

Masterton District Council

Annual Report

2012/13

Front Cover:

Description: Summer Reading programme at Masterton District Council

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Designer: Walter Wisler

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**MASTERTON
DISTRICT COUNCIL**
As at 30 June 2013

HIS WORSHIP THE MAYOR

Mr G (Garry) Daniell

DEPUTY MAYOR

Cr J (Jane) Terpstra

AT LARGE COUNCILLORS

Cr J (Judith) Callaghan

Cr P (Pip) Harmon

Cr D (David) Holmes

Cr C (Chris) Peterson

Cr J (Jane) Terpstra

URBAN COUNCILLORS

Cr D (Doug) Bracewell

Cr G (Gary) Caffell

Cr J (Jonathan) Hooker

Cr L (Lyn) Patterson

RURAL COUNCILLOR

Cr G (Graham) McClymont

DIRECTORY

Council Office
64 Chapel Street
Masterton

Auditor

*Audit New Zealand, Wellington
on behalf of the Auditor
General*

Bankers

Westpac, Masterton

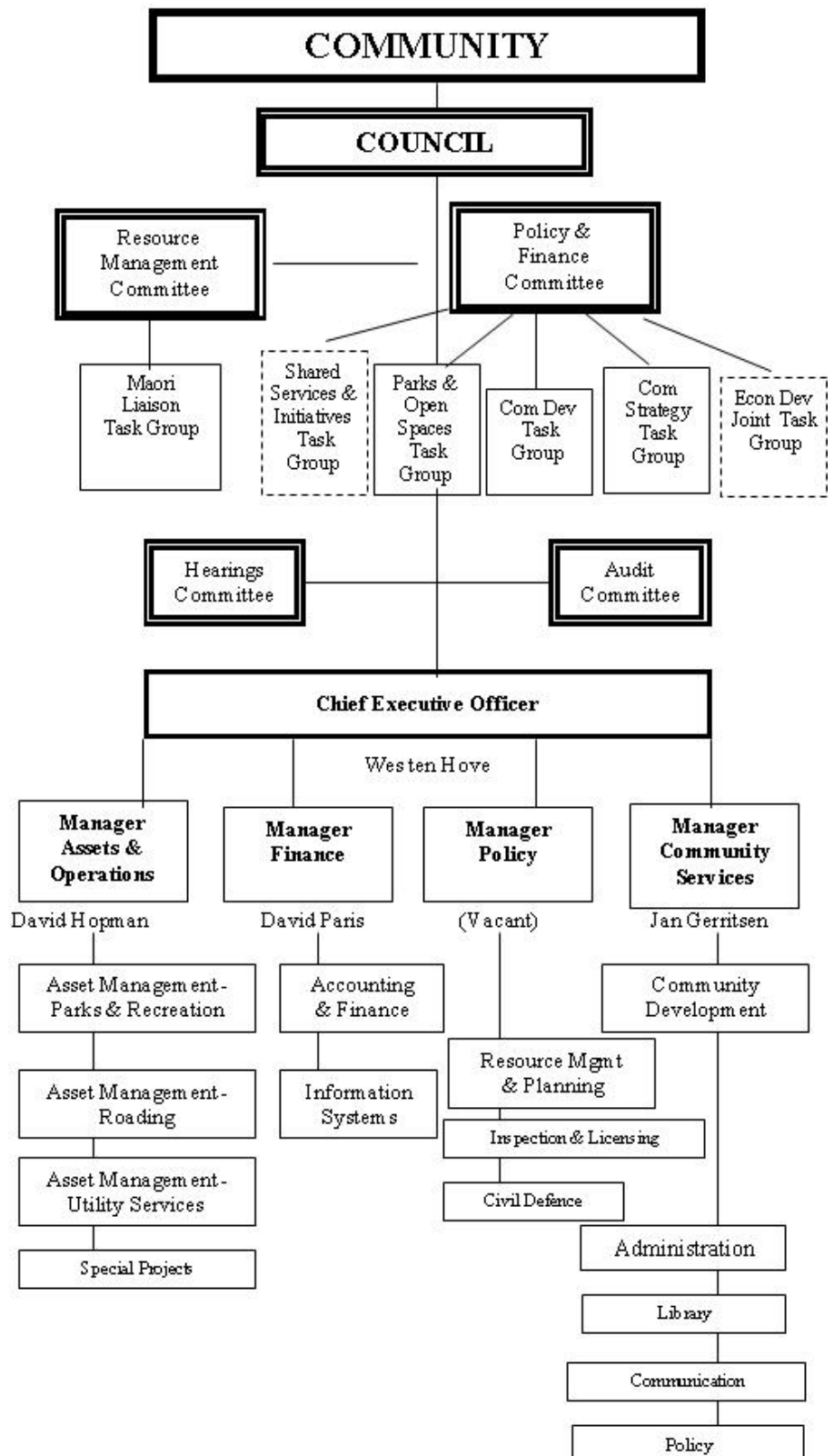
Solicitors

Gawith Burridge, Masterton

Insurance Broker

Jardine Risk Consultants Ltd

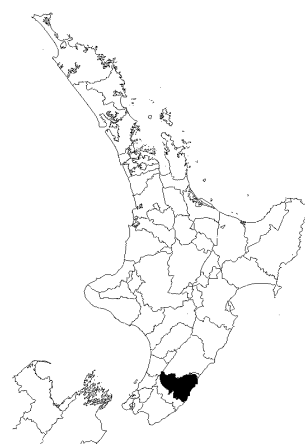
Organisation Structure



MASTERTON DISTRICT COUNCIL

Masterton District Council was formed on 1st April, 1989 with the union of the Masterton Borough and County Councils. The Masterton District (with amended boundaries) was constituted from 1st November, 1989 as part of the reorganisation of local government at that time.

Masterton District comprises one large urban town and a large rural area which stretches from the Tararua ranges to the Pacific Ocean coast, within the central Wairarapa region. The land area is 229,500 hectares with land use ranging from sheep and beef farming to forestry, cropping and horticulture. The population at the 2013 census was 23,352, with 18,132 residing in the Masterton urban area.



Mission Statement

To manage and develop resources so as to ensure the environmental, cultural, social and economic well being of the District and its people.

MAYOR & CHIEF EXECUTIVE’S REPORT

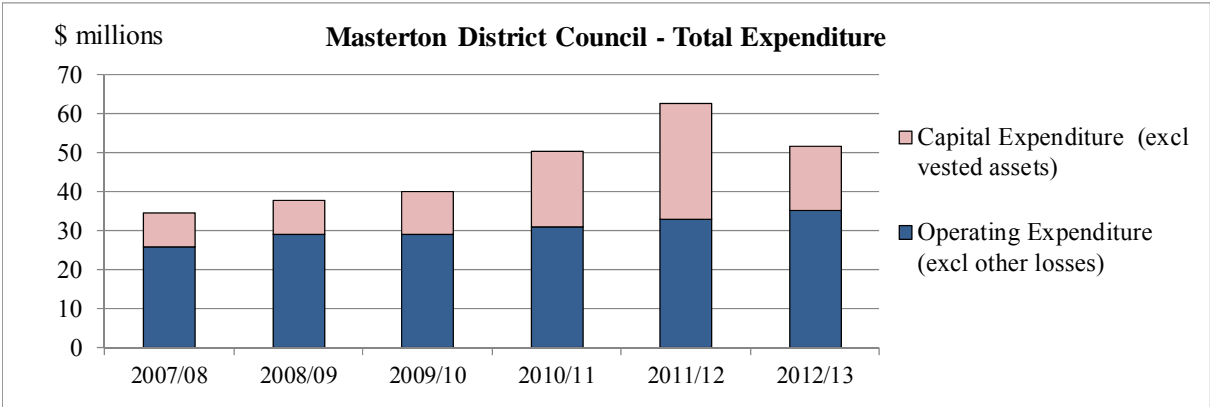
We are pleased to introduce the Annual Report of the Masterton District Council for the 2012/13 year. In this report you will find information about the performance of the Council compared to year one of our Long Term Plan (LTP).

During the last year, at the governance level, the Council’s focus has been on assessing what is the best structure for the delivery of local government services in the Wairarapa. Considerable work was done in consulting on and assessing options before the three Wairarapa Councils submitted a joint proposal to the Local Government Commission. This work has been progressed alongside similar reviews of governance across the Wellington region. The Wairarapa Councils’ promotes a Wairarapa unitary authority as our preferred structure for local democracy. The cost of this important governance project has been above the budget allowed, but cost savings in corporate areas areas have been utilised to offset this.

The year has seen a continuation of expenditure on Council sewerage and water infrastructure to ensure the community is well served by those vital assets into the future. The Homebush sewerage project reached a milestone with the commissioning of the new ponds and river diffuser. The successful delivery of the sewerage plant upgrade has been the major focus of this Council for more than five years. It has had its challenges and the project cost is at the upper end of affordability for our urban ratepayers, but the Council is justifiably proud of what has been delivered to date. Early testing results show the quality of the treated effluent is well within consent standards, while irrigation systems to the border strip areas have been tested and will commence operation in the 2013 summer.

The Wairarapa rural economy was impacted by a drought through the summer of 2013. The region has bounced back well from that, but we have not seen the growth and bouyancy that is apparent in some of the metropolitan areas of New Zealand. Despite this the Council has not slowed up on its progressive programme of infrastructure upgrades. The imperative of meeting environmental and resource consent-driven standards is a key driver and has had to take precedence over the option of slowing up and easing the economic impacts. The Council’s financial result (as explained below) again demonstrates our fiscally prudent approach to managing the business of service delivery and project management for our community.

The 2012/13 year has seen the Council’s total expenditure drop back from the high of last year as the Homebush sewerage plant upgrade drew closer to completion (see the graph below). Loan funding continued to be used for this project and selected other infrastructure renewal work. These projects are a long term investment by the community in upgraded assets where intergenerational benefits will accrue.



The Highlights section of the report provides more detail, but we wish to bring the following to your attention:

- The financial result of the first year of the 2012-22 LTP is a very good one. The \$2.1 million operating deficit is generated by asset value write-downs, but when these are excluded, the Council shows an operating surplus of some \$634,000 which is within 2% of the Plan operating expenditure.
- The Homebush wastewater treatment plant upgrade had \$6.9 million spent during the year, which was 30% less than budgeted due to a combination of project delays and and settlement of the design and contract dispute issues.
- The programme of sewer main and lateral renewals continued during the year, with 4.2km either renewed or relined (last year 4.8km). Also, 4.2km of water mains were renewed (last year 6.2km).
- New 24 hour public toilets were completed in Queen Elizabeth Park, Kuripuni village and Riversdale Beach domain.
- Mawley Holiday Park continued to improve operating performance. The occupancy and revenue has continued to show marked improvement for this key facility for visitors to our district.
- The Masterton library and archive have continued to deliver innovative ways to improve customer service. Contributing to and use of SMART Libraries has opened up significantly more resources to users of the Masterton Library
- The roll out by Chorus, of the ultra-fast broadband telecommunications network (fibre-optic cables) in Masterton continued during the year. While the contractors were busy digging up footpaths, some Council footpath renewal work was delayed, but we will reap the long-term economic benefits to our community from better access to the internet.

Local Government Elections – October 2013

While this report reviews the year to 30 June 2013, it is adopted in late October 2013 and after the elections. The departure of Mayor Garry Daniell after twenty four years on the Council and six years as mayor is a significant change and his long service to our community will be marked formally in due course. Not standing for the Council at this election have been Deputy Mayor Jane Terpstra and Councillor Judith Callaghan, both of whom have made significant and worthwhile contributions during their terms on the Council. We extend our thanks for their service to our community and wish them well. We also welcome those newly elected and returning members of the Council.

The achievements listed in this report have come about through teamwork. In particular it has been teamwork between Councillors and Council staff, between staff and contractors, through working with the other local authorities in the Wairarapa and with various other local organisations.

We wish to sincerely thank the staff of the Council and our contractors – we can assure the ratepayers and residents of Masterton that both groups work very hard to deliver the best value for the ratepayers of our District.



G E (Garry) Daniell
Mayor (until 16th October 2013)



Wes ten Hove
Chief Executive Officer

HIGHLIGHTS

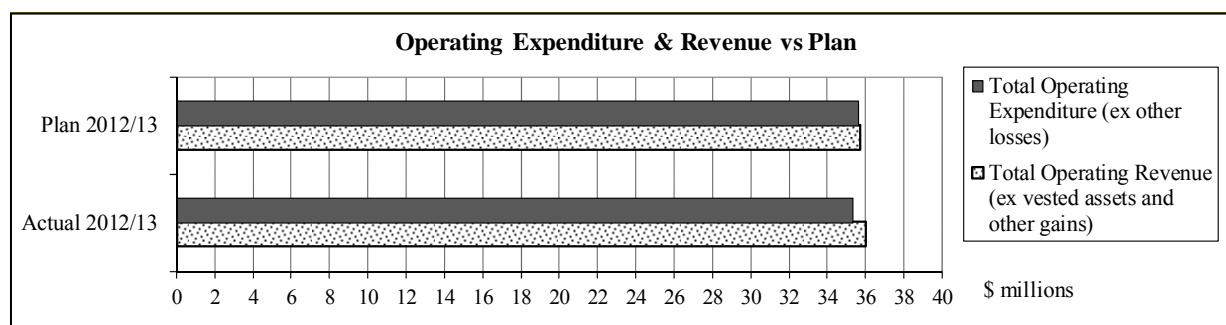
In the 2012/13 year the Council has worked to deliver, for the residents of Masterton District, the service levels proposed in the 2012-22 Long Term Plan (LTP). The local roads were maintained and renewed, treated water was delivered to some 8,900 properties in the urban supply area, while sewerage services dealt with wastewater from those properties. Stormwater systems functioned when needed, the urban transfer station and recycling facility was open seven days per week throughout the year, rubbish and recycling collections were available in the urban and beach resorts and regulatory services such as dog control, building control and planning were provided. The many parks and gardens in the district were maintained and the swimming pools and War Memorial stadium continued to be available and used by residents and visitors alike. These are only some of the services the Council has delivered or supported for the residents and community of Masterton.

The Council's work programme was based on 'Year 1' of the 2012-22 Long Term Plan (LTP). Apart from a few exceptions, the work programme laid out in that plan has been largely completed and the following information describes some of the major aspects.

FINANCIAL SUMMARY

The Council is in a sound financial position despite the financial statements showing an accounting deficit of \$2.1 million. After excluding one-off gains and losses, the result is a surplus of \$0.6 million. Most operational areas have reported operating income and expenditure close to the planned levels. Good progress was made on the large infrastructural asset projects, including the upgrading of the Homebush sewerage treatment plant, the renewal of urban water and sewer reticulation assets and the annual road renewal programme.

Operating revenue was \$35.95m (excluding one-off gains) compared to the Plan of \$35.65m. Operating expenditure was \$35.3m (excluding one-off losses) compared to a Plan of \$35.6m. The figure below illustrates these results in a graphical way.



Capital expenditure was \$16.5m compared to a Plan of \$21.7m

Areas where variances from Plan have occurred include:

- Other Losses of \$4.38 million include \$3.1m for the write down in value of the old oxidation ponds and inlet structure at the Homebush wastewater treatment plant. Other Losses also include the writing off of water and sewer mains that have been replaced and losses on valuation movements of financial assets
- Riversdale Beach sewerage capital contribution income was \$110,000 more than planned as a number of properties fully paid off their capital contributions earlier than expected
- interest income was \$190,000 (25.9%) more than planned – generated by achieving better return than expected on funds invested and having more funds than planned on deposit earning interest
- roading subsidy income from NZTA \$266,700 less than planned – the maintenance and renewal programmes were close to planned but the planned bridge replacement job was not completed this year and the associated NZTA subsidy was not claimed
- financial contributions income was \$300,000 (72%) better than planned due partly to a large development (a retirement village) adding a new stage and paying the associated financial contributions, as per the provisions in the Wairarapa Combined District Plan.

MASTERTON WASTEWATER UPGRADE

Masterton District Council has spent some 15 years going through the process of gaining a long-term resource consent from Wellington Regional Council to continue to operate the urban wastewater treatment plant. The consent includes conditions for the discharge of treated wastewater from the Homebush treatment plant to the Ruamahanga River. After a lengthy and expensive process, a consent was granted in April 2009, based on a plant upgrade that will see a significant reduction of flow into the Ruamahanga River, particularly at times of low river flow. Further process for appeals, mediation, review and modification took a further 18 months.

The upgrade includes building new oxidation ponds to replace existing ponds, a new river discharge outlet and diffuser, an irrigation system for disposal to land of treated wastewater and a number of other consent-related aspects such as buffer planting. The contracts to construct the upgrade were let to Hopper Construction, with work starting in early 2010. The upgrade is designed to meet the various performance aspects of the resource consent – the ultimate aim being the reduction of the Masterton plant's effects on the Ruamahanga River.

In October 2012 the liability and contract disputes (as disclosed in last year's report) were concluded with a negotiated settlement achieved. The delays which resulted from this process have meant the project timelines have had to be extended into 2014/15, but the net financial result is the Council's debt at the end of the year is close to \$2 million less than planned. During the 2012/13 year, construction of 70% of the new ponds, the lining of the ponds and installation of the mechanical plant reached a point where commissioning of the plant started in April 2013. The inflow was diverted through the new screening plant into the new oxidation ponds. The new river diffuser discharge structure was in use by the year end.

The border strip irrigation plant has been installed and grass established in the autumn on 70% of the irrigation areas. The plant has been tested and commissioned, with irrigation of treated effluent not scheduled to start until the 2013/14 summer. Full commissioning of the upgrade will be in 2015 once the old ponds are de-sludged and the final irrigation areas are established.

WATER & SEWERAGE MAINS RENEWED

During 2012/13 we renewed some 4.22 km of water mains (last year 6.2 km) and over 400 connections for a value of \$1.4 million. Water mains were replaced in Vivian Street, Colombo Road, Johnstone Street, Oxford Street, Smith Street, Te Ore Ore Road (part), Sussex Street and Judds Road. This length makes up 2.6% of the network.

2012/13 has been the fourth year of work on a sewer renewal programme that has seen \$7.7 million spent on replacing or relining 17.8km of sewer pipes. These lengths make up 13% of the sewer network. The work has been undertaken largely with in-house design and contract supervision and follows through on the commitments made in the 2009 LTCCP to address the aspects of the reticulation networks that need renewal. The 4.2 km of sewer mains replaced in 2012/13 include Kauri Grove, Dixon Street, Michael Street, Kitchener Street, Wrigley Street and Kokiri Place. Renewal jobs in Oxford Street and Jordan Terrace were underway at year end. The renewal work includes replacing lateral connections to property boundaries and has shown positive results through fewer blockages and reduced flows into the treatment plant.

