

## **9.1 Hunterville Rural Water Scheme - Financial Update**

**Author:** Dave Tombs, Group Manager - Corporate Services

**Authoriser:** Dave Tombs, Group Manager - Corporate Services

### **1. Reason for Report**

1.1 This Report aims to:

1.1.1 Provide year to date Financial Results for the two months ended 31 August 2021 (Attachment 1); and

1.1.2 Provide the draft Financial Results for the year ended 30 June 2021 (Attachment 1); and

1.1.3 Provide a platform for some discussion regarding the format of future financial reports.

### **2. Context**

2.1 The format of financial reporting provided to the Scheme has changed considerably in recent years and this has caused some concern.

2.2 As a result, Officers have developed the attached financial reporting format (Attachment 1) which they are keen to continue discussing with Committee Members and keep refining to make sure it provides the information required.

### **3. Discussion**

#### **Financial Reporting: Operating Statement**

3.1 Officers are conscious that the format of previous years' Operating Statement has focussed on the Accounting Surplus/Deficit that arises after various 'internal adjustments'.

3.2 Such internal adjustments are not relevant to Scheme Members and so future reporting will amend this Accounting Surplus/Deficit to provide an Operating Cash Surplus/Deficit.

#### **Financial Reporting: Statement of Assets and Liabilities**

3.3 Officers are conscious that the format of previous years' Statement of Assets and Liabilities has focussed on year end balances and that the movements in these balances is not always clear.

3.4 Officers are proposing to add more detail to the Statement of Assets and Liabilities so Scheme Members have a better understanding of movements in accounts such as Working Capital and Loan Balance.

#### **Draft Results for 2020/21**

3.5 The attached Operating Statement shows, for 2020/21, an Accounting Surplus of \$26,531 and a Cash Surplus of \$269,599.

3.6 Points to Note:

3.6.1 The Cash Surplus figure is relatively consistent with the previous two years.

3.6.2 Various year end adjustments for 2020/21 have not yet been processed. These will impact the Accounting Surplus but should have no impact on the Cash Surplus. These adjustments will however have a significant impact on the Statements of Assets and Liabilities and will be reviewed once they are processed. This will enable Officers to assess the nature of these adjustments and make the necessary amendments to prior years' balances within the Statement of Assets and Liabilities.

3.7 Further to Section 3.6.1 above, Officers note that in the past 3 years:

3.7.1 Cumulative Cash Surplus is \$737k (\$270k, \$244k, \$223k)

3.7.2 Cumulative Capital Expenditure is \$137k (\$41k, \$43k, \$53k), of which almost half has been spent on Projects as opposed to Renewals.

3.7.3 Assuming the 2020/21 Depreciation figure is \$150k, cumulative Depreciation over these three years is \$432k (\$150k, \$151k, \$131k). It is generally regarded that Depreciation, over the mid to long term, represents a figure that should be spent on renewing existing infrastructure assets.

**Discussion Topics**

3.8 Officers would welcome discussion on:

3.8.1 The revised format of the Financial Reporting; and

3.8.2 Any additional financial reporting requirements not addressed by the attached; and

3.8.3 Future Capital Expenditure plans, noting the difference in recent year between Depreciation and Capital Expenditure.

**4. Discussion – Other Matters**

4.1 Recent discussions have raised the following queries that Officers will report back to the Committee:

4.1.1 Can the Hunterville township be separated from the Scheme so that they are essentially counted as 1 customer (rather than 1 customer per household)

4.1.2 Further details requested regarding the Metered Supply Charge (how many units and at how much)

4.1.3 Council to provide an Asset Register to the Committee

4.1.4 Capital Expenditure in the financial reporting period to show what assets have been worked on

These matters are ongoing and Officers will provide a verbal update.

