL BENCHMARK

	2009/10	2010/11	2011/12	2012/13	Year of Annual Report 2013/14
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets - Annual Report *	657,558	683,843	679,339	687,096	741,817
Financial Liabilities - Annual Report ^	56,281	52,246	49,234	56,332	53,445
Actual Net Debt	601,277	631,597	630,105	630,764	688,413
Financial Assets - *	657,832	682,809	680,066	697,596	774,923
Financial Liabilities - ^	55,453	61,614	64,783	67,322	74,043
Planned Net Debt per LTP	602,379	621,195	615,283	630,274	700,880

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.



* Financial Assets (Excluding Trade and Other Receivables) - As per Annual Report or Annual Plan (LTP) - Statement of Financial Position.

^ Financial Liabilities - As per Annual Report or Annual Plan (LTP) - Statement of Financial Position.

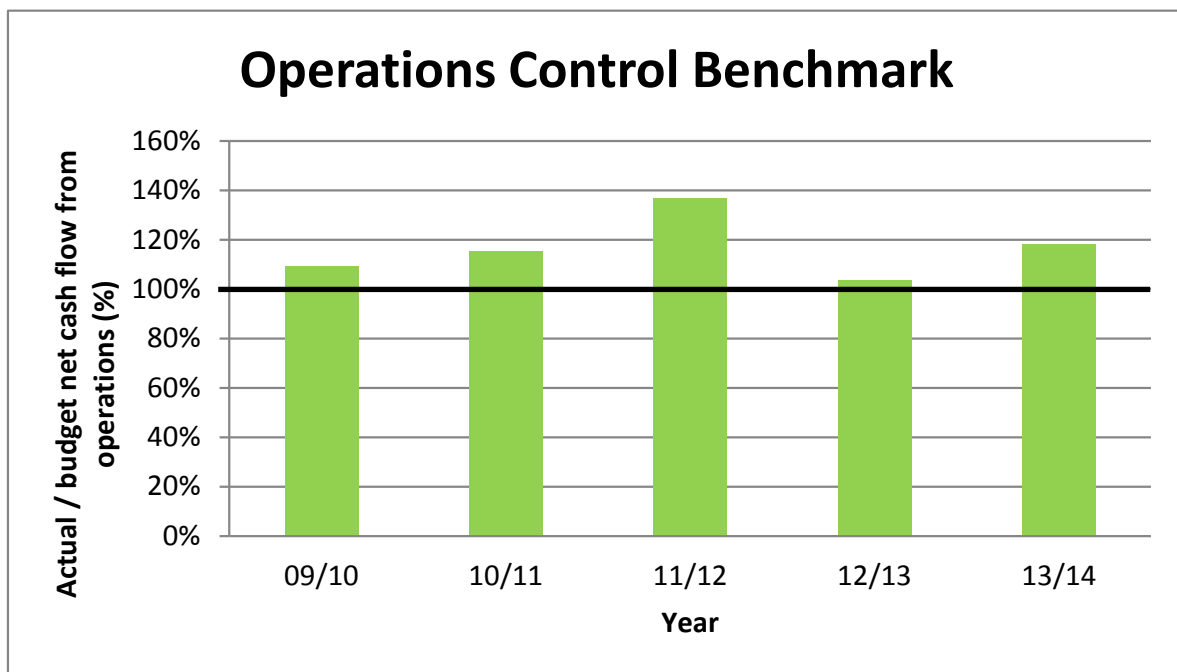
Council maintains a strong balance sheet position with financial assets currently exceeding financial liabilities.

OPERATIONS CONTROL BENCHMARK

	2009/10	2010/11	2011/12	2012/13	Year of Annual Report 2013/14
	\$'000	\$'000	\$'000	\$'000	\$'000
Actual Net Cashflows from Operations *	22,215	21,911	20,404	18,530	20,450
Planned Net Cashflows from Operations ^	20,326	19,030	14,909	17,907	17,296

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.



* - Taken from the cashflow statements in the relevant year annual report.

^ - Taken from the cashflow statements in the relevant year annual plan.

Council has consistently met the operations control benchmark, with actual net cashflows from operations slightly higher than planned net cashflows in all 5 years.