ROAD UPGRADES

2012/13 was Year 1 in an NZTA-agreed three year programme of \$11 million, with a total of \$3.67 million spent on subsidised renewals work. The replacement of Black Swamp bridge did not proceed during the year but the construction of a permanent 'fix' of the slump near the Tinui landfill was completed at a total cost of \$766,000 over two years.

The non-subsidised work programme included footpath resurfacing which was coordinated with the contractors installing broadband cabling around the town. There is still a backlog of footpath resurfacing to complete as the broadband rollout has delayed aspects of the programme. The project in the Queen Street CBD to resurface the footpaths was completed early in the financial year.

SOLID WASTE

The solid waste contracts continued to deliver good value services to ratepayers through the collection of both waste and recyclables and the operation of transfer stations at Nursery Road, Riversdale Beach and Castlepoint. The recycling and composting operations at Nursery Road have benefited from the investment in upgraded buildings. The Mauriceville transfer station was closed, as was proposed in the LTP. An alternate collection service, operated by the rural post operator was trialled, but insufficient take-up meant the Council decided not to continue support for it.

MAWLEY HOLIDAY PARK UPGRADE

In 2010 the Council adopted a business plan to improve the usage and turnover of Mawley Holiday Park, with capital expenditure on upgrading the facility spread over two years. The business plan anticipated a change to the management of the facility and a steady improvement in usage and revenue generated.

Operating revenue of \$263,000 for the year to 30 June 2013 has exceeded the plan expectations by 22%. The net rates input into Mawley Holiday Park for 2012/13 was close to the planned level.

PARKS AND RECREATION UPGRADES

The Council progressed the upgrading of community recreation assets in a number of areas during 2012/13. The netball court carpark was resealed and extended. The Queen Elizabeth Park lake intake from the Waipoua River was upgraded and recreation trails were further developed along the Waipoua River. The Wairarapa Artificial Track Trust was assisted to install fencing around the facility at the Colin Pugh Sportsbowl.

Public toilet redevelopments were completed at Riversdale Beach, Kuripuni and Queen Elizabeth Park. The Genesis Energy Recreation Centre water heating system relied on a diesel boiler during the winter months to provide sufficient heating capacity to maintain service levels, but the fuel costs for this extra plant have contributed to the operating costs of the facility being 13.9% more than planned.

SMART LIBRARY

Since September 2011 the library service to our residents has been boosted through the Council joining with Porirua, Hutt City and Kapiti Coast Councils and Weltec and Whitireia Polytech to launch the SMART service that enabled residents to borrow at no charge from any of the participating libraries. This service has increased the items available to our residents from 60,000 to 600,000.

The service has proved to be very popular with residents. A total of 23,183 reserves were placed on Masterton items by Masterton residents and members of the participating libraries and a similar number of items have come to Masterton from the other libraries. Access to the academic libraries has been valued by residents doing tertiary studies. Professional development of library staff has been enhanced through SMART work groups with other librarians.

The Archivist has been closely involved with the development of the new Archives Management System – Exhibit. The new system will meet all the international Archive standards for records and will include new features for both staff and customers. The Archivist has been working closely with the software developers at Civica in Melbourne and trained their staff in the use of the new system. Exhibit will replace Civica's current system which was developed 23 years ago and in use at the Wairarapa Archive for the past 16 years.

SUSTAINABLE USE OF THE ENVIRONMENT

All Council policies delivering water, wastewater and solid waste services have an environmentally sustainable focus that ranks equally with a service delivery/economic focus.

The Council's regulatory functions of administering the Wairarapa Combined District Plan, the Resource Management Act, Building Act and other legislation are designed to ensure an equitable balance between development, heritage and the environment.

The Council continues to collaborate with other agencies and organisations such as Iwi, government departments, funding groups and businesses. All three Wairarapa councils have been collaborating on issues such as climate change and energy efficiency. For example the Council has supported the Riversdale Beach Dune Management Group with funding and administrative support.

The Council has continued to support the Wairarapa Healthy Homes initiative, which attracted a 60% subsidy from the Energy Efficiency Conservation Authority (EECA) for the retrofit of homes of residents with low incomes and/or high health needs.

SHARED SERVICES & GOVERNANCE REVIEW

The Council continues to work on collaborative delivery of services within the Wairarapa and the wider Wellington Region. Notable achievements in the past year were a review of the Wairarapa Gambling Venues Policy, common bylaws in Masterton and South Wairarapa and fine-tuning of the combined solid waste contract that is delivered throughout the Wairarapa. The three councils have worked together to develop responses to changes in the legislation on the Sale and Supply of Alcohol. Shared procurement of up-to-date aerial photography across the Wellington Region resulted in cost savings.

One of the greater challenges was considering options for reorganisation of the councils within the Wairarapa and the wider Wellington Region. Following research on the impacts of the various options and public consultation, the three Wairarapa councils opted for a Wairarapa Unitary Authority and lodged a proposal with the Local Government Commission in May. The Commission is now considering this proposal alongside a number of alternative proposals. They are undertaking research on the potential impacts and the viability of the proposed options and their proposal is expected to be publicly announced in February 2014.

MASTERTON DISTRICT COUNCIL
STATEMENT OF COMPLIANCE AND RESPONSIBILITY
FOR THE YEAR ENDED 30TH JUNE 2013

COMPLIANCE

The Council and management of Masterton District Council certify that all the statutory requirements of the Local Government Act 2002 regarding financial management and borrowing have been complied with.

RESPONSIBILITY

The Council and management of Masterton District Council accept responsibility for the preparation of the annual Financial Statements and Statements of Service Performance and the judgements used in them.

The Council and management of Masterton District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial statements and statements of service performance.

In the opinion of the Council and management of Masterton District Council, the annual Financial Statements and Statements of Service Performance for the year ended 30th June 2013 fairly reflect the financial position and operations of Masterton District Council.



.....
Lyn Patterson
Mayor



.....
W ten Hove
Chief Executive Officer



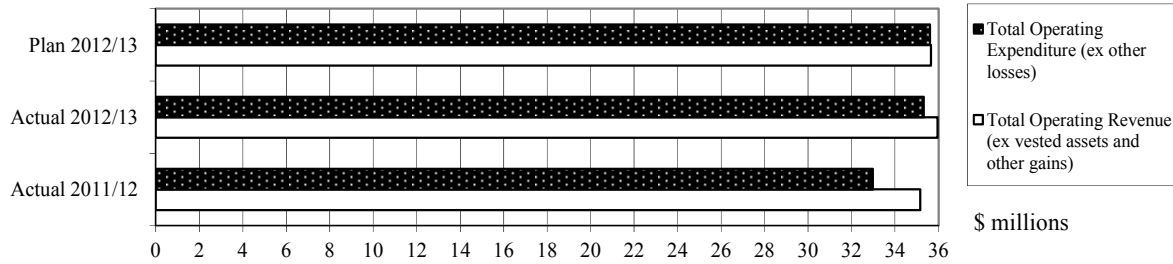
.....
D E Paris
Manager Finance

Date: 30 October 2013

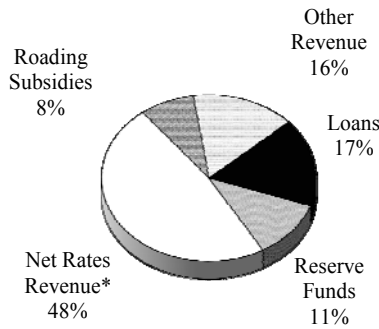
Last Year Actual 2011/12		Actual 2012/13		Plan 2012/13	
\$ 60,025,897	Total Expenditure (incl Capital items)	\$ 50,227,530		\$ 54,123,912	
\$ 22,670,809	Funded by: Net Rates Revenue*	\$ 23,999,270	48%	\$ 23,878,898	44%
\$ 4,984,193	Roading Subsidies	\$ 4,146,392	8%	\$ 4,413,087	8%
\$ 7,508,388	Other Revenue	\$ 7,809,655	16%	\$ 7,360,177	14%
\$ 17,916,943	Loans	\$ 8,632,772	17%	\$ 12,650,000	23%
\$ 6,945,564	Reserve Funds	\$ 5,639,441	11%	\$ 5,821,750	11%
\$ 60,025,897		\$ 50,227,530		\$ 54,123,912	

*Includes Riversdale Beach sewerage scheme capital contributions

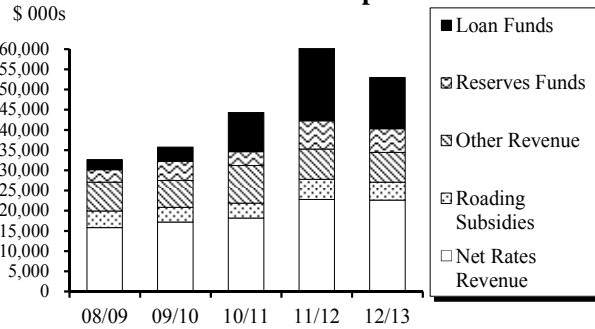
Revenue & Expenditure Comparisons



Source of Funds 2012/13

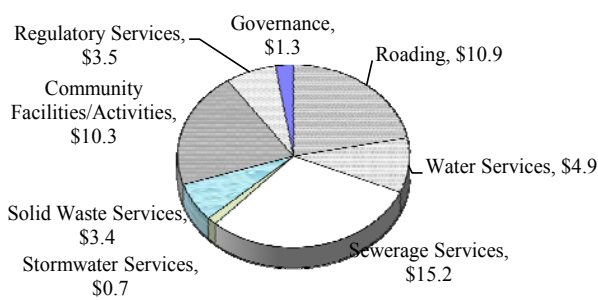


Source of Funds Comparison

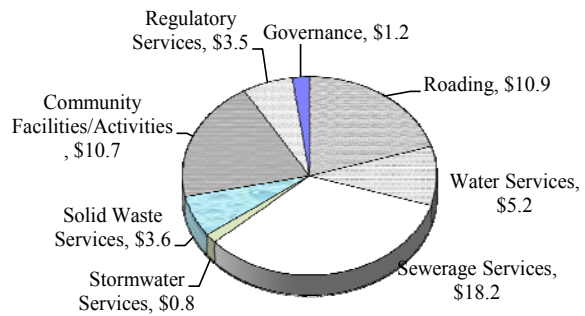


Total Expenditure by Activity

Actual 2012/13 \$50.2 million



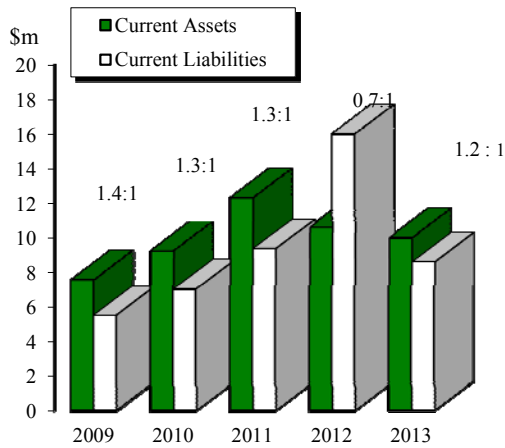
Plan 2012/13 \$54.1 million



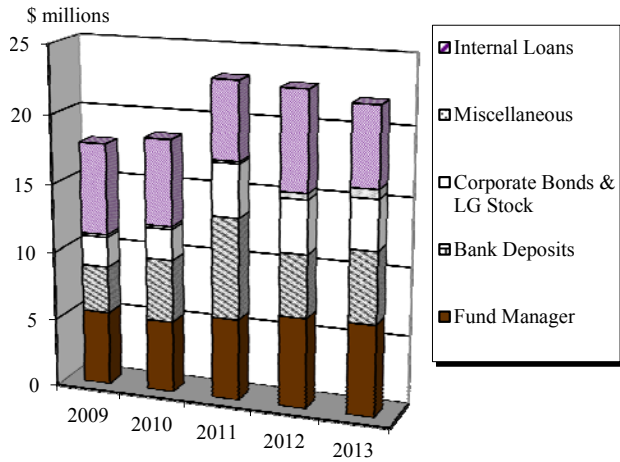
Financial Ratios

	2010/11	2011/12	2012/13	Plan 12/13
Current Ratio	1.3	0.7	1.2	1.0
Liquidity Ratio	1.4	0.7	1.1	1.0
Long Term Debt (external) per rateable property	\$2,153	\$2,949	\$4,002	\$4,197
Long Term Debt (external) per capita	\$1,142	\$1,504	\$2,073	\$2,141
Interest costs as % of rates income	9.0%	11.3%	12.7%	14.0%
Debt servicing costs as % of rates income	17.4%	16.9%	20.6%	19.2%
Reserve Funds as % of rates income	92.4%	78.2%	72.9%	65.0%
Investments (external) as % of rates income	91.7%	71.5%	68.7%	58.6%
Rates receivable as % of rates levied	1.1%	1.6%	1.9%	1.8%
Net External Debt as % of operating revenue	63.0%	110.9%	130.5%	133.7%

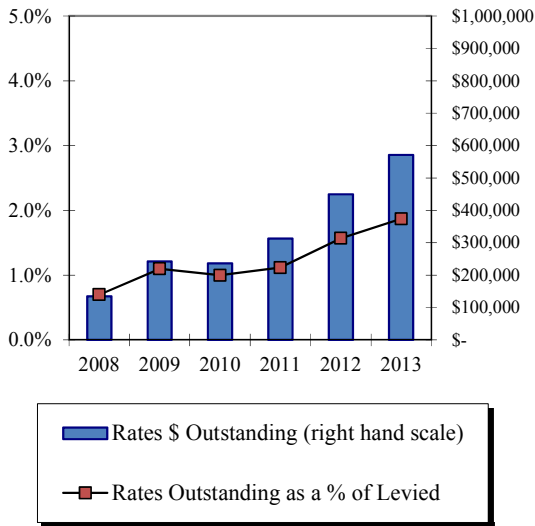
CURRENT ASSETS TO CURRENT LIABILITIES



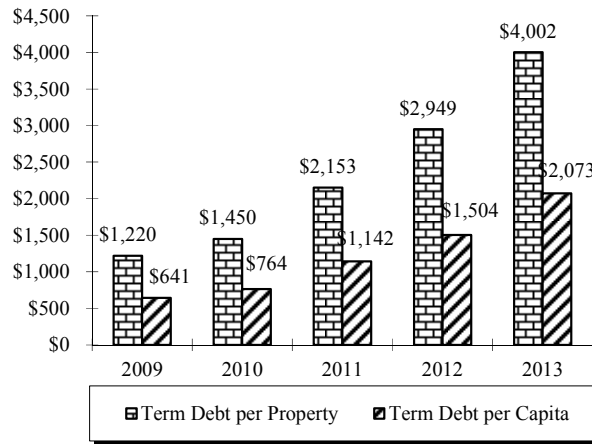
INVESTMENTS



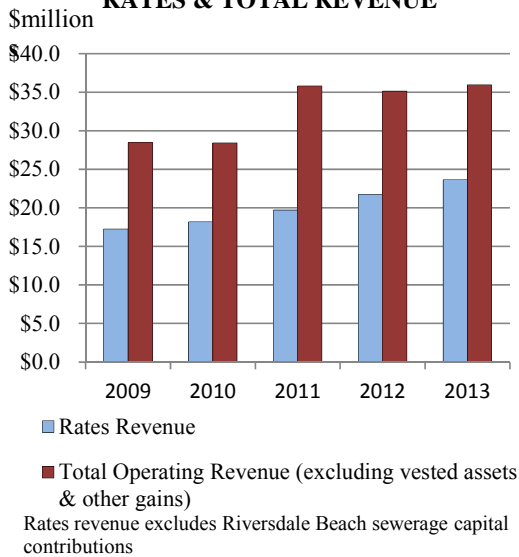
RATES ARREARS



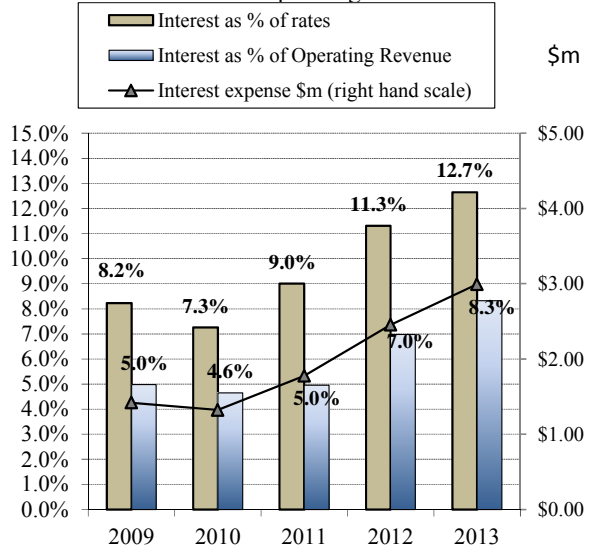
TERM LIABILITIES (external) per Ratepayer and per Capita