Attached

## Hunterville Rural Water Scheme Operating Statement

(FY = full year)

	2021/22			Prior Years			
	YTD August 2021/22	YTD Budget 21/22	FY Budget 21/22	Draft FY 2020/21	Budget 20/21	Actual FY 2019/20	Actual FY 2018/19
<b>Operating revenue</b>							
Metered Supply Charge			522,110	528,590	515,328	506,462	476,061
Public Good Rate (see below)				(128,253)	(102,602)		
Other							523
Penalty	1,408	334	2,004	7,494		1,380	6,011
<b>Revenue (1)</b>	<b>1,408</b>	<b>334</b>	<b>524,114</b>	<b>407,831</b>	<b>412,726</b>	<b>507,842</b>	<b>482,595</b>
<b>Non-Cash Expenses</b>							
Depreciation - Infrastructure (see below)		(25,600)	(153,600)	0	(151,000)	(151,052)	(131,419)
Loss on asset disposal							
Internal Charges (see below)				(114,815)	(106,280)	(91,246)	(2,158)
<b>Total non-cash Expenses (2)</b>	<b>0</b>	<b>(25,600)</b>	<b>(153,600)</b>	<b>(114,815)</b>	<b>(257,280)</b>	<b>(242,298)</b>	<b>(133,577)</b>
<b>Allocated Interest (3)</b>						987	(5,204)
<b>Expenses (Other)</b>							
Phone rentals	(442)	(376)	(2,256)	(2,358)	(2,140)	(2,548)	(2,618)
Electricity	(14,988)	(30,250)	(181,500)	(196,746)	(177,515)	(185,664)	(166,320)
Insurance	(3,799)	(2,080)	(12,476)	(21,912)	(19,358)	(18,492)	(16,816)
Rates - Utility	(22,569)	(19,500)	(19,500)	(21,334)	(18,062)	(19,096)	(15,356)
Member Remuneration				(1,800)		(880)	(1,360)
MDC Professional Services		(190)	(1,140)		(5,669)		
MDC Charges - PSU							
MDC Charges - Retic						(1,543)	
MDC Charges - Treatment							
Operational Costs : Contractor		(200)	(1,200)				
Reticulation costs - Staff	(5,039)	(3,076)	(18,456)	(1,760)	(18,189)	(17,412)	(27,072)
Treatment costs - staff time	(380)			(1,530)			(1,050)
External contractors		(2,312)	(13,872)	(14,163)	(27,545)	(6,625)	(14,967)
External contractor						(2,948)	
Resource Consents				(1,281)			
Chemicals/consumables		(584)	(3,504)				(3,735)
Materials/Other	4	(2,084)	(12,504)	(3,601)	(29,823)	(9,670)	(4,606)
<b>Total Expenses (Other) (4)</b>	<b>(47,213)</b>	<b>(60,652)</b>	<b>(266,408)</b>	<b>(266,485)</b>	<b>(298,301)</b>	<b>(264,878)</b>	<b>(253,900)</b>
<b>Accounting Surplus/(Deficit) - (1+2+3+4)</b>	<b>(45,805)</b>	<b>(85,918)</b>	<b>104,106</b>	<b>0</b>	<b>26,531</b>	<b>1,653</b>	<b>89,914</b>
<b>Add back non cash charge:</b>							
Depreciation	0			0		151,052	131,419
Loss on sale						0	0
Internal Charges				114,815		91,246	2,158
Public Good Rate				128,253			
<b>Net cash surplus/(deficit) from operations (A)</b>	<b>(45,805)</b>			<b>269,599</b>		<b>243,951</b>	<b>223,491</b>
<b>Capital Expenditure</b>							
<b>Renewals</b>							
HRWS Reticulation - Contractor	(400)	(4,166)	(24,996)	(5,535)	(26,318)	(11,506)	(30,473)
HRWS Treatment - Contractor		(3,334)	(20,004)	(9,636)	(21,054)	(14,765)	
<b>Projects</b>							
HRWS Reticulation - Staff Time	(5,350)			(26,100)		(16,801)	(22,594)
<b>Total Capital Expenditure (B)</b>	<b>(5,750)</b>	<b>(7,500)</b>	<b>(45,000)</b>	<b>(41,271)</b>	<b>(47,372)</b>	<b>(43,072)</b>	<b>(53,067)</b>
This may be funded from Working Capital or Loans							