UNCOMPLETED PROJECTS

Not all projects planned and funded in 2013/14 were completed. Projects valued over \$100,000 which will now be completed or undertaken in 2014/15 are:

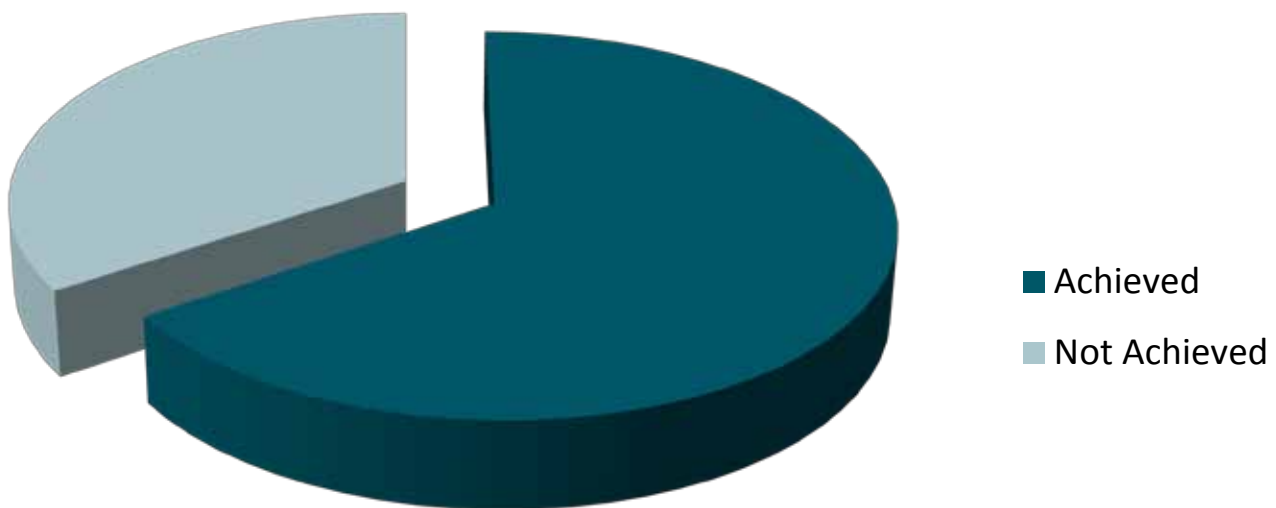
Finance and Policy	
▪ Finance Directorate - Information Technology / Reviews	\$100,000 (funded from Rates)
▪ Corporate Planning - Corporate Planning Consultation	\$125,000 (funded from Rates)
▪ CBD Redevelopment - Consultants	\$664,106 (funded from Rates and Loans)
Infrastructure and Services	
▪ Drainage - Sewerage reticulation - foul sewer renewals	\$1,357,449 (funded from Rates)
▪ Drainage - Sewerage - Clifton	\$346,258 (funded from Rates and Loans)
▪ Drainage - Stormwater renewals - Prestonville Pump	\$341,000 (funded from Reserves and Loans)
▪ Drainage - Stormwater renewals - Beatrice Street Pump	\$201,399 (funded from Loans)
▪ Drainage - Stormwater renewals - Beatrice Street Treatment Pond	\$100,000 (funded from Loans)
▪ Roading - Inner City	\$928,000 (funded from Rates)
▪ Roading - Martin Street / Elles Road Improvements	\$776,800 (funded from Rates)
▪ Roading - Tiwai Bridge	\$131,000 (funded from Rates)
▪ Water - Branxholme Duplicate Line Upgrade	\$280,000 (funded from Rates)
▪ Water - Tower / Control Room Seismic Strengthening	\$1,427,000 (funded from Rates)
▪ Water - Branxholme Upgrades	\$1,326,300 (funded from Rates and Loans)
▪ Water - Emergency Water Supply	\$202,000 (funded from Loans)
▪ Water - Bluff Pipeline Replacement	\$1,550,000 (funded from Loans)
▪ Water - Reticulation Upgrades	\$786,400 (funded from Rates and Loans)
▪ Water - Reservoirs and Pump Stations	\$655,900 (funded from Rates and Loans)
▪ Pools - Woodchip Storage	\$206,000 (funded from Loans)
▪ Pools - Family Change Rooms	\$430,456 (funded from Loans)
▪ Pools - Dry Gym	\$502,846 (funded from Loans)
▪ Public Toilets - Don Street Exeloo	\$102,000 (funded from Reserves)

Summary of Service

SUMMARY OF ACTIVITIES AND LEVELS OF PERFORMANCE

The 2013/14 Annual Plan identified 70 levels of service against which its performance would be measured for its activities. The levels of service were what Council wanted to provide to its community and the actual measurement indicates whether or not it has been delivered.