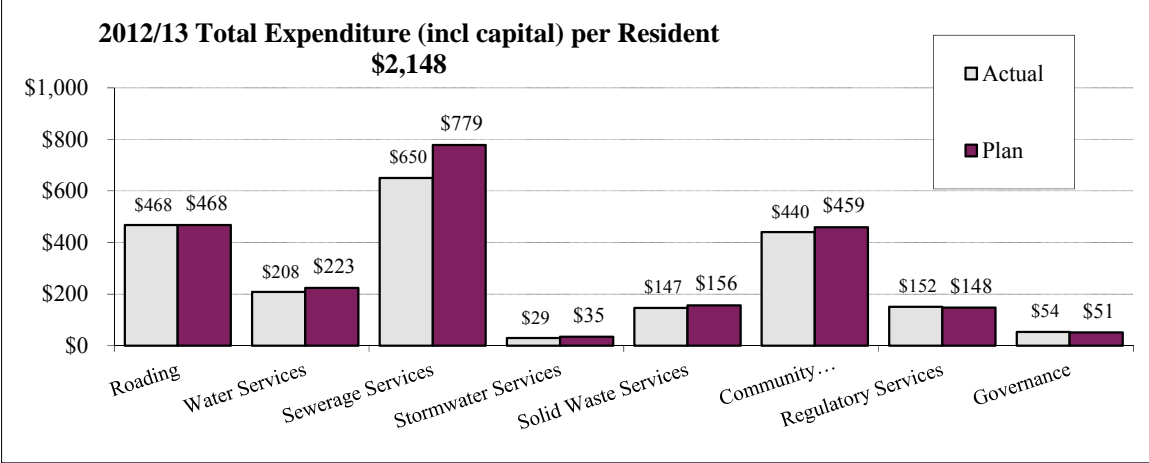
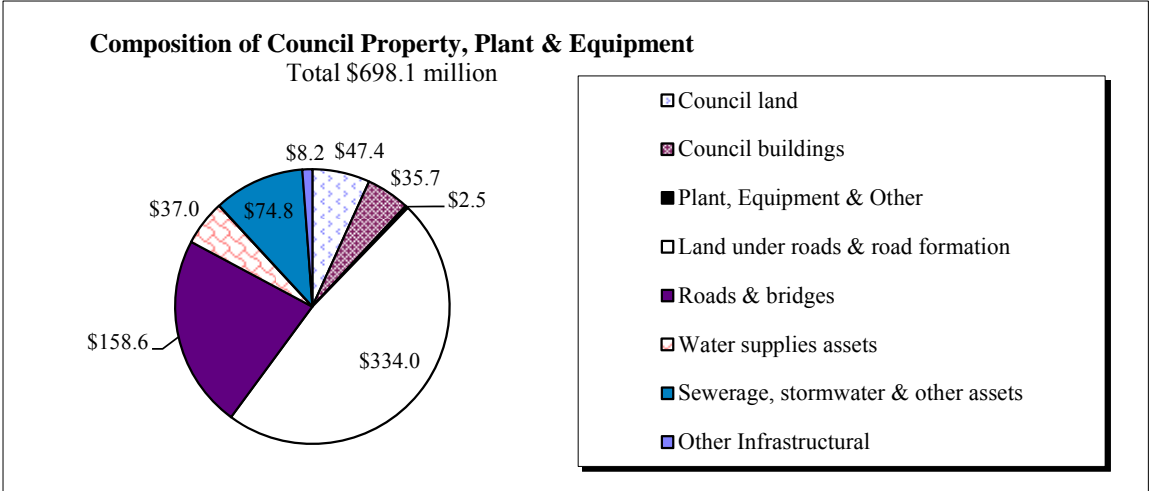
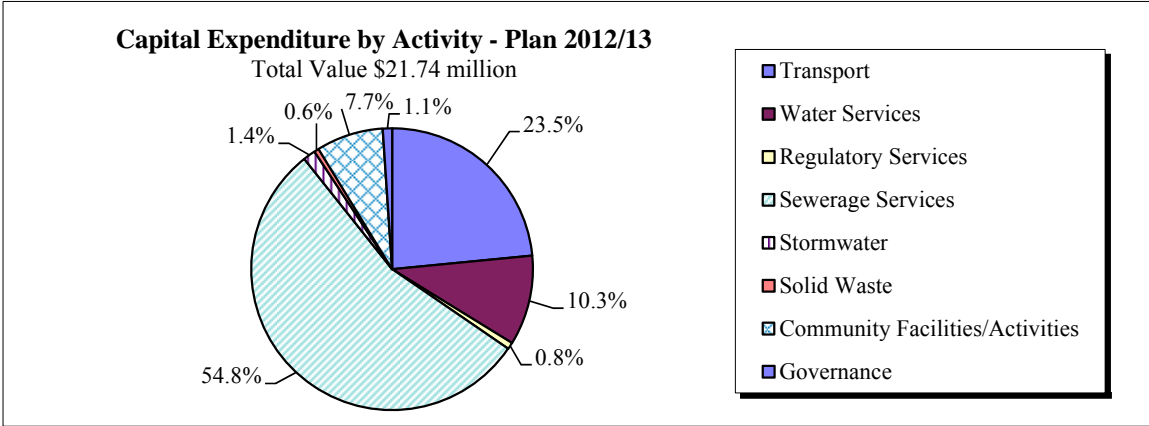
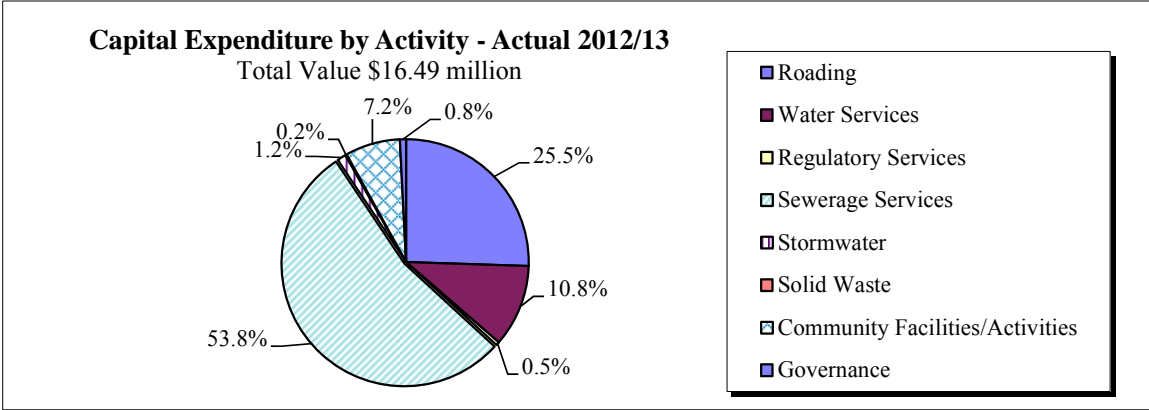


RATES & TOTAL REVENUE



INTEREST (external & internal) as a % of Rates Revenue & Operating Revenue





MASTERTON DISTRICT COUNCIL

REPORT ON COMMUNITY OUTCOMES

From the 2012-22 Long-Term Plan, the Council has stated it wants Masterton to be a good place for families and a great place to live. The following outcomes have been identified by Councillors and consulted on through extensive community involvement, particularly as part of the lead up to the 2006 Long Term Council Community Plan.

1. A Strong, Resilient Economy

We want Masterton to be a desirable place to do business and for our people to benefit from a strong, diverse economy.

2. A Sustainable, Healthy Environment

We will look after our green spaces and waterways, reduce our waste to landfill and reduce our energy consumption.

3. An Active, Involved and Caring Community

We want all residents to participate fully in our strong, vibrant community; to be able to access social services and support as needed; to pursue their own personal sporting, recreational and cultural goals and to support others to achieve theirs.

4. A Knowledgeable Community

We want people in the Masterton District to have access to the knowledge they need, underpinned by quality educational opportunities.

5. An Easy Place to Move Around

We want our transport links to be efficient, reliable, convenient and safe.

The environmental, social, community and economic well-beings provide the umbrella for our community outcomes. The chart below illustrates the links between the well-beings and the community outcomes.

Outcome	Environmental Well-being	Social Well-being	Cultural Well-being	Economic Well-being
A Strong, Resilient Economy		<input type="checkbox"/>		<input type="checkbox"/>
A Sustainable, Healthy Environment	<input type="checkbox"/>		<input type="checkbox"/>	
An Active, Involved and Caring Community		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
A Knowledgeable Community		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
An Easy Place to Move Around	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>

Included in the Service Performance Statements for each of the Groups of Activities is a statement linking how the activity has contributed to the community outcomes.

REPORT ON DEVELOPMENT OF MAORI CAPACITY TO CONTRIBUTE TO THE DECISION-MAKING PROCESS

PARTICIPATION IN DECISION-MAKING

The Council has an obligation to take into account the principles of the Treaty of Waitangi – Te Tiriti O Waitangi – and to recognise and provide for the special relationship between and with Maori, their culture, traditions, land and taonga.

Specific contact, interaction and consultation during the last year is detailed below:

- The Maori Liaison Task Group, under the chairmanship of Councillor Jane Terpstra, met quarterly in August, October December and March during the 2012-13 year. The task group finalised the criteria for the Marae Development Fund.
- Iwi have been involved in consultation processes for areas of significance to them including wind farm consents and a proposed dam.
- Implementation for the Memorandum of Partnerships with the two iwi is in progress. Targets are to be set for implementation of the Memoranda of Partnership with the two iwi and the Council has agreed to develop Te Reo and Treaty of Waitangi Policies.

REPORT ON DEVELOPMENT AND FINANCIAL CONTRIBUTIONS

The Council has adopted a policy, as part of its LTP, as required by Section 106 of the Local Government Act 2002. The policy states that the Council will levy financial contributions using the provisions of the Resource Management Act 1991 and according to policy adopted as part of the Wairarapa Combined District Plan.

The proposed Wairarapa Combined District Plan was launched and was publicly notified in August 2006. From that time the financial contributions policy has been applied as specified in the new Plan. The development contributions (for reserves, infrastructure, parking, development and roading) which have been levied and/or collected during the year total \$551,275 (last year \$431,825) and have been recognised as income in the period to 30 June 2013.

The majority of these contributions are not specifically to be spent on any one locality or project, so have no residual liability associated with them. Two contributions totalling \$1,900 have been taken specifically for the purposes of a future upgrade of the Opaki Road sewer pipe.

The Wairarapa Combined District Plan is fully operative. Progress was made during the year on a number of Plan changes. No changes were proposed to the contributions regime, hence there has been no requirement to reduce or refund any part of the contributions which have been received during the period when the Plan was proposed.

Independent Auditor's Report**To the readers of Masterton District Council's annual report
for the year ended 30 June 2013**

The Auditor-General is the auditor of Masterton District Council (the District Council). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand to audit:

- the financial statements of the District Council that comprise:
 - the statement of financial position as at 30 June 2013 on page 81;
 - the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ending 30 June 2013 on pages 82 to 83;
 - the funding impact statement of the District Council on page 68;
 - the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 104 to 105; and
 - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 84 to 123;
- the Statements of Service Performance of the District Council on pages 21 to 67 and the funding impact statements in relation to each group of activities of the District Council on pages 70 to 78.

In addition, the Auditor-General has appointed me to report on whether the District Council'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 111;
 - reserve funds on pages 117 to 118;
 - each group of activities carried out by the District Council on pages 21 to 67;
 - remuneration paid to the elected members and certain employees of the District Council on page 106 and 107;
 - employee staffing levels and remuneration on page 107;
- a report on the activities undertaken by the District Council to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 16; and
- a statement of compliance signed by the mayor of the Council, and by the District Council's chief executive on page 10.

Opinion

Audited information

In our opinion:

- the financial statements of the District Council on pages 81 to 123:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the District Council's financial position as at 30 June 2013; and
 - the results of its operations and cash flows for the year ended on that date.
- the funding impact statement of the District Council on page 68, 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 District Council's annual plan.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 104 to 105, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan.
- the Statement of Service Performance of the District Council on pages 21 to 67:
 - 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 2013, 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 District Council on pages 70 to 78, 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 District Council's long-term plan.

Compliance with the other requirements of schedule 10

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

Our audit was completed on 30 October 2013. 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 the 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 District Council'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 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 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 District 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 the Statement of Service Performance 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;
- 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 District 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 District 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 District Council's long-term plan or annual plan; 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 District Council.



John O'Connell
 Audit New Zealand
 On behalf of the Auditor-General
 Wellington, New Zealand

STATEMENTS OF SERVICE PERFORMANCE (SSPs)

The following pages describe the service performance of each significant activity in both financial and non-financial terms. The form identifies the objectives of the Council for each of the activities reported with a brief commentary on the progress or achievement of the objectives.

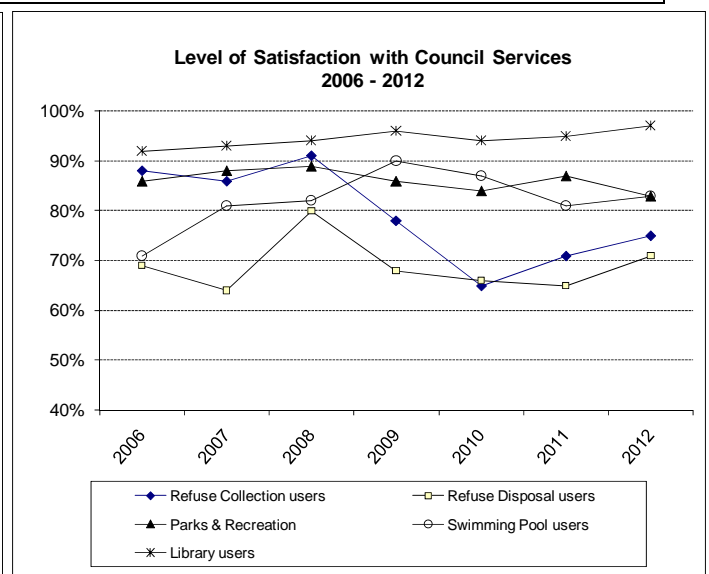
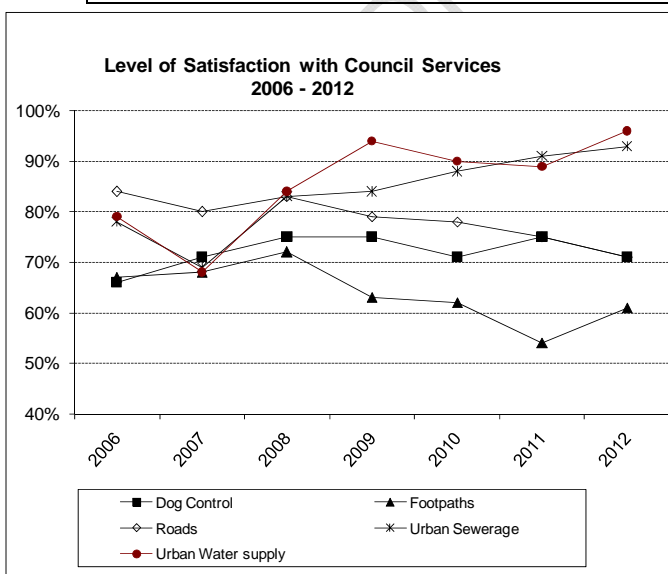
The performance measures are separately identified for each activity and the results reported have been audited. Each significant activity's performance measures try to incorporate elements of quality, quantity, timeliness, cost and location where they are relevant to the activity.

Quality processes (which may affect the quality of the output) are also a standard feature of the internal management control systems.

In particular:

- *Preparation of LTP, District Plan, Annual Plan, and Annual Report.* Quality processes include consultation throughout the year with public and affected parties, community groups, iwi organisations and compliance with requirements of relevant legislation.
- *Preparation of Internal Reports.* Internal reports are prepared by suitably qualified and experienced staff.
- *Capital Works.* Capital works are constructed to design specifications. Inspections of works are undertaken by suitably qualified and experienced engineers.
- *Maintenance Works.* Maintenance works are undertaken by employees or by contract under the supervision of suitably qualified and experienced engineers and monitored thereafter in accordance with the maintenance programme.
- *Regulatory Services.* The Council's regulatory services are undertaken by suitably experienced staff, qualified in the relevant disciplines, assisted by specialist external advice when necessary, implementing the statutory and regulatory standards required.

Survey - the Council has not undertaken an annual survey of the residents' views of the Council's services. Previous years saw a Communitrak™ survey undertaken by the National Research Bureau. A summary of the results of those surveys is reported on the next two pages. Copies of the surveys can be obtained from the Masterton District Council Offices.



OVERALL PERFORMANCE

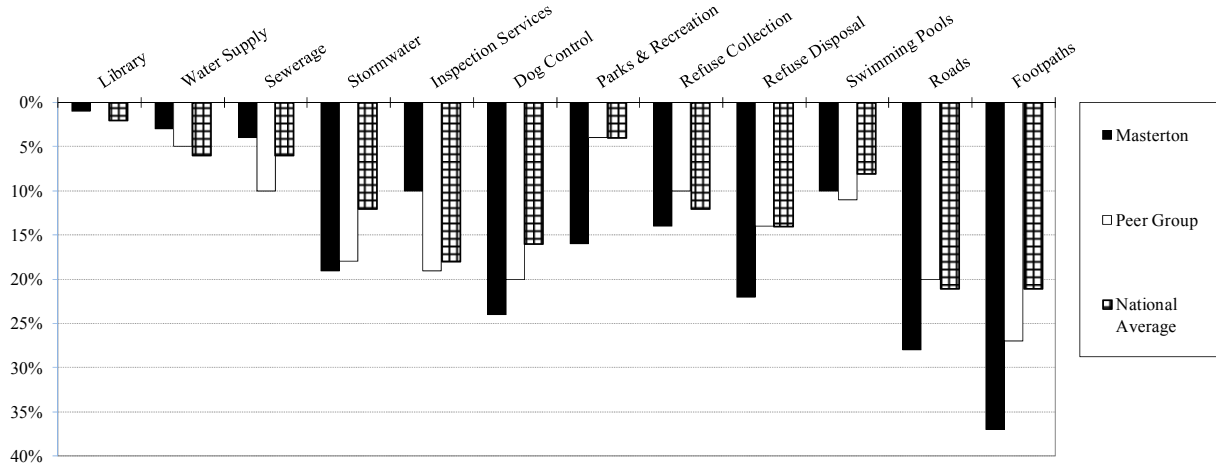
The Masterton District Council has in past years, commissioned the National Research Bureau to undertake a Communitrak™ survey as a means of measuring the Council's effectiveness in representing the wishes and viewpoints of its residents. The Council decided not to undertake the survey in 2013.

The past years Communitrak™ provides a comparison for the Council on major issues, on its performance relative to the performance of its peer group in the form of similarly constituted Local Authorities and to Local Authorities on average throughout New Zealand. A telephone survey was conducted with a sample of 400 residents. At the 95 percent level of confidence, the margin of error for a sample of 400 respondents, at a reported percentage of 50%, is plus or minus 5%.

The results in February 2012 were reported in the 2011/12 Annual Report and are repeated again in this Annual Report.