### Notes

Amounts excluded from the above Operating Statement:

Internal Charges - RDC Policy is to allocate General Rates to offset these  
2020/21 Depreciation cost not yet finalised

**Hunterville Rural Water Scheme  
Statement of Assets and Liabilities**

Working Capital Movements Table	YTD August 2021/22	Draft FY 2020/21	Actual FY 2019/20	Actual FY 2018/19	Actual FY 2017/18	Actual FY 2016/17	Actual FY 2015/16	Actual FY 2014/15
Opening balance 1 Jul	620,076	391,748	234,651	(39,303)	47,123	(49,601)	(50,811)	38,053
Operating Cash surplus (deficit)	(45,805)	269,599	243,951	223,491	78,567	127,371	59,840	112,536
Cap Ex Additions during year	(5,750)	(41,271)		(53,067)	(82,513)	(34,337)	(62,768)	(201,400)
Transfer to Internal Loan			(8,969)	45,869			4,138	
Sundry Adjustment (Trf to/from Reserves)			(77,885)	57,661	(82,480)	3,690		0
Closing balance	568,521	620,076	391,748	234,651	(39,303)	47,123	(49,601)	(50,811)

Internal Loan Movements Table	YTD August 2021/22	Draft FY 2020/21	Actual FY 2019/20	Actual FY 2018/19	Actual FY 2017/18	Actual FY 2016/17	Actual FY 2015/16	Actual FY 2014/15
Opening balance 1 Jul	(214,104)	(214,104)	(180,001)	(134,132)	(56,069)	(60,518)	(64,967)	(64,967)
Capital Additions	0	0	(43,072)	0			8,587	0
Transfer with Equity			8,969	(45,869)	0		(4,138)	
Transfer to Working Capital					(78,062)	4,449		
Sundry Movement								
Closing balance	(214,104)	(214,104)	(214,104)	(180,001)	(134,131)	(56,069)	(60,518)	(64,967)

Capital Assets Summary	YTD August 2021/22	Draft FY 2020/21	Actual FY 2019/20	Actual FY 2018/19	Actual FY 2017/18	Actual FY 2016/17	Actual FY 2015/16	Actual FY 2014/15
Opening Balance	6,715,291	6,674,020	6,782,000	6,740,529	6,790,292	5,605,520	5,729,487	
Additions during year	5,750	41,271	43,072	53,067	82,513	34,337	62,768	5,947,269
Revaluations				119,823		1,280,378		
Disposals			0	0	0	0	(18,957)	
Sundry Movement					(1,097)	879		
Depreciation	0	0	(151,052)	(131,419)	(131,179)	(130,822)	(167,778)	(217,782)
Closing balance	6,721,041	6,715,291	6,674,020	6,782,000	6,740,529	6,790,292	5,605,520	5,729,487

Assets & Liabilities Summary								
Capital Assets		6,715,291	6,674,020	6,782,000	6,740,529	6,790,292	5,605,520	5,729,487
Working Capital		620,076	391,748	234,651	(39,303)	47,123	(49,601)	(50,811)
Internal Loan		(214,104)	(214,104)	(180,001)	(134,131)	(56,069)	(60,518)	(64,967)
		7,121,263	6,851,664	6,836,650	6,567,095	6,781,346	5,495,401	5,613,709

Equity								
Opening Balances								
Public Equity	7,121,263	6,851,664	6,836,650	6,567,095	6,781,346	5,495,401	5,613,709	1,355,810
Revaluation Reserve	0	0	0	0		1,280,378		4,070,450
Water Supply Surp/Def Reserve				119,823	(132,759)			
Accounting Surplus		26,531	1,653	89,914	(81,492)	(3,451)	(126,895)	171,746
Adj to Accounting Surplus		114,815	91,246					
Adj to Accounting Surplus		128,253						
Year's Movements			(77,885)	57,661		9,018	8,587	15,703
Other Movements								
Temp Allocation	0	0	0	2,157				0
Closing balance	7,121,263	7,121,263	6,851,664	6,836,650	6,567,095	6,781,346	5,495,401	5,613,709