Council achieved 46 of its 70 measures



In the graph above, "Achieved" means that the 2013/14 performance measure was met or exceeded. "Not Achieved" means the 2013/14 performance measure was not undertaken or not provided to the target level.

This Annual Report details the performance measures and their achievement for the activities. A summary of how these activities positively contributed towards Council's four Community Outcomes is detailed below and on the following pages.

<i>Community Outcome</i>	<i>Activity and Performance Measure</i>	<i>2013/14 Target</i>	<i>2013/14 Actual</i>
Healthy lifestyle in a healthy environment.	Sewerage - Frequency of system blockage.	Less than 20 blockages annually per 100km of sewer.	Achieved. 19. (2012/13 - 18)
	Solid Waste - Decreasing trend in solid waste to transfer station.	Decreasing trend.	Achieved. 25,416 tonnes (2012/13 - 26,596 tonnes)
	Total accumulated time of water shutdown to any consumer not to exceed 36 hours per annum (99.6% availability).	Total accumulated time of water shutdown to any consumer not to exceed 36 hours per annum (99.6% availability).	Achieved. 99.6% Availability (2012/13 - Achieved)
	Water Supply - Number of complaints of taste and smell.	No more than ten per month.	Achieved. 2 February and 2 May (2012/13 - 3)
	De-sexing programmes for dogs are undertaken.	Minimum of one de-sexing programme undertaken annually.	Achieved. (2012/13 - Not achieved)
	Resource Management - Statutory timeframes for processing consents are met.	100%	Not achieved. 99.52% (2012/13 - 100%)

<i>Community Outcome</i>	<i>Activity and Performance Measure</i>	<i>2013/14 Target</i>	<i>2013/14 Actual</i>
A diverse and growing economy.	Roading - Invercargill's urban and rural roads are smoother than the New Zealand average.	Achieve.	Achieved. 95% (2012/13 - Achieved)
	Compliance - Parking patrols of Council managed parking spaces.	Average 80 hours patrolling per week.	Not achieved. 55 hours (2012/13 - Achieved 89 hours)
	Hydrants meet fire fighting standards.	At least 97.5% of hydrants tested by NZFS exceed 12.5 litres per second flow rate.	Achieved. 100% (2012/13 - 100%)
	Passenger Transport - Homes in the Invercargill urban area are within 400m of a serviced bus route.	90%	Achieved. 90%. (2012/13 - 90%)
	Enterprise - Number of Strategic Projects facilitated.	5	Achieved. 8 (2012/13 - Achieved)
	Investment Property - Rate of return is at least equal to the current market interest rate.	Achieve.	Achieved. 5.37% (2012/13 - 4%)

<i>Community Outcome</i>	<i>Activity and Performance Measure</i>	<i>2013/14 Target</i>	<i>2013/14 Actual</i>
A city that is a great place to live and visit.	Building Control - Council's 'Building Sector News' is regularly published.	Published 12 times per year.	Achieved. Published 12 times per year and delivered electronically. (2012/13 - Achieved)
	Community Development - Number of groups and households involved in Neighbourhood Support.	Increasing number of 10 groups.	Not achieved. 5 (2012/13 - Baseline 100 groups)
	Housing - Rental levels maintained between 20-30% of gross superannuation.	20-30%	Not achieved. 19.2-23.2% (2012/13 - 19.7-23.9%)
	Parks and Reserves - Queens Park is accredited as a "Garden of National Significance".	Accreditation retained.	Achieved. Accreditation retained. (2012/13 - Achieved)
	Public Toilets - Automated toilets are available 24 hours a day.	95%	Achieved. 98% (2012/13 - 98%)
	Destinational Marketing - Number of Media and Famil opportunities facilitated.	8 per year.	20 Achieved. (2012/13 - 14)

<i>Community Outcome</i>	<i>Activity and Performance Measure</i>	<i>2013/14 Target</i>	<i>2013/14 Actual</i>
Strong, innovative leadership.	Civil Defence - Advocacy by EMS to appropriate Councils on appropriate resources and policy to mitigate effects of natural disaster.	2	Achieved. 5 (2012/13 - 6)
	Library and Archives - Membership as a percentage of total population.	65-75%	Achieved. 75% (2012/13 - 70%)
	Pools - Percentage of Swim School customers who rate their experience as 'good' or 'very good' when surveyed.	80%	Achieved 90% (2012/13 - 83.9%)
	Democratic Process - Unmodified audit report received for Long Term Plan, Annual Report and any Long Term Plan amendments.	Achieve.	Achieved. (2012/13 - Achieved)