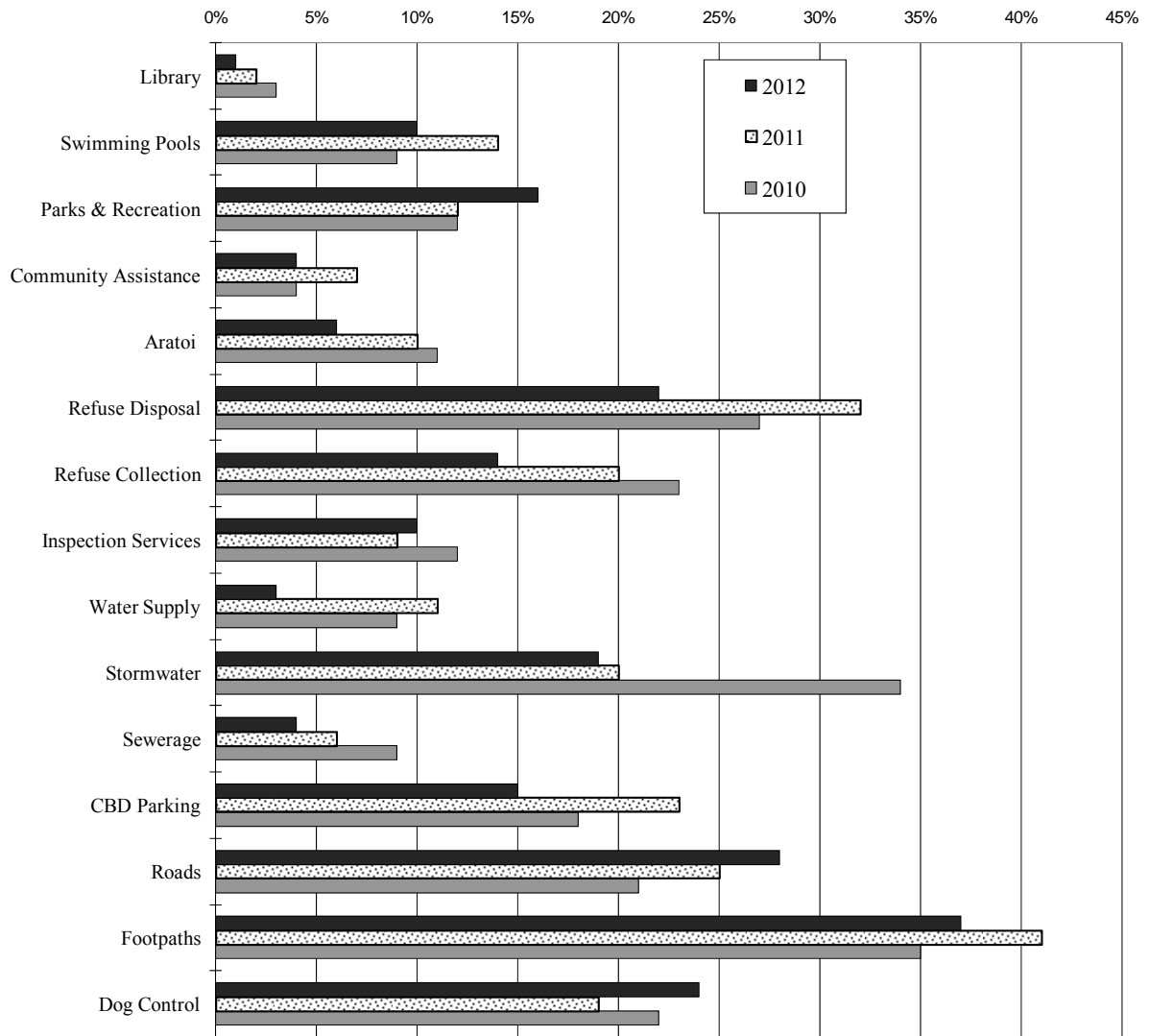
- The services receiving the highest levels of visits by households surveyed were: parks and reserves by 93% (94% in 2011), a transfer station 78% (82%), library 77% (71%) Aratoi, Wairarapa Museum of Art & History had been visited by 53% (60%) of households, 58% had attended a community event while 58% had used or visited the Genesis Energy Recreation Centre.
- The highest levels of satisfaction by users of a service were the library 97% (95%), urban water supply 96% (89%) events 93% (92%), urban sewerage system 93% (91%), parks and reserves 83% (88%), roads 71% (75%), cemeteries 78% (76%), CBD parking 82% (75%), inspection services 68% (73%).
- Overall satisfaction with swimming pools has been maintained at 69% (67%) and matches the peer group average. 83% of those who use the Genesis Energy Recreation Centre are satisfied
- Overall satisfaction with the library at 87% matches the the peer group of 87%, with 97% of library users reporting being satisfied. Dissatisfaction level at 1% is similar to the national average.
- Satisfaction with Aratoi Wairarapa Museum of Art and History, provided by the Wairarapa Cultural Trust, maintained the previous year's satisfaction of 73% which is higher than the peer group average of 55%. Dissatisfaction at 6% (10%) remains higher than the peer group average of 4%.
- Satisfaction with Footpaths increased to 61% (54%). Peer group satisfaction is 67%.
- Refuse collection satisfaction recovered to 75% (71%) while refuse disposal dissatisfaction levels reduced to 22% (32%) which is higher than the peer group average of 14% and is likely to be due to user pays charges.
- Most people (88%) thought Masterton was better or the same, as a place to live as three years ago and that Masterton was generally a safe place to live (90%).
- 21% of people surveyed were dissatisfied with Council's consultation and the way it involves the public in decisions it makes. This compares to 31% last year and a peer group average of 21%.

Surveyed Dissatisfaction Comparison to Peer Group & National Average



Surveyed Dissatisfaction Comparison to Prior Years
(the lower the better)

% Not Very Satisfied



STATEMENTS OF SERVICE PERFORMANCE

GROUPS OF ACTIVITIES REPORTS

ROADING

Incorporating Roads, Streets, Footpaths and Parking areas

The Council constructs, manages and maintains the local road, street and footpath networks - including pavements, bridges, traffic services and streetlights - throughout the district. We own and maintain off-street car park spaces and on-street metered time-limit spaces. Parking control is part of the Regulatory group of activities.

Overall Performance: Service levels have been maintained as per the Long Term Plan (LTP). The LTP did not provide for any significant increase in service levels for this activity.

Contribution to Community Outcomes: This activity contributed to the outcomes of A Strong Resilient Economy and An Easy Place to Move Around by maintaining the roading and footpath network as agreed with NZTA. The Council contributes funding to road safety programmes. While there was a reduction in crashes causing injury compared with the previous five year period nearly three quarters of injury accidents were on the State Highway that is outside the Council's jurisdiction.

The performance indicators, targets and results reported below (including prior year comparisons in brackets) are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Percentage of customers satisfied with the condition of the roading network	Maintain satisfaction level	<u>N/A</u> No satisfaction survey in 2012/13
Road pavement integrity and condition indices meet or exceed national averages	National averages met: Pavement integrity Condition index	<u>Achieved</u> The Pavement Integrity Index is a 'weighted sum' of combined pavement defects determined from RAMM data divided by the total lane lengths of sealed road. The Pavement Integrity Index for 2012/13 for Masterton sealed roads was 97.5. Aggregated national averages as a basis for comparison are not as yet published for 2012/13, but will not be significantly different from 93.74 in 2011/12. Records plotted since 2001/02 indicate the New Zealand average pavement integrity has remained between 93.35 and 94.21. <u>Achieved</u> The Condition Index is a 'weighted sum' of combined surface faults determined from RAMM data for sealed road surfaces. The Condition Index for 2012/13 for the Masterton Network was 98.0. Aggregated national averages as a basis for comparison are not as yet published for 2012/13 but will be significantly different from 97.88 in 2011/12. Records plotted since 2007/08 indicate the New Zealand average condition has remained between 97.51 and 97.88.

Performance Indicators	Targets 2012/13	Results Relative to Target
Percentage of sealed roads providing a smooth and comfortable ride (measured by roughometer)	At least 90%	<u>Achieved</u> 96 percent of Masterton roads are currently below the 150 threshold. A road roughness survey on all sealed roads was last undertaken in October 2012 by a special-purpose vehicle. The roughness value in NAASRA counts is held in the RAMM database and a count of greater than 150 typically indicates a road which is becoming a concern in terms of the number of complaints likely to be generated.
The number of crashes causing injuries is reduced.	Reduction on previous year (five year moving average)	<u>Achieved</u> The annual average number of all injury crashes recorded within the district for the five year period 2008-2012 was 63.2. This was an improvement on the 64.6 recorded for 2007-2011. 72% of them were on a State Highway.
Cycle usage at key sites is monitored to assess demand for cycle facilities.	Survey due 2014/15	<u>Achieved</u> A usage survey at four monitor sites was undertaken in December 2012. The survey will be analysed in conjunction with future surveys to generate cycling trend information to assess demand for cycle facilities.
Percentage of customer satisfied with the condition of the footpath network	Maintain satisfaction level	<u>N/A</u> No satisfaction survey in 2012/13
Customers satisfaction with parking control services	Maintain satisfaction level	<u>N/A</u> No satisfaction survey in 2012/13

PRIOR YEARS COMMUNITY SURVEY RESULTS BELOW

COMMUNITY SURVEY – PERFORMANCE RATING

Roads	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	83%	79%	78%	75%	71%
Not very satisfied	17%	20%	21%	25%	28%
Don't know	0%	1%	1%	0%	1%
Footpaths	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	72%	63%	62%	54%	61%
Not very satisfied	21%	32%	35%	41%	37%
Don't know	7%	5%	3%	4%	2%

ROADING**Roads, Streets & Footpaths****Cost of Service Statement**

2011/12 Actual \$		2012/13 Actual \$	2012/13 Plan \$
	Operating Costs		
3,793,279	Subsidised roading programme - maintenance	3,725,402	3,675,148
1,283,715	Non-subsidised roading	1,316,280	1,316,481
0	Flood damage expenditure	525,746	515,000
4,448,414	Depreciation	4,489,558	4,433,000
9,525,408		10,056,986	9,939,629
	Operating Income		
1,966,487	NZ Transport Agency subsidy (on maint.)*	2,115,434	1,930,885
166,766	Local authority petrol tax	165,540	162,000
106,173	Roading contributions (ex developers)	68,578	100,000
84,468	Other recoveries	89,094	60,000
2,323,894		2,438,646	2,252,885
	Appropriations		
146,250	Net transfer to/(from) flood damage fund	-	-
106,173	Transfers to reserves	68,578	100,000
(152,680)	Transfers from reserves	(120,000)	(133,000)
96,297	Provision for loan repayments	129,227	117,354
(4,111,918)	Depreciation not rates funded**	(4,072,508)	(4,033,200)
3,285,636	Rates Requirement (Operational)	3,623,638	3,737,898

* Further subsidy income is shown in the Capital Expenditure Summary

** Most depreciation is reversed in lieu of renewals expenditure which is shown in the Capital Expenditure Summary and is funded by rates income and NZTA subsidies.

Variances from Plan

2012/13 was the first year of a new 3 year NZTA-approved programme and the Council has spent 1.4% more than planned on the subsidised maintenance programme. The flood damage budget was utilised during the year, largely responding to and repairing dropouts following weather events in July 2012.

The NZTA subsidy is 9.5% more than planned due to higher expenditure and the flood damage work qualifying for a higher subsidy rate than planned.

ROADING**Rates Requirement Summary**

2011/12 Actual \$	Activity	2012/13 Actual \$	2012/13 Plan \$
3,628,321	Subsidised roading	3,383,823	3,438,150
1,320,851	Non-subsidised roading (urban)	1,443,167	1,509,060
177,679	Non-subsidised roading (rural)	158,375	194,467
146,250	Flood damage	220,813	236,900
\$5,273,101	Rates Requirement	\$5,206,178	\$5,378,577

Capital Expenditure Summary

2011/12 Actual \$		2012/13 Actual \$	2012/13 Plan \$
	Roadings		
3,030,936	Asset renewals - Rural roading programme	2,590,003	2,273,282
1,893,976	Asset renewals - Urban roading programme	701,943	1,190,600
-	Asset renewals - Bridges	29,189	550,000
69,264	Urban footpath upgrades & reseals	238,836	388,000
264,986	Solway Crescent upgrade	-	-
7,286	Car park developments	10,817	20,000
-	Footpath land ex subdivision	30,870	-
132,516	CBD footpath resurfacing project	252,278	280,000
415,967	Asset renewals - Tinui slump	350,248	350,000
160,340	QE Park footbridge refurbishment	2,024	50,000
5,975,271		4,206,208	5,101,882
	Capital Funding		
(3,017,706)	NZ Transport Agency subsidy (on renewals)	(2,030,958)	(2,482,202)
(970,100)	Transfers from reserves	(442,709)	(829,000)
-	Loan funds	(150,000)	(150,000)
(3,987,806)		(2,623,667)	(3,461,202)
\$1,987,465	Rates Requirement (Capital)	\$1,582,541	\$1,640,680

Variances from Plan – Capital Expenditure

2012/13 was the first year of the 3 yearly NZTA-approved programme and the Council has spent 3.9% less than planned on renewals expenditure, excluding the Black Swamp bridge replacement. There has been some transfer of work between the urban and rural renewal programmes.

The replacement of Black Swamp bridge did not proceed during the year, but the re-instatement of the Tinui slump was completed with only some road legalisation costs to come.

The first stage of the CBD footpath resurfacing project was underway at June 2012 and completed early in the 2012/13 year. The plan allowed for a level of catch-up work on urban footpath resurfacing, but delays associated with the laying of broadband cabling around the town have meant less work was completed than planned. The Queen Elizabeth Park footbridge final stage of refurbishment was not completed during the year and funding has been carried forward to complete it in August 2013.

The overall rates required for the Roothing activity was \$172,000 (3.2%) less than planned, with a large proportion of this coming from less corporate services costs allocated than planned.

WATER SERVICES

Incorporating Urban and Rural water supplies and water races

The Council provides appropriately treated water to the urban reticulation system and to the Waingawa industrial area, and provides and maintains an effective, economic and secure distribution system for drinkable water. It also supports the provision of non-drinking and water-race supplies in rural areas.

Overall Performance: Service levels have been maintained as per the Long Term Plan (LTP). The LTP did not provide for any significant change in service levels for this activity.

Contribution to Community Outcomes: Water Services Contribute to a Sustainable Healthy Environment and a A Strong Resilient Economy by continuing renewal of reticulation and treatment infrastructure and by managing water consumption to comply with consents for extraction from the Waingawa River in order to maintain its quality.

The performance indicators, targets and results reported below (including prior year comparisons in brackets) are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Customer satisfaction with urban water supply services	Maintain satisfaction level	<u>N/A</u> No satisfaction survey in 2012/13
Supply is restored within four hours following a planned or emergency shutdown	More than 95% of shutdowns	<u>Not Achieved</u> There were 16 water service shutdowns. In 88% (last year 96%) of these, supply was restored within 4 hours
An alternative water supply is provided when shutdown exceeds 24 hours	100% of occasions	<u>Achieved</u> There was no requirement for an alternative water supply
Compliance with NZ Drinking Water Standards for urban supply	100% compliant	<u>Achieved</u> 100% compliance with DWSNZ 2005 (revised 2008) for all criteria.
Compliance with NZ Drinking Water Standards microbiological criteria for Tinui rural supply	100% compliant	<u>Achieved</u> 100% compliance with DWSNZ 2005 (revised 2008) bacterial criteria.
Water consumption/conservation is managed to ensure compliance with river water flows (resource consents for drawing water)	100% compliant	<u>Achieved</u> Summer conservation measures ensured that compliance with river water take consent was achieved 100% of the time. The Wainuioru rural water scheme, which is not managed directly by the Council, exceeded its instantaneous bore water take, although its daily uptake was within consent limits.

PRIOR YEARS COMMUNITY SURVEY RESULTS BELOW

COMMUNITY SURVEY – PERFORMANCE RATING

Water Supply (Users)*	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	84%	94%	90%	89%	96%
Not very satisfied	15%	6%	9%	11%	3%
Don't know/NA	1%	-	1%	0%	1%

*urban users only

WATER SERVICES

Urban Water Supply

Cost of Service Statement

2011/12		2012/13	2012/13
Actual		Actual	Plan
\$	Operating Costs	\$	\$
996,480	Water treatment costs	1,068,960	1,049,653
655,041	Water reticulation costs	761,439	718,026
1,233,893	Depreciation	1,194,974	1,189,000
2,885,414		3,025,373	2,956,679
	Operating Income		
88,169	User charges & recoveries	106,367	138,000
	Appropriations		
-	Transfer from reserves	-	-
117,848	Provision for loan repayment	193,191	179,854
(441,000)	Reverse depreciation	(411,000)	(407,750)
\$2,474,093	Rates Requirement	\$2,701,197	\$2,590,783

WATER SERVICES

Rural Water Supplies

Cost of Service Statement

2011/12		2012/13	2012/13
Actual		Actual	Plan
\$	Operating Costs	\$	\$
211,925	Rural water supplies & races	218,345	213,783
50,912	Depreciation & decline in service	50,645	48,700
262,837		268,990	262,483
	Operating Income		
136,222	Rural water scheme charges	146,047	146,670
	Appropriations		
(25,407)	Transfer from reserves	(22,190)	-
-	Transfer to reserves	-	-
(2,750)	Reverse depreciation	(2,750)	(21,000)
\$98,458	Rates Requirement	\$98,003	\$94,813

Variations from Plan – Urban water supply

Urban water supply rates required was 4.3% more than planned with insurance costs and plant operating costs both being higher than planned, while operating income from metered water users was less than planned.

Rural water supply and water race costs were close to the planned levels. This activity includes the costs and scheme rates for the Wainuioru Rural Water Supply. The scheme's assets are included and accounted for as part of the District Council's assets.

WATER SERVICES**Rates Requirement Summary**

2011/12 Actual \$	Activity	2012/13 Actual \$	2012/13 Plan \$
2,474,093	Masterton urban water supply	2,701,197	2,590,783
15,441	Tinui water supply	9,362	8,000
29,563	Opaki water race	39,189	39,850
38,766	Te Ore Ore water race	31,107	29,263
14,688	Miscellaneous rural water costs	18,345	17,700
\$2,572,551	Rates Requirement	\$2,799,200	\$2,685,596

WATER SERVICES**Capital Expenditure Summary**

2011/12 Actual \$	Activity	2012/13 Actual \$	2012/13 Plan \$
Urban water treatment			
153,804	Water treatment plant & equip. renewals	126,460	86,000
38,981	Water treatment - buildings & grounds	31,873	35,000
15,000	Water treatment - filter refurbishment	186,761	800,000
-	Consent renewal	-	50,000
207,785		345,094	971,000
Urban water reticulation			
951,167	Water main & reservoir renewals	1,106,326	870,000
275,245	Water connections renewals	286,223	300,000
1,226,412		1,392,549	1,170,000
Rural water reticulation			
25,924	Wainuioru water supply renewals	30,139	15,000
16,962	Te Ore Ore & Opaki water race upgrades	-	50,000
-	Water take metering	20,112	37,000
42,886		50,251	102,000
1,477,083	Total Water Supplies capital expenditure	1,787,894	2,243,000
Capital Funding			
-	Loan funds	(706,873)	(1,250,000)
-	External funds	(4,310)	-
(1,477,083)	Transfer from reserves	(1,076,711)	(993,000)
(1,477,083)		(1,787,894)	(2,243,000)

Variations from Plan – Water Supplies Capital Expenditure

The water treatment plant filter refurbishment project was started during the year, with the filter bed of filter 4 being renewed. The Annual Plan signalled the project would be carried over into 2013/14, with further work scheduled for early in the new financial year. Because this project is loan funded, the loan funding required in 2012/13 has been less than planned.

Some 4.2 km (last year 6.2km) of water main renewals were completed during the year. There were several projects at 30 June 2012 that carried over into 2012/13, but over the last three years the renewals budget for water reticulation of \$3.1m has been fully spent.

Costs for the consent renewals at the water treatment plant were less than expected, while preparation of the application to renew the Te Ore Ore water race resource consent was done in-house during the year - no external costs incurred.

SEWERAGE SERVICES

Incorporating the Urban sewerage system and three Rural sewerage systems.

The Council provides systems to collect, treat and dispose of wastewater from all residential, commercial and industrial properties in the urban area and the Waingawa industrial area, and at Riversdale Beach, Castlepoint Beach and some of Tinui village.

Overall Performance: Service levels have been maintained as per the Long Term Plan (LTP). The LTP did provide for an increase in service level for the urban sewerage system via the Homebush treatment plant upgrade – the commissioning of the plant during the year has meant the project remains on track to deliver the service level improvements (specifically river quality).

Contribution to Community Outcomes: Sewerage Services contribute to A Sustainable Healthy Environment and A Strong Resilient Economy. Good progress has been made towards completion of the Urban Waste Water Upgrade that will improve the quality and reduce the quantity of treated effluent being released into the Ruamahunga River. Also, further progress was made on renew of the reticulation infrastructure.

The performance indicators, targets and results reported below (including prior year comparisons in brackets) are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Customer satisfaction with urban wastewater services	Maintain satisfaction level and within 10% of peer group average	<u>N/A</u> No satisfaction survey in 2012/13
Proportion of urgent wastewater service requests responded to within 6 hours of notification	93%	<u>Achieved</u> 96.1% There were 102 urgent wastewater service requests in the 12 month period. Four of these took longer than 6 hours to attend.
Connection to system renewed within 12 hours	More than 95% of incidents	<u>Achieved</u> 100% All of the 102 wastewater service requests were resolved within 12 hours of notification
Alternative system provided where loss of service exceeds 24 hours	100% of occasions	<u>Achieved</u> There were no occasions where service was lost for more than 24 hours
Wastewater Disposal: Compliance with resource consents	100%	<u>Not Achieved</u> Commissioning of the new ponds at Homebush was six months behind schedule because of construction and project delays.
Proportion of network failures that had environmental effects	less than 1%	<u>Achieved</u> All wastewater network failures were attended to and resolved within shortest timeframe, no adverse environmental effects resulted from such events.

PRIOR YEARS COMMUNITY SURVEY RESULTS BELOW

COMMUNITY SURVEY – PERFORMANCE RATING

Sewerage	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	83%	84%	88%	91%	93%
Not very satisfied	16%	15%	9%	6%	4%
Don't know/NA	1%	1%	3%	3%	3%

* Urban area respondents only

SEWERAGE SERVICES

Sewerage Services - urban

Cost of Service Statement

2011/12		2012/13	2012/13
Actual		Actual	Plan
\$	Operating Costs	\$	\$
782,636	Sewerage reticulation	937,015	953,226
2,190,293	Wastewater treatment	2,820,834	3,209,801
1,511,510	Depreciation	1,650,065	1,635,950
4,484,439		5,407,914	5,798,977
	Operating Income		
324,467	User charges & other income	297,719	504,000
	Appropriations		
572,000	Transfer to reserves	248,000	30,000
(80,000)	Transfer from reserves	(650,000)	(155,000)
481,193	Provision for loan repayments	1,411,367	980,950
(892,000)	Reverse depreciation not rates funded	(1,032,000)	(1,008,900)
\$4,241,165	Rates Requirement	\$5,087,562	\$5,142,027

SEWERAGE SERVICES

Sewerage Services - rural schemes

Cost of Service Statement

2011/12		2012/13	2012/13
Actual		Actual	Plan
\$	Operating Costs	\$	\$
33,369	Castlepoint sewerage scheme	41,398	35,300
222,090	Riversdale sewerage scheme	228,441	237,110
18,428	Tinui sewerage scheme	17,830	9,112
173,075	Depreciation	234,113	108,000
446,962		521,782	389,522
	Operating Income		
4,063	User charges & other income	99,375	54,048
3,640	Internal Recoveries	6,513	-
7,703		105,888	54,048
	Appropriations		
(40,000)	Transfer from reserves	-	(20,000)
87,312	Loan Repayment	204,634	192,068
(134,791)	Reverse depreciation not rates funded	(194,872)	(77,600)
\$351,780	Rates Requirement (Operational)	\$425,656	\$429,942

Variances from Plan – Urban wastewater

Net operating costs, excluding depreciation were nearly \$200,000 (7.5%) below planned. This includes some \$395,000 of interest expense (14.9%) less than planned because less loan funding for capital expenditure was needed - both timing (later draw on loan facilities) and quantity (less spent on Homebush upgrade than planned). Some of the interest savings were offset by additional costs, in particular legal fees associated with design, contract and lease issues. The \$200,000 surplus rates funding has been applied, via reserves, to fund the Homebush project capital expenditure.

The Plan operating costs and income included a 'cut and carry' baleage operation on the border strip areas of the new plant. Due to the project delays, the grass on the border strip areas was not ready so no costs were incurred and no income from sale of baleage was received. The \$500,000 of surplus funding in 2011/12 that was held in reserve funds, has been applied to additional loan repayment in 2012/13, thereby reducing both the debt funding needed for the project and the on-going rating impact.

Variances from Plan – Rural wastewater

The Riversdale Beach community sewerage scheme was operational for the whole year and operating costs reflect this. Planned depreciation was under-estimated, so a high proportion is un-funded, but debt repayment is on-track due to a higher number of properties choosing to pay off their contributions. The Council continues to carry a significant debt for the scheme (some \$2.9 million), with the intention that the owners paying off contributions over time and connection fees from new joining properties and subdivision will reduce that debt over time.

SEWERAGE SERVICES

Rates Requirement Summary

2011/12		2012/13	
Actual		Actual	Plan
\$	Activity	\$	\$
4,241,165	Urban sewerage system	5,087,562	5,142,027
37,031	Castlepoint sewerage scheme	46,707	44,150
170,047	Riversdale Beach sewerage scheme (RBCSS)	135,432	150,622
908,837	RBCSS - capital contributions (inclgd interest)	345,441	223,758
19,902	Tinui sewerage scheme	19,922	11,412
\$5,376,982	Rates Requirement	\$5,635,064	\$5,571,969

SEWERAGE SERVICES

Capital Expenditure Summary

2011/12		2012/13	
Actual		Actual	Plan
\$	Urban Sewerage system	\$	\$
15,325,214	Homebush sewerage upgrade project	6,901,174	9,900,000
2,263,740	Sewerage reticulation mains renewals	1,730,212	2,000,000
17,588,954		8,631,386	11,900,000
	Rural Sewerage schemes		
1,559,459	Riversdale Beach sewerage scheme	219,078	-
422,000	Riversdale Terraces reticulation vested	-	-
2,233	Tinui sewerage scheme	1,991	5,000
3,219	Castlepoint sewerage scheme	15,417	-
1,986,911		236,486	5,000
19,575,865	Total	8,867,872	11,905,000
	Capital Funding		
(17,074,997)	Loan funds	(7,601,174)	(11,000,000)
(134,379)	External funds	(31,392)	-
(422,000)	Assets vested by subdividers	-	-
(1,160,452)	Transfer from reserves	(1,113,460)	(905,000)
(18,791,828)		(8,746,026)	(11,905,000)
\$784,037	Rates Requirement (RBCSS Capital)	\$121,846	\$0

Variations from Plan – Capital Expenditure

Construction of the Homebush wastewater treatment plant upgrade continued through the year. Some delays resulted from contract and liability dispute issues, but once decisions were made on the type of pond liners and the arrangements for contract supervision, the project progressed well, with favourable summer weather assisting the installation of the liners. The new plant was commissioned in April when the wastewater flow was directed through the new screen and into the new ponds. Capital costs were below planned by \$3 million due to a combination of project delays (timing of work not matching the Plan) and the settlement of the design and contract dispute issues with Beca.

The sewer reticulation renewals programme continued during the year, partly funded by loan funds. This work is being completed using a number of experienced local contactors and the design and supervision work is being done in-house in order to keep costs down.

Riversdale Beach Sewerage scheme needed some final capital expenditure to complete and tidy up aspects of the scheme. These costs were not allowed for in the Plan. The rates requirement that funds the RBCSS capital matches the additional rates revenue collected from those scheme joiners who have chosen to fully pay their capital contributions during the year.

Castlepoint sewerage scheme needed two pumping station pumps replaced, and although not planned, the cost was met from depreciation funds for the scheme.

STORMWATER SERVICES

The Council provides systems, including use of natural channels and streams, to collect and dispose of stormwater from residential, commercial and industrial properties in the urban area. The stormwater systems in the rural area are largely open drains.

Overall Performance: Service levels have been maintained as per the Long Term Plan (LTP). The LTP did not provide for any significant increase in service levels for this activity.

The performance indicators, targets and results reported below (including prior year comparisons in brackets) are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

Contribution to Community Outcomes: Stormwater Services contributed to A Sustainable Healthy Environment, An Easy Place to Move Around and A Strong Resilient Economy by reticulating stormwater away from urban areas in a timely manner to enable people to move around safely and to reduce storm impacts on people's health and businesses.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Percentage of residents satisfied with stormwater services	Maintain satisfaction level	<u>N/A</u> No satisfaction survey in 2012/13
Proportion of reported stormwater ponding incidents cleared within two days of a rainfall event ending	100%	<u>Achieved</u> There were no occasions where reported stormwater ponding lasted more than two days after a rainfall event ending.
Compliance with resource consents	100% compliant	<u>Achieved</u> All Stormwater reticulation resource consents were complied with in the 2012-13 financial year.
Proportion of reported stormwater/flooding incidents that resulted in residual environmental effects	Less than 1%	<u>Achieved</u> All reported stormwater/flooding incidents were attended to and resolved without any residual environmental effects.

NO COMMUNITY SURVEY HELD IN 2012/13

COMMUNITY SURVEY – PERFORMANCE RATING

	2007/08	2008/09	2009/10	2010/11	2011/12
Stormwater					
Very satisfied/fairly satisfied	79%	61%	53%	67%	69%
Not very satisfied	17%	23%	34%	20%	19%
Don't know	4%	16%	13%	14%	12%

STORMWATER

Stormwater

Cost of Service Statement

2011/12		2012/13	2012/13
Actual		Actual	Plan
\$		\$	\$
	Operating Costs		
244,920	Stormwater	272,962	309,013
223,588	Depreciation	228,489	223,000
468,508		501,451	532,013
	Operating Income		
84	User charges & other income	-	-
	Appropriations		
(100,000)	Transfer from reserves	(135,000)	(135,000)
81,868	Provision for loan repayment	85,654	79,982
(100,000)	Reverse depreciation not rates funded	(100,000)	(96,300)
\$350,292	Rates Requirement	\$352,105	\$380,695

STORMWATER

Capital Expenditure Summary

2011/12		2012/13	2012/13
Actual		Actual	Plan
\$		\$	\$
	Stormwater		
343,821	Stormwater renewals & upgrades	104,871	155,000
	Retention dam & cut off drains	87,311	150,000
343,821		192,182	305,000
	Capital Funding		
(168,032)	Loan funds	(174,725)	(150,000)
(175,789)	Transfer from reserves	(17,457)	(155,000)
(343,821)		(192,182)	(305,000)
\$0	Rates Requirement	\$0	\$0

Variations from Plan – Stormwater

Savings were made through lower interest rates and less value of stormwater and creek clearing work than planned. The retention dam project was completed for less cost than was expected.

SOLID WASTE SERVICES

The Council owns, maintains and manages one urban and two rural transfer stations in the Masterton District, with residual waste transferred to Bonny Glen landfill near Marton. Former landfill sites are closed and monitored and the Nursery Road landfill has some limited use. The current refuse collection, landfill and transfer operations, gate fee collection, composting, and recycling services at both Nursery Road and in the rural areas are carried out under performance-based contracts let by competitive tender to the private sector.

Overall Performance: Service levels have been maintained as per the Long Term Plan (LTP). The LTP did not provide for any significant increase in service levels for this activity.

The performance indicators, targets and results reported below (including prior year comparisons in brackets) are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

Contribution to Community Outcomes: Solid Waste Services contributed to A Sustainable Healthy Environment, A Knowledgeable Community and A Strong Resilient Economy by providing a solid waste and recycling collection service in the urban area and providing transfer stations at the beach areas. We encouraged reducing quantities to the landfill through promotion of recycling, although there was an increase in tonnage to landfill in this year.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Percentage of residents satisfied with the urban and rural transfer stations, recycling and composting facilities	Maintain satisfaction level	<u>N/A</u> No satisfaction survey in 2012/13
Proportion of advertised hours that the transfer stations and recycling centre is open to the public	100%	<u>Not Achieved</u> On three occasions, the rural transfer stations were not open according to advertised times.
Percentage of residents satisfied with solid waste collection services	Maintain satisfaction level	<u>N/A</u> No satisfaction survey in 2012/13
Number of call-backs due to non-collection of official rubbish bags in each weekly collection.	Less than one call-back per 200 households	<u>Achieved</u> Less than one call back per 200 households.
Tonnage of waste delivered for transfer is reduced annually*	Annual reduction of waste taken to the transfer station	<u>Not Achieved</u> A 2.4% increase in tonnage to landfill in 2012/13, but annualised waste reduction was 3.1% from 2006 to 2013 (see graph).
Urban and rural transfer stations, recycling, composting facilities and landfills operate within approved resource consent conditions	100% compliance	<u>Part Achieved</u> All rural transfer stations achieved 100% compliance with resource consents, while the main Masterton landfill, composting, transfer station achieved compliance except for some groundwater quality parameters. Completion of the landfill cap is scheduled for 2015.

*measured from a 1992/93 base of 25,000 tonnes per annum)

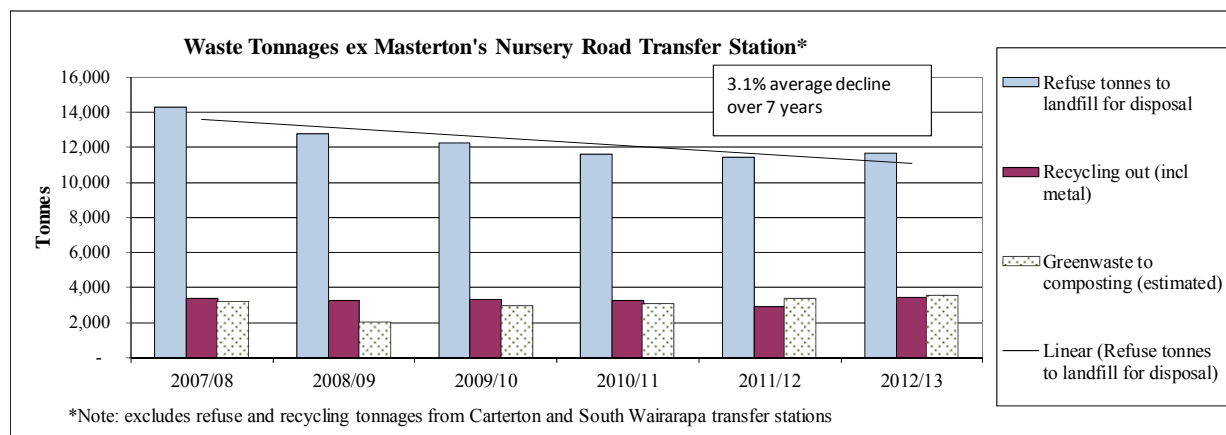
NO COMMUNITY SURVEY HELD IN 2012/13

COMMUNITY SURVEY – PERFORMANCE RATING

Refuse Collection	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	91%	66%	65%	71%	75%
Not very satisfied	7%	17%	23%	20%	14%
Don't know/NA	2%	17%	12%	9%	10%

COMMUNITY SURVEY – PERFORMANCE RATING

Refuse Disposal (overall)	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	79%	66%	64%	65%	71%
Not very satisfied	17%	29%	27%	32%	22%
Don't know/NA	4%	5%	9%	3%	6%



Solid Waste Services

Cost of Service Statement

2011/12		2012/13	2012/13
Actual		Actual	Plan
\$		\$	\$
	Operating Costs		
400,039	Urban refuse collection costs	416,586	387,126
30,663	Nursery Rd landfill cover & closure	41,658	125,000
1,695,545	Transfer station operation & refuse disposal	1,755,943	1,706,474
834,388	Waste minimisation (incl recyc.& composting)	886,374	1,045,891
207,117	Rural refuse operations	218,882	241,784
3,167,752		3,319,443	3,506,275
	Operating Income		
1,663,484	User charges - external	1,794,755	1,705,800
222,318	User charges - internal	197,798	179,450
66,161	Recoveries - waste levy	68,603	66,000
372,709	Recoveries from bag sales	353,968	365,400
2,324,672		2,415,124	2,316,650
	Appropriations		
-	Transfers from reserves	(10,000)	(10,000)
-	Transfers to reserves	150,000	-
56,049	Provision for loan repayment	82,568	54,121
-	Reverse depreciation not rates funded	-	(35,350)
\$899,129	Rates Requirement	\$1,126,887	\$1,198,396

Note: Plan operating cost and rates requirement figures vary from the LTP due to correction of the allocation of depreciation between the solid waste expenditure areas. Sub totals have not changed.

Variances from Plan - Operating

Overall, operating costs were 5.3% less than planned and operating income was 4.3% more than planned. Refuse bag sales income was below plan by 3.1% while collection operating costs were higher than plan, resulting in \$40,000 more funding needed for the refuse collection sub-activity. Cost savings against Plan have been made in the recycling and composting operations areas.

The \$150,000 carried forward in reserves represents funding for unspent waste minimisation project work and the budget that was allowed for progressively covering/capping the Nursery Road landfill.

SOLID WASTE SERVICES

Rates Requirement Summary

2011/12 Actual \$	Activity	2012/13 Actual \$	2012/13 Plan \$
322,893	Refuse & recycling collections	405,959	375,002
73,945	Refuse transfer station & landfill	204,670	202,476
299,575	Waste minimisation (recycling & composting)	313,548	401,515
202,716	Rural refuse services	202,710	219,403
\$899,129	Rates Requirement	\$1,126,887	\$1,198,396

SOLID WASTE SERVICES

Capital Expenditure Summary

2011/12 Actual \$	Solid Waste Management	2012/13 Actual \$	2012/13 Plan \$
252,205	Urban transfer station facilities	15,993	20,000
-	Urban transfer station - grit trap	16,807	50,000
-	Urban transfer station - asbestos repository	-	50,000
252,205		32,800	120,000
	Capital Funding		
-	Loan funds	-	(100,000)
(33,994)	External funds	-	-
(218,211)	Transfer from reserves	(32,800)	(20,000)
(252,205)		(32,800)	(120,000)
\$0	Rates Requirement	\$0	\$0

Variances from Plan – Capital

Resealing of internal roads was completed and some work on improving the grit trap on the wash-down pad was done. Some preliminary design work on establishing an alternate asbestos repository was done, but physical works were not done as other work took priority for the services engineering staff.