Audit Opinion

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Invercargill City Council and group's annual report for the year ended 30 June 2014

The Auditor-General is the auditor of Invercargill City Council (the City Council) and group. The Auditor-General has appointed me, Ian Lothian, using the staff and resources of Audit New Zealand to audit:

- the financial statements of the City Council and group that comprise:
 - the statement of financial position as at 30 June 2014 on page 162;
 - the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014 on pages 163 to 165;
 - the funding impact statement of the City Council on page 8;
 - the statements about budgeted and actual capital expenditure in relation to each group of activities of the City Council on pages 41 to 154; and
 - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 162 to 256;
- the statement of service performance (referred to as 'how did we measure up' in the Council activities) and the funding impact statements in relation to each group of activities of the City Council on pages 41 to 154; and
- the disclosures of the City Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 9 to 16.

In addition, the Auditor-General has appointed me to report on whether the City Council and group's annual report complies with the *Other Requirements* of schedule 10 of the Local Government Act 2002, where applicable, by including:

- information about:
 - internal borrowing on page 200;
 - council-controlled organisations on pages 155 to 160;
 - reserve funds on pages 205 and 206;
 - each group of activities carried out by the City Council on pages 41 to 154;
 - remuneration paid to the elected members and certain employees of the City Council on pages 218 and 219;

- employee staffing levels and remuneration on page 219;
- severance payments on page 170;
- rating base units on page 167; and
- insurance of assets on page 181.
- a report on the activities undertaken by the City Council and group to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 258; and
- a statement of compliance signed by the mayor of the Council, and by the City Council and group's chief executive on page 28.

Opinion

Audited information

In our opinion:

- the financial statements of the City Council and group on pages 162 to 256:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the City Council and group's financial position as at 30 June 2014; and
 - the results of its operations and cash flows for the year ended on that date.
- The funding impact statement of the City Council on page 8, fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's annual plan.
- The statements about budgeted and actual capital expenditure in relation to each group of activities of the City Council on pages 41 to 154, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the City Council's annual plan.
- The statement of service performance of the City Council on pages 41 to 154:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the City Council's levels of service for the year ended 30 June 2014, including:
 - the levels of service as measured against the intended levels of service adopted in the long-term plan; and
 - the reasons for any significant variances between the actual service and the expected service.

- The funding impact statements in relation to each group of activities of the City Council on pages 41 to 154, fairly reflects by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's long-term plan.
- The disclosures on pages 9 to 16 represent a complete list of required disclosures and accurately reflects the information drawn from City Council's audited information.

Compliance with the other requirements of schedule 10

In our opinion, which is not an audit opinion, the City Council and group's annual report complies with the *Other Requirements* of schedule 10 that are applicable to the annual report.

Our audit was completed on 31 October 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we 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 information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service performance. 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 information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the City Council and group's preparation of the information we audited that fairly reflect the matters to which they relate. We consider internal control in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City Council and group'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 information we audited;
- determining the appropriateness of the reported statement of service performance within the Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the annual report complies with the *Other Requirements* of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*. As a result, we do not express an audit opinion on the City Council's compliance with the requirements of schedule 10.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate evidence to provide a basis for our opinion.

Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and statement of service performance that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the City Council and group's financial position, financial performance and cash flows; and
 - fairly reflect its service performance, including achievements compared to forecast;
- a funding impact statement that fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's annual plan;
- funding impact statements in relation to each group of activities that fairly reflects by each group of activities the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the City Council's long-term plan;
- statements about budgeted and actual capital expenditure in relation to each group of activities that fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the City Council's annual plan;
- disclosures in accordance with the requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and whether the Council has complied with the *Other Requirements* of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out this audit, which includes our report on the *Other Requirements*, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Other than this audit, which includes our report on the *Other Requirements*, we have no relationship with or interests in the City Council or any of its subsidiaries.



Ian Lothian
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

Statement of Compliance



The Council and its officers are responsible for the preparation of this Annual Report for 2013/14.

This report has been prepared in accordance with the provisions of the Local Government Act 2002, and the Reporting Standards of the New Zealand Institute of Chartered Accountants.

This report was approved and adopted by a meeting of the Invercargill City Council on 31 October 2014.

It correctly reflects the Council's financial position and operating results for the year ended 30 June 2014 and complies with all statutory requirements in relation to the Annual Report.

A handwritten signature in black ink, appearing to read "T R Shadbolt".

T R Shadbolt
MAYOR

A handwritten signature in black ink, appearing to read "R W King".

R W King
CHIEF EXECUTIVE OFFICER