COMMUNITY FACILITIES AND ACTIVITIES

The Council provides and supports community services and facilities in order to:

- contribute to the social, economic, environmental and cultural strength and richness of the Masterton community;
- to work collaboratively with other providers to implement the vision for the Wairarapa as a place to live that is rich with interest, strong with involvement and celebrating a highly visible cultural and recreational dimension.

Overall Performance: Service levels have been maintained as per the Long Term Plan (LTP). The LTP did not provide for any significant increase in service levels for this group of activities.

Contribution to Community Outcomes: The activities within this group contributed to A Sustainable Healthy Environment, An Active Involved and Caring Community, A Strong Resilient Economy and A Knowledgeable Community.

- We provided support funding for community groups to continue their services, supported an all-weather athletic track, supported the arts community by funding Aratoi Wairarapa Museum of Art and History and Toi Wairarapa,
- The library's contribution to education was enhanced by its membership of SMART that makes available 600,000 items from five other library groups in the region including two tertiary libraries. Programmes for all age groups and free access to computers and the internet were a well supported feature of the library service.
- We continued to provide for physical activity by maintaining our parks, reserves and open spaces and extended our recreational trails as well as providing the Genesis Energy Recreation Centre. We provided funding to Sport Wellington Wairarapa to support the effectiveness of our sports clubs.
- We supported the economy through funding tourism promotion, funding events that attract visitors, operating a camping ground and the Hood Aerodrome.
- Environmental funding supported Enviro-schools and stream improvement projects.

COMMUNITY ACTIVITIES

Community Activities covers a range of areas including community development, arts and culture, economic development, district promotion and environmental initiatives. In most cases the Council does not provide these services directly, but plays a major role in identifying, initiating and supporting activities through partnerships and funding agreements.

The objectives, performance measures and results reported below (including prior year comparisons) are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Provide funding to support community groups to deliver services for the benefit of the community.	Recipients report at least annually on outcomes of funding	<u>Achieved</u> \$327,245 was spent on community development initiatives, while contestable grants totaling \$69,700 were allocated to 43 groups. All groups completed accountability reports for Council funding.

Performance Indicators	Targets 2012/13	Results Relative to Target
<p>Destination Wairarapa reports tourism promotional activities and visitor numbers</p> <p>Outcomes of investment in economic development are reported annually</p>	<p>Quarterly Report</p> <p>Annual Report</p>	<p><u>Achieved</u> DW reported in Sept and Dec 2012, Feb and May 2013, reporting on visitor numbers and marketing initiatives designed to increase visitors to the Wairarapa.</p> <p>The Council assisted local events to the net value of \$73,474, invested \$20,000 in the Wellington regional amenities fund, and put a total of \$52,317 towards various district promotion and economic development initiatives.</p>
<p>The impact of investment into environmental initiatives is reported annually</p> <p>Satisfaction with the natural environment</p>	<p>Annual Report</p> <p>Maintain satisfaction level</p>	<p><u>Achieved</u> Allocated a total of \$11,516 to two projects - a sand ladder in front of the Riversdale Beach surf club and willow clearance and planting of Makoura stream.</p> <p><u>N/A</u> No satisfaction survey in 2012/13</p>
<p>The Aratoi Regional Trust reports on activities and outcomes at Aratoi Museum and art and history</p> <p>The Wairarapa Arts, Culture and Heritage Strategy is progressively implemented</p>	<p>Quarterly Report</p> <p>Toi Wairarapa reports six-monthly on progress</p>	<p><u>Achieved</u> Aratoi reported in Sept and Dec 2012, Feb and May 2013. Targets for number of exhibitions and public programmes were exceeded.</p> <p><u>Achieved</u> Toi Wairarapa reported in Sept 2012 and Feb 2013 on support for increased public participation, skill development and increasing the arts economy</p>
<p>The impact of other investment into arts, culture and heritage initiatives is reported</p>	<p>Annual Report</p>	<p><u>Achieved</u> Cobblestones provides an annual report. Arts activities at Shear Fest reported by Toi Wairarapa. All recipients of Creative Communities funds report on the activity and reports forwarded to Creative NZ. Waitangi Day event reported through Maori Liaison Task Group.</p>
<p>Sport Wellington Wairarapa reports six-monthly on its support for involvement in sport</p>	<p>Sport Wellington Wairarapa reports six-monthly</p>	<p><u>Achieved</u> Reported in Sept 2012 and Feb 2013 on links with schools and sports organisations, addressing needs of sports organisations and increasing junior membership support in sports activities</p>

COMMUNITY SURVEY – PERFORMANCE RATING

Community Assistance	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	65%	77%	63%	65%	66%
Not very satisfied	3%	3%	4%	7%	4%
Don't know/NA	32%	20%	33%	28%	29%

COMMUNITY SURVEY – PERFORMANCE RATING

Aratoi	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	59%	71%	71%	73%	73%
Not very satisfied	14%	10%	11%	10%	6%
Don't know/NA	27%	19%	18%	17%	21%

COMMUNITY FACILITIES / ACTIVITIES

Community Activities

Cost of Service Statement

2011/12		2012/13	2012/13
Actual		Actual	Plan
\$	Operating Costs	\$	\$
585,455	Community development	440,685	493,818
338,091	Arts & culture	351,698	355,023
649,601	Economic development & promotion	496,890	519,090
-	Regional amenities contribution	20,000	20,000
40,724	CBD Amenities (including security cameras)	44,352	72,300
1,613,871		1,353,625	1,460,231
	Operating Income		
46,696	Government grants	18,864	20,580
21,158	Creative NZ grants	20,158	18,500
27,387	Events grants & other recoveries	30,333	
95,241		69,355	39,080
	Appropriations		
(251,114)	Transfers from reserves	(15,000)	(62,000)
48,200	Transfers to reserves	72,238	-
9,835	Provision for loan repayments (Go Wairarapa)	10,399	10,922
\$1,325,551	Rates Requirement	\$1,351,907	\$1,370,073

Note: Plan operating cost and rates requirement figures vary from the LTP due to correction of the allocation of depreciation between Arts & Culture and CBD Amenities. There is no change to the sub-totals.

Variances from Plan

Community Development costs and grants were underspent, with the environmental initiatives, the marae projects and the contestable grants budgets all being under-allocated. The majority of current year funding unspent has been carried forward in reserve funds.

In the economic development area more external income was received than was planned, while not all of the events budget was spent. Again, the unspent current year funding has been carried forward in reserve funds.

COMMUNITY FACILITIES AND ACTIVITIES

LIBRARY AND ARCHIVE

The Council owns and maintains a library building from which library services are delivered and an archive facility, operated from rented premises, provides storage of, and access to the community's historic records.

The performance indicators, targets and results reported below (including prior year comparisons in brackets) are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Resident satisfaction with library services	Maintain satisfaction level	<u>N/A</u> No satisfaction survey in 2012/13
The library collection is constantly updated and appropriately sized for the Masterton District: i) New books added to the collection annually ii) The number of resources - books, DVDs etc - in the collection (national average 3.3 per resident)	10% of book collection less than one year old 2.7 per person	<u>Achieved</u> 15% of items were added to the collection in the 2012/13 year. <u>Not Achieved</u> 2.58 items per person This is partly a result of weeding the collection of books that are obsolete or not issuing. Through membership of SMART libraries residents have access to 600,000 items.
Participants are satisfied with children's summer reading, maths; seniors and Te Reo programmes	Maintain satisfaction level	<u>Achieved</u> 100% satisfaction from Summer Reading Programme respondents (87% of participants) 100% satisfaction from Maths is Fun participants
Archived material is available to the public from the archives 20 hours a week. The number of items available on-line increases each year. i) History articles published in local media	20 hours per week 9,000 items available online 6+ articles per year	<u>Achieved</u> The archives are open every week day afternoon <u>Achieved</u> 11,800 items available on-line <u>Achieved</u> Eight articles and two books published in the period.

NO COMMUNITY SURVEY HELD IN 2012/13

COMMUNITY SURVEY – PERFORMANCE RATING

Library Services	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	81%	83%	80%	82%	87%
Not very satisfied	3%	1%	3%	2%	1%
Don't know/NA	16%	16%	18%	16%	12%

COMMUNITY FACILITIES / ACTIVITIES

Library & Archive

Cost of Service Statement

2011/12		2012/13	2012/13
Actual	Operating Costs	Actual	Plan
\$		\$	\$
1,081,120	Operating costs - Library	1,124,674	1,094,963
256,764	Operating costs - Archive	261,840	247,625
126,341	Depreciation - books	129,379	144,000
108,567	Depreciation - bldg, furniture & equipment	98,821	113,000
1,572,792		1,614,714	1,599,588
	Operating Income		
32,356	Grants & donations	24,934	22,900
129,366	User charges & other recoveries	90,160	96,100
161,722		115,094	119,000
	Appropriations		
(37,665)	Transfers from reserves	(12,335)	(25,000)
-	Transfers to reserves	-	-
-	Reverse depreciation	-	-
\$1,373,405	Rates Requirement	\$1,487,285	\$1,455,588

Analysis of Rates Requirement

1,141,552	Library	1,239,175	1,211,463
231,853	Archive	248,110	244,125
\$1,373,405		\$1,487,285	\$1,455,588

Variances from Plan

The Library's operating costs include the writing off of \$34,300 worth of book stock value following a 'weeding' and book inventory stock-take. Otherwise, operating costs are close to the Plan.

The over-budget in Archive operating costs is a result of continuing with the digitisation project longer than expected. The extra cost for this has been funded by using carried forward funds that were set aside in prior years.

COMMUNITY FACILITIES AND ACTIVITIES

PROPERTY

The Council owns, maintains and manages a range of properties within the District including the District Building, Town Hall, pensioner housing, public toilet facilities, rural halls and holding paddocks, small roadside forestry blocks, other rental properties and a camping ground.

The performance indicators, targets and results reported below (including prior year comparisons in brackets) are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Public buildings are safe and clean for public use: i) Monthly inspections of Municipal Building and public toilets meet cleanliness and safety standards ii) Town Hall facilities are operational for all bookings iii) % occupancy of Mawley Parking Camping Ground	95% compliance 100% compliance Establish baseline	<u>Not Achieved</u> Municipal Building = 83% due to lack of inspection records in transition period between cleaning contractors. Public toilets cleaned daily and all inspections satisfactory. <u>Achieved</u> Town Hall facilities were operational for all bookings <u>Achieved</u> Baseline as follows: Tents 8% Cabins 40% Ensuites 56% Powered Sites 16% Overall Average 30%
All pensioner units are fully occupied, averaged over all complexes, excluding refurbishment periods There is no net cost to the rate payer for pensioner housing	Minimum annual occupancy 95% 100% user pays	<u>Achieved</u> Occupancy 98.6% (excluding refurbishment periods for 2 units) <u>Achieved</u> No rates input to pensioner housing activity

COMMUNITY FACILITIES / ACTIVITIES

Property

Cost of Service Statement

2011/12 Actual \$		2012/13 Actual \$	2012/13 Plan \$
	Operating Costs		
352,490	District Building	355,211	375,694
209,107	Housing for the Elderly	239,628	281,833
502,200	Other Property	578,728	573,773
225,182	Mawley Park campground	346,686	289,477
658,436	Depreciation	748,157	651,400
1,947,415		2,268,410	2,172,177
	Operating Income		
65,851	Rental income - Halls & Dist. Bldg	47,059	57,700
342,902	Rental income - Housing for the Elderly	371,614	345,800
190,084	Rental income - Other Property	175,269	175,850
177,870	Mawley Park campground	266,507	215,000
68,190	Internal recoveries - ex roadside forestry	35,004	35,000
175,016	Internal recoveries - office rental	187,812	180,700
1,019,913		1,083,265	1,010,050
	Appropriations		
-	Transfers from reserves	(10,000)	(70,000)
30,000	Transfers to reserves	21,700	-
106,573	Provisions for loan repayments	134,071	116,283
(286,709)	Depreciation not rates funded	(395,203)	(319,060)
\$777,366	Rates Requirement	\$935,713	\$889,350

Variations from Plan – Property

District Building – savings were made on several maintenance cost areas.

Housing for the Elderly – less redecoration work was carried than planned, while better than expected occupancy saw income 7.5% better than planned. These two things have combined to enable nearly \$38,000 more depreciation funding to be added to reserves for these properties than planned.

Mawley Holiday Park’s income was better than planned by 20%, while its operating costs were also ahead of planned, in particular for grounds maintenance.

Insurance costs across all Property areas were \$41,000 or 44% more than planned.

Depreciation expense was \$97,000 more than planned due to the 2012 revaluation of buildings producing more depreciation than expected.

COMMUNITY FACILITIES AND ACTIVITIES

PARKS, RESERVES AND SPORTS FIELDS

The Council owns, maintains and manages 215 hectares of urban and rural recreation parks, reserves and sportsfields. These include sports grounds, gardens, neighbourhood open spaces, natural bush, and beachfront esplanades.

The performance indicators, targets and results reported below (including prior year comparisons in brackets) are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Percentage of residents satisfied with the parks and reserves	Maintain satisfaction level	<u>N/A</u> No satisfaction survey in 2012/13
Percentage of households who have visited a park in the past year	91%	<u>N/A</u> No satisfaction survey in 2012/13
Percentage of users/visitors satisfied with the service	Maintain satisfaction level	<u>N/A</u> No satisfaction survey in 2012/13
Council owned sports facilities meet the standard agreed with sports codes (measured by seasonal survey)	Maintain satisfaction level (note: new measure with target of 70%)	<u>Achieved</u> 62% returned 73% of respondents were either very satisfactory or satisfactory.
All playgrounds meet safety standards	100%	<u>Achieved</u> Defects fixed as identified. Some equipment was removed as it didn't meet standard.
Percentage of customer service requests completed within specified deadlines	95%	<u>Not Achieved</u> Total of 409 jobs received, with 70% completed within specified deadline. This measure was changed in 2012 from a standard 5 day deadline to a 3 to 5 day deadline depending on the request. Achieving the 95% completion target with this new measure has been challenging.

NO COMMUNITY SURVEY HELD IN 2012/13

COMMUNITY SURVEY – PERFORMANCE RATING

Parks and Sportsfield (Users)	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	89%	86%	84%	87%	83%
Not very satisfied	9%	11%	12%	12%	16%
Don't know	2%	3%	4%	1%	2%

COMMUNITY FACILITIES / ACTIVITIES**Parks, Reserves & Sportsfields****Cost of Service Statement**

2011/12		2012/13	2012/13
Actual		Actual	Plan
\$	Operating Costs	\$	\$
1,116,615	Parks & Reserves maintenance	1,280,810	1,337,135
430,378	Sportsfields maintenance	461,984	514,401
373,586	Depreciation	376,966	404,750
1,920,579		2,119,760	2,256,286
	Operating Income		
33,670	Miscellaneous parks income	54,085	59,900
23,592	Sportsground rentals	32,392	27,067
20,000	Internal Recoveries	20,004	-
77,262		106,481	86,967
	Appropriations		
(111,500)	Transfers from reserves - project funding	(153,000)	(190,000)
7,400	Transfer to reserves	78,000	-
7,004	Provisions for loan repayments	157,384	46,096
(106,000)	Depreciation not rates funded	(116,000)	(128,423)
\$1,640,221	Rates Requirement	\$1,979,663	\$1,896,992

Variances from Plan

Savings have been made on operating and maintenance costs for parks, reserves and sportsfields. Less than the budgeted cost of a subsidised employment project was spent, with the unspent portion of funding (\$25,000) carried forward in reserves. The funding for developing a sports facilities strategy (\$50,000) was not spent and has also been carried forward.

A higher value of loan repayments were charged against this activity than planned. This is due to the repayments scheduled for the Castlepoint seawall over the last five years being put aside in an internal sinking fund and repaid on maturity of the debt instrument (local authority stock).

COMMUNITY FACILITIES AND ACTIVITIES

GENESIS ENERGY RECREATION CENTRE

The Council owns and maintains the Genesis Energy Recreation Centre which consists of a stadium and a range of indoor and outdoor pools. A contractor manages the facility and also operates a gymnasium on the premises.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Percentage of residents satisfied with the service	Maintain satisfaction levels	<u>N/A</u> No satisfaction survey in 2012/13
Percentage of households that have used the facility in the last 12 months		<u>N/A</u> No satisfaction survey in 2012/13
Percentage of users satisfied with the facility	Maintain satisfaction levels	<u>N/A</u> No satisfaction survey in 2012/13
Temperature and water treatment within specification and agreed standards	Standards Disinfection 85% Microbial 99% Chemical balance 90%	<u>Achieved</u> 95% Disinfection 100% Microbiological 96% Chemical balance (within agreed range)

NO COMMUNITY SURVEY HELD IN 2012/13

COMMUNITY SURVEY – PERFORMANCE RATING

Swimming Pools	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	63%	74%	70%	67%	69%
Not very satisfied	10%	8%	9%	14%	10%
Don't know/NA	27%	18%	22%	19%	21%

COMMUNITY FACILITIES / ACTIVITIES

Genesis Energy Recreation Centre

Cost of Service Statement

2011/12 Actual		2012/13 Actual	2012/13 Plan
\$	Operating Costs	\$	\$
1,198,294	Recreation centre operating costs*	1,189,293	1,044,168
402,877	Depreciation	404,731	405,300
1,601,171		1,594,024	1,449,468
	Operating Income		
73,888	Miscellaneous facility income	86,052	75,000
	Appropriations		
57,295	Loan repayments	58,980	59,008
(233,000)	Depreciation not rates funded	(231,000)	(234,675)
\$1,351,578	Rates Requirement	\$1,335,952	\$1,198,801

* Costs are net of user charge recoveries which go to the facility management contractor.

Variances from Plan

Operating costs have exceeded the planned level by 10% because insurance costs were above expectation, stadium & pools maintenance costs were above the planned level and the pools heat plant needed to be supplemented with a diesel fired system during the winter. There were electricity savings, but not enough to cover the extra diesel costs.

COMMUNITY FACILITIES AND ACTIVITIES

CEMETERIES

The Council owns and maintains both urban and rural cemeteries.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Percentage of residents satisfied with the service	Maintain satisfaction levels	<u>N/A</u> No satisfaction survey in 2012/13
Satisfaction amongst those who have visited a cemetery	Maintain satisfaction levels	<u>N/A</u> No satisfaction survey in 2012/13
Accurate online access to burial records	100% accuracy within 30 days of burial	<u>Achieved</u> All current records loaded in month following burial. Errors in historical records will be addressed as part of cemetery mapping and photograph project 2014-16.

NO COMMUNITY SURVEY HELD IN 2012/13

CEMETERIES SURVEY – PERFORMANCE RATING

Satisfaction with Cemeteries	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	62%	66%	58%	59%	60%
Not very satisfied	8%	9%	6%	9%	10%
Don't know	30%	25%	36%	32%	31%

COMMUNITY FACILITIES / ACTIVITIES

Cemeteries

Cost of Service Statement

2011/12		2012/13	2012/13
Actual		Actual	Plan
\$	Operating Costs	\$	\$
141,178	Cemeteries operating and maintenance	153,381	178,825
3,024	Depreciation	3,051	3,000
144,202		156,432	181,825
	Operating Income		
79,636	Burial fees and sale of plots	86,369	79,700
79,636		86,369	79,700
	Appropriations		
(9,460)	Transfers from reserves	-	(20,000)
-	Transfers to reserves	-	-
\$55,106	Rates Requirement	\$70,063	\$82,125

COMMUNITY FACILITIES AND ACTIVITIES

AIRPORT

The Council manages and operates Hood Aerodrome, for the benefit of travelling, commercial and recreational aircraft users from within and outside the District.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Safe availability of runways, approaches and open spaces: Compliance with inspection schedule	100% requirements met	Achieved Runways safe and available at all times and complied with twice daily and intensive fortnightly main runway inspection schedule. Approach clearances checked.
Incidents of non-availability notified to users	All occasions	Achieved All non-availability was notified to users.
Annual usage levels	Usage is no less than previous year.	Not Achieved Total aircraft movements 2012/13 = 8,655 (last year 9,589) Total Stopped Landings 2012/13 = 3,160 (last year 3,435) Note: aircraft movement recording systems have been upgraded from April 2013. As a consequence the Council will have more complete data next year.

Masterton Airport (Hood Aerodrome)

Cost of Service Statement

2011/12 Actual \$		2012/13 Actual \$	2012/13 Plan \$
	Operating Costs		
245,605	Airport operation & maintenance	238,576	252,915
66,522	Depreciation	72,535	73,000
312,127		311,111	325,915
	Operating Income		
278,619	Leases and other income	243,874	236,500
	Appropriations		
(18,000)	Transfers from reserves	(20,000)	(20,000)
67,000	Transfers to reserves	12,920	-
80,365	Provision for loan repayments	68,344	67,011
(34,000)	Reverse depreciation not rates funded	(14,000)	(18,000)
\$128,873	Rates Requirement	\$114,501	\$118,426

Variances from Plan

Operating costs were less than planned. Other income includes a capital contribution for connection to water and sewer services - this income has been transferred to reserves.

COMMUNITY FACILITIES / ACTIVITIES

Rates Requirement Summary

2011/12 Actual \$	Activity	2012/13 Actual \$	2012/13 Plan \$
1,640,221	Parks, reserves & sportsfields	1,979,663	1,896,992
1,351,578	Genesis Energy Recreation Centre	1,335,952	1,198,801
55,106	Cemeteries	70,063	82,125
286,518	District building	280,932	300,575
0	Housing for the elderly	(0)	131
54,121	Other rental properties	70,001	72,995
230,526	Public conveniences	320,941	240,931
76,785	Rural halls	80,584	90,106
19,203	Forestry	26,111	29,800
110,213	Mawley Park	157,144	154,811
128,873	Airport	114,501	118,426
1,141,552	Library	1,239,175	1,211,463
231,853	Archives	248,110	244,125
425,845	Community Development	437,559	436,238
331,933	Arts and Culture	331,540	336,523
567,773	Economic Development and Promotion	582,808	597,312
\$6,652,100	Rates Requirement	\$7,275,084	\$7,011,354

COMMUNITY FACILITIES / ACTIVITIES

Capital Expenditure Summary

2011/12 Actual \$	Library & Archive	2012/13 Actual \$	2012/13 Plan \$
136,861	Book purchases	147,864	144,500
26,191	Computer system upgrades	83,545	80,325
15,805	Building and furniture upgrades	31,956	18,500
-	Leasehold improvements Archive	7,706	22,000
\$178,857		\$271,071	\$265,325
	Capital Funding		
-	Finance lease funding	(38,060)	(47,575)
(178,857)	Transfers from reserves	(233,011)	(217,750)
(\$178,857)		(\$271,071)	(\$265,325)

Community Facilities Capital Expenditure - Variances from Plan

The library invested in RFID technology which is being funded over 3 years via a finance lease. The QE Park 24-hour toilets included installation of the historic pissoir and the overall project has cost more than planned. Work on the centotaph panels was not able to be completed during the year, while planning for McJorrow Park playground and other playground safety matting was not far enough advanced to begin work.

The Genesis Energy Recreation Centre heat pump renewal work was investigated and deferred to 2013/14, while the earthquake strengthening work done on the War Memorial stadium was unplanned.

Work on Riverside cemetery cremation wall re-landscaping did not proceed, while the upgrading of the town hall stage systems has been deferred until 2013/14. The Kuripuni toilets were replaced with an Exeloo and the new toilets at Riversdale Beach domain area had been started in the previous year and finished in 2012/13.

The major additional facility at Mawley Holiday Park was a hard stand area for campervans. This has completed the phase of upgrading of this facility that started in 2010/11.

COMMUNITY FACILITIES/ACTIVITIES
Capital Expenditure Summary

2011/12 Actual \$		2012/13 Actual \$	2012/13 Plan \$
Parks, Reserves & Sportsfields			
176,217	Q E Park - rejuvenation project	53,982	50,000
24,025	Q E Park - new 24 hours toilets	181,969	119,000
38,246	Recreation trails extended	31,106	40,000
0	Replace/Correct centotaph panels	-	40,000
331,000	Sportsbowl artificial running track (MDC) share	-	-
-	McJorrow Park playground	-	15,000
12,605	Street tree strategy	19,618	15,000
4,295	Henley Lake improvements	14,390	80,000
36,643	Playgrounds - safety matting & equipment	-	50,000
7,857	Robinson Park land acquisition	1,560	-
-	Netball carpark extension & carpark reseal	86,293	67,000
20,345	Sportsfield upgrades	30,000	20,000
651,233		418,918	496,000
Genesis Energy Recreation Centre			
71,464	Pools plant renewals	55,394	255,000
-	War Memorial Stadium - EQ. strengthening	48,600	-
71,464		103,994	255,000
Cemeteries			
1,900	Riverside cemetery landscaping	-	60,000
1,900		0	60,000
District Building			
-	Facilities & equipment	23,006	50,500
39,504	Building upgrades	11,626	250,000
39,504		34,632	300,500
Housing for the Elderly			
27,725	Pensioner housing upgrades	35,512	62,000
27,725		35,512	62,000
Other Property			
143,566	Public conveniences upgrade	116,161	73,500
11,533	Rental property upgrades	15,328	26,000
-	Riversdale Beach toilets upgrade	115,409	20,000
921,914	Mawley Park facility upgrades	80,191	25,000
-	Other Property upgrades	-	65,000
10,837	Rural Hall upgrades	-	12,000
1,087,850		327,089	221,500
Airport			
5,277	Airport development	-	10,000
82,477	Airport runway reseal	-	-
87,754		0	10,000
Economic Development & Promotion			
17,540	CBD security camera equipment	-	-
4,660	CBD under verandah lighting	-	-
22,200		0	0
\$1,989,630		\$920,145	\$1,405,000
Capital Funding			
(1,311,904)	Transfer from reserves	(918,145)	(1,405,000)
(673,914)	Loan funds	-	-
(3,812)	Subsidy/external contributions	(2,000)	-
(\$1,989,630)		(\$920,145)	(\$1,405,000)

REGULATORY SERVICES

The Council provides Regulatory Services in order to:

- manage the development and protection of the natural and physical resources in a sustainable manner;
- protect the safety and wellbeing of the community;
- protect people from hazards to their health and safety.

Overall Performance: Service levels have been maintained as per the Long Term Plan (LTP). The LTP did not provide for any significant increase in service levels for this group of activities.

Contribution to Community Outcomes: Regulatory Services contributed to A Sustainable Healthy Environment, A Strong Resilient Economy, A Knowledgeable Community, An Active Involved and Caring Community and An Easy Place to Move Around. This area implemented and monitored the Wairarapa Combined District Plan including any resource consent conditions, encouraged biodiversity, issued resource consents for events to ensure public safety and protection of the environment. The Environmental Health, Liquor Licensing and General Inspection services monitored public and environmental health standards, undertook water quality testing for public safety and advised when recreational water was unsafe for activities, issued liquor and food premises licences and inspected conditions. Animal Control monitored registration of dogs, ensured that complaints were responded to in a timely manner, and impounded wandering dogs.

Public programmes to educate on rights and responsibilities were undertaken.

RESOURCE MANAGEMENT AND PLANNING

Council staff implement planning policies and manage the planning functions. These include administering the resource consent process, maintaining and developing the District Plan and providing advice on specific planning issues as required.

The performance indicators, targets and results reported below (including prior year comparisons in brackets) are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Resource consents, LIMs and PIMs processed within the requirements of the Resource Management Act		Total Consents processed = 43
i) % non-notified consents completed on time	Non- notified 98.8%	<u>Achieved</u> Non notified – all 42 consents completed on time
ii) % notified consents completed on time	Notified 100%	<u>Achieved</u> 1 limited notified consent completed on time
iii) % Land Information Memoranda completed on time	LIMs 100%	<u>Not Achieved</u> 99% completed on time Total LIMs – 177 Average processing time – 4 days (1 consent one day overdue)
iv) % Project Information Memoranda completed on time	PIMs 100%	N/A as nil PIMs
<i>This measure is additional to the plan</i>		
v) % of Building Consents checked for planning implications	Building Consents 100%	<u>Achieved</u> 100% of building consents were checked for planning implications Average processing time – 9 days

Performance Indicators	Targets 2012/13	Results Relative to Target
No loss of agreed protected areas	100%	<u>Achieved</u> No protected areas were lost
Completion and implementation of a Management Plan for Castlepoint	Castlepoint Management Plan completed and adopted	<u>Achieved</u> The Castlepoint Management Plan was completed subject to any changes required by the Wairarapa Combined District Plan. No changes were required after the WCDP was adopted in March 2008 and no appeals related to Castlepoint. There were no implementation issues in 2012/13.
Preparation and implementation Riversdale Beach Management Plan	Riversdale Beach Management Plan completed and adopted.	<u>Not Achieved</u> Plan not yet notified. Changes are being made to the plan following public consultation

REGULATORY SERVICES

Resource Management & Planning

Cost of Service Statement

2011/12		2012/13	2012/13
Actual		Actual	Plan
\$	Operating Costs	\$	\$
415,753	Resource management & planning	457,399	465,516
123,443	River scheme contributions	129,718	125,100
539,196		587,117	590,616
	Operating Income		
55,814	User charges - consent fees & recoveries	79,613	56,700
325,652	Reserves & infrastructure contributions	482,697	230,000
20,004	Internal recoveries	41,004	42,000
401,470		603,314	328,700
	Appropriations		
(17,146)	Transfers from reserves - project funding	(1,400)	-
114,700	Transfer to reserves - project funding	140,000	112,000
325,652	Transfer to reserves - various contributions	482,697	230,000
\$560,932	Rates Requirement	\$605,100	\$603,916

REGULATORY SERVICES

BUILDING CONTROL

Council staff and contractors undertake regulatory functions such as administering building consents and monitoring and enforcing compliance with the building code.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Retain building consent authority accreditation when assessed every two years	Maintain accreditation	<u>Achieved</u> Current accreditation valid. Next review due 17-19 September 2013
Proportion of Building consent applications processed within 20 working days; (excludes days when consent is on hold awaiting additional information)	100%	<u>Not Achieved</u> 99.94% of consents processed in the 12 month period were processed within 20 working days. 1 consent exceeded the target time due to an administrative filing error. 648 consents were processed (last year 836).
Proportion of Inspections carried out within one working day of requested inspection date	100%	<u>Achieved</u> All inspections carried out within one working day or same day in some circumstances. No complaints received from applicants.
Proportion of known swimming pools inspected for compliance with requirements (drained if non-compliant)	100%	<u>Achieved</u> New pools constructed under building consent or existing pools inspected on request. If non-compliant, pool is required to be drained.
Progress on addressing earthquake-risk buildings	75% of earthquake-risk buildings assessed and reports received. Follow up action reviewed with owner	<u>Not Achieved</u> 55% of identified buildings have had IEP reports completed. Owners of identified earthquake prone buildings have been written to requesting a full assessment of their buildings. 40 buildings in total.

NO COMMUNITY SURVEY HELD IN 2012/13

COMMUNITY SURVEY – PERFORMANCE RATING

Inspections and Consents	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	38%	38%	43%	48%	44%
Not very satisfied	9%	12%	12%	9%	10%
Don't know	53%	50%	44%	43%	46%

REGULATORY SERVICES

Building Control

Cost of Service Statement

2011/12			2012/13	
Actual			Actual	Plan
\$			\$	\$
	Operating Costs			
742,765	Building Control costs		822,535	773,858
115,579	Project - Digitising building records		193,805	-
-	Project - Earthquake assessments		-	150,000
\$858,344			\$1,016,340	\$923,858
	Operating Income			
599,567	Consent fees & charges		650,496	648,500
-	Recoveries - Earthquake assessments		-	150,000
\$599,567			\$650,496	\$798,500
	Appropriations			
(115,000)	Transfers from reserves		(193,800)	-
\$143,777	Rates Requirement		\$172,044	\$125,358

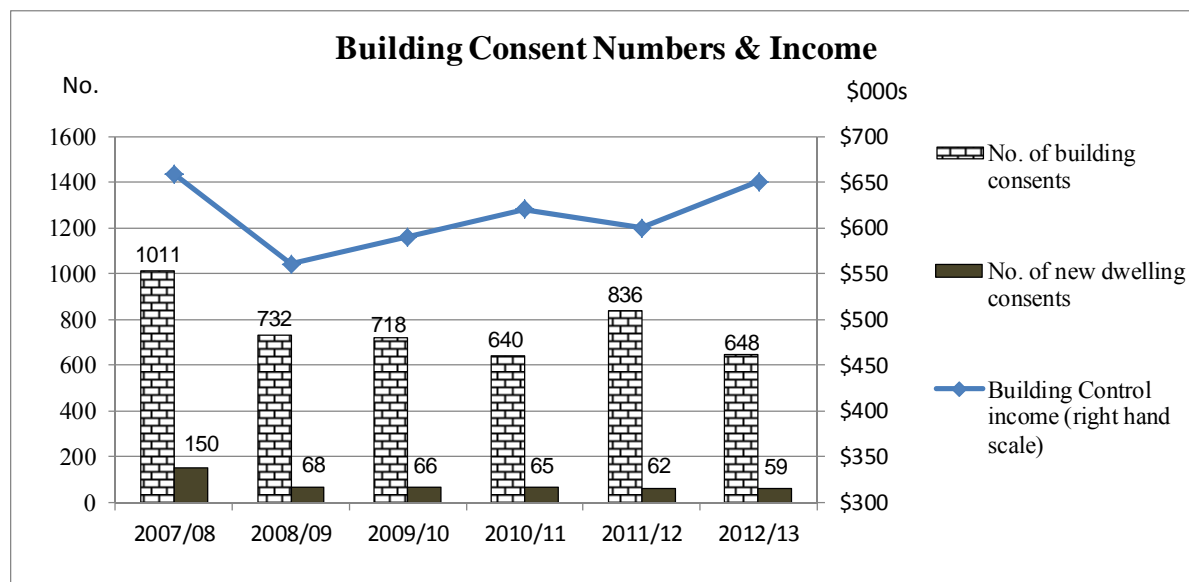
Variances from Plan

The Building Control activity costs were \$48,700 (6.2%) more than planned, largely due to the legal costs incurred in enforcing a prosecution for un-consented work.

The project to digitise all historic building consent records was originally budgeted as a capital project, but has now been categorised as operating expenditure. The cost of the work has been partly funded from the investment interest reserve fund, and \$50,000 from miscellaneous reserves which will be repaid over the next two years from operating income.

In the Plan, both operating costs and income allowed for \$150,000 for additional earthquake inspection work which would be recovered directly from building owners. The provision and the recovery were not required as the Government clarified the laws around earthquake-prone buildings.

Building consent fee income is close to the planned level.



REGULATORY SERVICES

ENVIRONMENTAL HEALTH, LIQUOR LICENSING, GENERAL INSPECTION AND PARKING CONTROL

Council staff and contractors carry out environmental health, liquor licensing and general inspection functions which include: monitoring and inspecting food premises, monitoring water quality, dealing with noise complaints, receiving and processing liquor licences and trade waste licences as well as enforcing bylaws and regulatory requirements and patrolling and enforcing parking restrictions.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
All registered premises comply with public safety requirements as evidenced by annual inspection and followed up with further visits for enforcement if necessary	100% food premises 100% trade waste premises	<u>Achieved</u> 352 food premises inspections and an additional 90 re-inspections were carried out. 49 health licence inspections were carried out with 1 follow up re-inspection required. No enforcement action necessary. <u>Not Achieved</u> 143 trade waste premises were inspected, being 98% of premises registered. One additional re-inspection was required. The remaining 2% of sites have been followed up subsequently.
Proportion of all licences or consents issued within statutory or policy deadlines	100%	<u>Not Achieved</u> 98% - 105 Special Licences (liquor) issued within the 10 working days, two issued 11 working days once all reports received from Medical Officer of Health and Police.
Proportion of i) noise and other urgent complaints responded to within one hour ii) other 'general' complaints responded to within two working days of notification;	90% 100%	<u>Achieved</u> 797 noise complaints received. 718 responded to within one hour (90.1%). Response time is dependent on contractor availability. <u>Achieved</u> 245 urgent complaints received and all responded to within one hour 365 non-urgent complaints received and all responded to within two working days.

Performance Indicators	Targets 2012/13	Results Relative to Target
Community water supplies are safe to drink. (Compliance with NZ Drinking Water Standards 2005 for monitoring community water supplies)	100% compliant	Achieved 10 community water supplies monitored for water quality in compliance to DWSNZ 2005 (revised 2008) bacterial criteria
Monitoring of compliance with environmental consent conditions for resource consents	100% compliance	Achieved 19 consents/sub-consents monitored in accordance with the consent conditions.
Number of public education programmes undertaken annually	2+ initiatives per year	Achieved Educational information and material covering all legislation requirements is available to public. Specialised information supplied on request. Water quality of pools at schools and hotels/motels were tested and educational information given to operators. 30 site visits were carried out. Hosted third year medical students during community contact week and one secondary student job placement.

NO COMMUNITY SURVEY HELD IN 2012/13

COMMUNITY SURVEY – PERFORMANCE RATING

Inspections and Consents	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	38%	38%	43%	48%	44%
Not very satisfied	9%	12%	12%	9%	10%
Don't know/NA	53%	50%	44%	43%	43%

REGULATORY SERVICES

Environmental Health & Licensing

Cost of Service Statement

2011/12		2012/13	2012/13
Actual		Actual	Plan
\$	Operating Costs	\$	\$
630,037	Environmental health & licensing costs	606,908	620,400
	Operating Income		
100,741	License fees & charges	86,313	96,700
214,187	Internal recoveries	204,830	180,000
314,928		291,143	276,700
	Appropriations		
-	Transfer to/(from) reserves - project funding	-	-
\$315,109	Rates Requirement	\$315,765	\$343,700

REGULATORY SERVICES

Bylaw Control / General Inspection

Cost of Service Statement

2011/12 Actual		2012/13 Actual	2012/13 Plan
\$	Operating Costs	\$	\$
249,363	General inspection (includes pool vehicles)	244,878	243,770
	Operating Income		
9,529	Miscellaneous recoveries	8,081	24,100
196,320	Internal recoveries	178,773	168,000
205,849		186,854	192,100
	Appropriations		
-	Transfers from reserves - project funding	-	-
\$43,514	Rates Requirement	\$58,024	\$51,670

Note: Plan operating cost and rates requirement figure for General inspection varies from the LTP due to correction of the allocation of depreciation between this activity and Rural Fire. There is no change to the overall planned Rates Requirement because of this allocation change.

REGULATORY SERVICES

Parking Control

Cost of Service Statement

2011/12 Actual		2012/13 Actual	2012/13 Plan
\$	Operating Costs	\$	\$
134,757	Parking control costs	142,478	137,224
5,499	Depreciation - meters	18,125	20,000
140,256		160,603	157,224
	Operating Income		
166,572	Parking meters and fines	224,028	205,500
	Appropriations		
-	Transfers to reserves	-	-
3,240	Provision for loan repayments	5,225	4,864
(\$23,076)	Rates Requirement	(\$58,201)	(\$43,412)

REGULATORY SERVICES

ANIMAL CONTROL

Council staff and contractors undertake animal control functions, which include responding to complaints about animals, impounding and releasing animals, finding homes for unclaimed animals, managing dog registrations, educating dog owners and the general public about dog and animal control.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
Customer satisfaction with animal control services	Maintain satisfaction	<u>N/A</u> No satisfaction survey in 2012/13
Proportion of urgent complaints responded to within one hour (dog attacking people or animals)	100%	<u>Not Achieved</u> 90.7% 172 urgent complaints attended, 156 were attended in the one hour timeframe
Proportion of non-urgent complaints responded to within 24 hours of notification (barking dogs or wandering animals)	100%	<u>Not Achieved</u> 95.7% 1,324 non-urgent complaints attended, 1,267 complaints attended in 24 hour timeframe
Undertake public education, school and community visits to promote safe behaviour around dogs and/or responsible dog ownership	6+ visits	<u>Achieved</u> 7 Visits

NO COMMUNITY SURVEY HELD IN 2012/13

COMMUNITY SURVEY – PERFORMANCE RATING

Animal Control	2007/08	2008/09	2009/10	2010/11	2011/12
Very satisfied/fairly satisfied	75%	75%	71%	75%	71%
Not very satisfied	18%	21%	22%	19%	24%
Don't know/NA	7%	4%	7%	6%	5%

REGULATORY SERVICES

Animal Control

Cost of Service Statement

2011/12		2012/13	2012/13
Actual		Actual	Plan
\$	Operating Costs	\$	\$
357,991	Dog control & pound	347,646	345,746
333,056	Operating Income	337,458	334,500
	Dog registration fees & fines		
	Appropriations		
-	Transfers from reserves	-	-
-	Transfer to reserves	-	-
\$24,935	Rates Requirement	\$10,188	\$11,246

REGULATORY SERVICES

EMERGENCY MANAGEMENT AND RURAL FIRE

Rural Fire

This activity is managed externally by the Wairarapa Rural Fire Authority. The Council pays a share of that organisation's operational costs, sourcing the funding from rural rates. The Council also incurs other costs such as depreciation on the fire station buildings it owns and corporate overheads allocated to the activity. No performance measures have been set for this activity as it is delivered by an external agency.

Emergency Management

The Wellington region is exposed to a wide range of natural and man-made hazards (earthquake, flooding, landslide, tsunami, storm, biological, chemical, terrorism, etc.). However, there is a great deal that we can do to reduce the impact of these hazards on our communities. Our approach to emergency management is based on the principles of reduction of risk, readiness, response and recovery.

Greater Wellington has joined with the city and district councils in the region to form a semi-autonomous Wellington Region Emergency Management Office (WREMO). All the councils' emergency management staff and resources were pooled together. We expect this to lead to improved effectiveness from increased scale and co-ordination, as well as efficiencies from the centralised provision of services such as training and public education. Local emergency management offices will be retained to enable effective local responses to emergencies.

The Civil Defence Emergency Management Act 2002 requires each region to have a CDEM Group and prepare a CDEM Group Plan. The Act also requires Greater Wellington to be the administering authority for the Wellington region CDEM Group. All WREMO staff are now employed by Greater Wellington while the work of WREMO is overseen by the CDEM Group (a joint committee of all the Mayors in the region, along with the Chair of Greater Wellington) and the Co-ordinating Executive Group (CEs of the nine councils, CEs of the district health boards, senior representatives from Police, Fire Service, Lifelines Organisations and Regional Welfare (Ministry of Social Development). Operational matters are overseen by the CEG Sub Committee (the general managers responsible for emergency management of the nine councils).

The new team started on 1 July 2012 and undertook the following:

- Developed and implemented the next generation Wellington Region CDEM Group Plan and associated plans (CDEM Business Plan, WREMO Annual Plan);
- produced a Community Resilience Strategy that can be viewed on the WREMO website
- educated people about the risks they face and how to prepare for emergency events;
- maintained the Wellington Region's emergency coordination centre (ECC) and the city and district councils' emergency operations centres (EOCs) so that they could be quickly activated to manage a regional emergency event. These centres have information management systems, robust communication systems and trained volunteer staff;
- worked with central government, emergency services, welfare groups, lifeline utilities and a wide range of interested and affected organisations on emergency management issues.

In Masterton the resource register is a living document and is regularly being updated to include rural/coastal coordinators and other key agencies.

Masterton was one of the top five local authority areas in the country regarding its participation in the NZ Shakeout earthquake awareness campaign (September 2012).

REGULATORY SERVICES

**Emergency Management/CD & Rural Fire
Cost of Service Statement**

2011/12 Actual		2012/13 Actual	2012/13 Plan
\$	Operating Costs	\$	\$
203,712	Emergency management costs	201,481	213,500
60,123	Rural fire costs - MDC	88,341	37,808
199,200	Wairarapa Rural Fire Authority (MDC share)	204,799	204,000
463,035		494,621	455,308
	Operating Income		
83,436	Rural fire & CD/EM recoveries	43,533	-
	Appropriations		
5,000	Transfers to reserves - self insurance	25,000	5,000
\$384,599	Rates Requirement	\$476,088	\$460,308

Note: Plan operating cost and rates requirement figures for General inspection and Rural fire vary from the LTP due to correction of the allocation of depreciation between these two activities. There is no change to the overall planned Rates Requirement because of this allocation change.

REGULATORY SERVICES

Rates Requirement Summary

2011/12 Actual	Activity	2012/13 Actual	2012/13 Plan
\$		\$	\$
437,813	Resource Management & Planning	475,382	478,816
123,119	River Scheme Contributions	129,718	125,100
143,777	Building Control	172,044	125,358
315,109	Environmental Health & Licensing	315,765	343,700
43,514	Bylaw Control & General Inspection	58,024	51,670
(23,076)	Parking control	(58,201)	(43,412)
233,364	Rural Fire Control	259,767	241,808
24,935	Animal Control	10,188	11,246
151,235	Emergency Management	216,321	218,500
\$1,449,790	Rates Requirement	\$1,579,008	\$1,552,786

REGULATORY SERVICES

Capital Expenditure Summary

2011/12 Actual	Capital Expenditure	2012/13 Actual	2012/13 Plan
\$		\$	\$
73,388	Fleet vehicle replacements	57,461	60,000
10,426	Rural Fire & EM/CD	4,848	-
2,715	Environmental Health equipment	6,414	7,000
-	Building consent records digitised	-	100,000
276,711	Replacement parking meters	6,017	-
\$363,240		\$74,740	\$167,000
	Capital Funding		
(358,027)	Transfer from reserves	(74,740)	(167,000)
(5,213)	External contributions	-	-
(\$363,240)		(\$74,740)	(\$167,000)

GOVERNANCE AND CORPORATE SERVICES

Governance and corporate services together perform the duties of local government under the Local Government Act 2002. They maintain the democratic process of Local Government and deliver a range of public services.

Overall Performance: Service levels have been maintained as per the Long Term Plan (LTP). The LTP did not provide for any significant increase in service levels for this group of activities.

Contribution to Community Outcomes: Through its oversight of all Council services this activity contributed to A Knowledgeable Community, An Active, Involved and Caring Community, A Sustainable, Healthy Environment and a Strong, Resilient Economy. Minutes and agendas were posted on the Council's website and available in the Library and the Council building. The Council supported the Wellington Regional Strategy and contributed to the Regional Amenities Fund recognising the benefits of the wider Wellington to the Masterton economy. The Council jointly submitted a reorganisation proposal for a Wairarapa United Authority as being in the best strategic interests of the region. The Sister Cities programme resulted in a number of visits to Masterton from contacts and further opportunities for export and exchanges are being followed up.

The performance indicators, targets and results reported below (including prior year comparisons in brackets) are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

Performance Measures

Performance Indicators	Targets 2012/13	Results Relative to Target
<p>Key documents and projects are consulted on and adopted following consideration of submissions</p> <p>i) Adoption of Annual Plan</p> <p>ii) Adoption of Annual Report</p> <p>iii) New or revised policies incorporate concepts of sustainable development and are consulted on in accordance with the Policy on Significance.</p>	<p>By 30 June each year</p> <p>By end of October 2012</p>	<p>Achieved</p> <p>The 2013/14 Annual Plan was adopted on 26 June 2013</p> <p>The 2011/12 Annual Report was adopted on 31 October 2012</p> <p>The Gambling Venues Policy was revised in this year and following public consultation, affirmed the capping of numbers of gambling venues and sinking lid on the numbers of gaming machines.</p>
<p>The public is informed about council decisions and performance:</p> <p>i) Satisfaction with consultation on Council decisions</p> <p>ii) Key Council information is communicated to all householders and ratepayers via summaries of major documents, the council column and online</p>	<p>Maintain satisfaction</p> <p>100% compliance</p>	<p><u>N/A</u></p> <p>No satisfaction survey in 2012/13</p> <p>Achieved</p> <p>Summaries of the Annual Report and Draft Annual Plan were printed in the Wairarapa News, and distributed to all households and businesses in the Wairarapa. Copies were mailed to ratepayers outside the distribution area. The Council column was printed fortnightly in the Wairarapa News. All media releases are published on the Council website.</p>

Performance Indicators	Targets 2012/13	Results Relative to Target
<p>i) Māori Liaison Task Group considers and reports to the Council on issues of relevance to Māori</p> <p>ii) Report on implementation of the Memorandum of Relationship with Rangitāne o Wairarapa and Ngati Kahungunu ki Wairarapa</p> <p>iii) Iwi advice is sought on relevant resource management issues</p>	<p>At least four times annually</p> <p>Members report satisfaction with outcomes of meetings</p> <p>Three-year implementation plan agreed with each iwi</p> <p>Iwi advice reported</p>	<p><u>Achieved</u> The Maori Liaison Task Group, under the chairmanship of Councillor Jane Terpstra, met in August, October, December and March during the 2012-13 year. The group finalised the criteria for the Marae Development Fund and allocated grants in support of events and groups.</p> <p><u>Part Achieved</u> Implementation of the Memorandum of Partnership with each of the two iwi is in progress. Targets are to be set for implementation and the Council has agreed to develop Te Reo and Treaty of Waitangi Policies.</p> <p><u>Achieved</u> Iwi have been involved in processes for removal of eels from the decommissioned sewage ponds. Iwi were consulted on plans for the Town Square to include representation of their stories.</p>
<p>Report on impact of collaborative activities with other local authorities</p>	<p>Report Annually</p>	<p>The following collaborative activities have been reported to the Council.</p> <ul style="list-style-type: none"> • joint roading contract with Carterton has commenced to provide human resource and roading expertise for Carterton • solid waste contracts to achieve consistency of cost and income across the three councils • shared procurement of aerial photography with Wellington Region achieved cost savings • shared Bylaws with South Wairarapa have achieved consistency across the two councils • Sale and Supply of Alcohol is being worked on with the three Wairarapa Councils • The Wairarapa Gambling Venues Policy was reviewed and adopted by all three councils to achieve consistency • The Wairarapa Councils have worked together on options for reorganisation and lodged a joint proposal for a Wairarapa Unitary Authority with the Local Government Commission • Planning documents and forms are consistent across the three Wairarapa councils

Governance

Cost of Service Statement

2011/12		2012/13	2012/13
Actual	Operating Costs	Actual	Plan
\$		\$	\$
312,586	Mayor & Councillors' remuneration	321,361	325,700
97,591	Reporting & consultation	66,755	102,500
136,547	Wairarapa governance study (MDC share)	340,416	87,000
-	Election costs (net)	20,675	15,000
373,233	Operating expenses	367,167	384,065
919,957		1,116,374	914,265
	Operating Income		
354,000	Internal allocation of governance costs (per Funding Policy 40% internal)	352,765	342,733
354,000		352,765	342,733
	Appropriations		
(42,245)	Transfers from reserves	(254,429)	(40,000)
15,000	Transfers to reserves	20,000	-
\$538,712	Rates Requirement	\$529,179	\$531,532

INTERNAL FUNCTIONS

Roading Advisory Services

Cost of Service Statement

2011/12		2012/13	2012/13
Actual	Operating Costs	Actual	Plan
\$		\$	\$
459,970	Professional staff & operating costs	490,995	460,238
7,514	Depreciation	3,910	6,800
467,484		494,905	467,038
	Operating Income		
269,977	Prof. services - subsidised roading	315,288	359,800
195,558	Prof. services - non-subsidised roading	195,558	140,238
17,497	Prof. services - other Council activities	17,497	7,500
12,703	External income	6,389	500
495,735		534,732	508,038
	Appropriations		
5,000	Transfer to reserves	-	5,000
(\$23,251)	Rates Requirement	(\$39,827)	(\$36,000)

INTERNAL FUNCTIONS

Asset & Project Management

Cost of Service Statement

2011/12		2012/13	2012/13
Actual	Operating Costs	Actual	Plan
\$		\$	\$
520,519	Professional staff & operating costs	585,470	569,763
	Operating Income		
519,986	Internal charges	584,803	569,763
533	External recoveries	667	-
520,519		585,470	569,763
	Appropriations		
-	Transfer to reserves	-	-
\$0	Rates Requirement	\$0	\$0

INTERNAL FUNCTIONS

Corporate Services

Cost of Service Statement

2011/12 Actual \$		2012/13 Actual \$	2012/13 Plan \$
	Operating Costs		
1,347,853	Management & administration	1,265,294	1,474,766
1,208,996	Financial management	1,204,679	1,213,856
406,240	Information systems	394,171	384,020
2,963,089		2,864,144	3,072,642
	Operating Income		
239,292	Miscellaneous income & recoveries	202,547	175,950
868,252	Interest income (external)	912,413	721,000
283,252	Interest income (on internal loans)	261,289	271,400
35,456	Other Internal recoveries	53,865	-
2,431,644	Support services allocated internally	2,579,069	2,634,292
3,857,896		4,009,183	3,802,642
	Appropriations		
(25,000)	Transfer (from) reserves	-	(20,000)
30,000	Transfers to reserves (c/fwd funds)	270,000	-
889,807	Transfer to reserves - interest	875,040	750,000
\$0	Rates Requirement	\$0	\$0

INTERNAL FUNCTIONS

Capital Expenditure Summary

2011/12 Actual \$		2012/13 Actual \$	2012/13 Plan \$
	Services Engineering		
-	Survey Equipment	12,604	-
	Corporate Services		
69,925	Computer system upgrades	84,964	110,000
-	GIS server, aerial photos & database	35,686	70,000
-	Records management system	-	50,000
69,925		133,254	230,000
	Capital Funding		
(69,925)	Transfer from reserves	(133,254)	(230,000)

Note: Plan operating costs between the Corporate departments vary from the LTP due to correction of the allocation of depreciation. There is no change to the Plan operating cost sub-total.

Variances from Plan

Within Governance activity, the joint Wairarapa Councils' study of governance options has exceeded the budget provision as the project grew from the scope that was initially envisaged. The unbudgeted cost has been met by savings made in the corporate areas, transferred via special funds & reserves.

Within corporate cost centres various operational cost savings have been achieved, with the \$2.58 million allocated across operating activities being 2.1% below the value planned. As described above, the majority of these savings have been utilised to fund Masterton's share of the costs of the governance review. Corporate costs allocated are 7.2% of planned operating expenditure.

External interest income is recognised via the Corporate activity. This income was 26.8% more than planned, allowing some \$136,000 extra income to be added to the investment interest reserve fund.

In the capital projects, the aerial photography project was completed in conjunction with the Wellington region Councils and significant cost savings were achieved through this shared services initiative. The records management project has again been deferred, pending alignment of the Wairarapa Councils' IT needs and capabilities.

FUNDING IMPACT STATEMENTS

As per the Local Government Act 2002 (Schedule 10, sec 26) the Council is required to produce an audited funding impact statement for the Council and for each group of activities comparing the information in the required format with the long-term plan. Set out on the following 10 pages are the funding impact statements in the required format. There are no prior year comparatives as this statement format was not required in 2011/12, however the 2011/12 Plan figures were restated for the LTP in this format and have been included below.

FUNDING IMPACT STATEMENT			
as required by the Local Government (Financial Reporting) Regulations 2011			
Plan 2011/12 \$000s	COUNCIL	Actual 2012/13 \$000s	Plan 2012/13 \$000s
Sources of Operating Funding			
13,167	General rates, uniform charges, rates penalties*	13,781	13,759
8,634	Targeted rates (excluding water by meter)*	10,218	10,112
2,252	Subsidies and grants (for operating)	2,342	2,014
5,423	Fees & charges (incl metered water)	5,654	5,969
775	Interest & dividends	925	734
249	Other receipts (incl petrol tax & fines)	252	248
<u>30,500</u>	Total operating funding (A)	<u>33,173</u>	<u>32,836</u>
Applications of Operating Funding			
22,005	Payments to staff and suppliers	22,591	22,841
2,624	Finance costs	2,749	3,035
-	Other operating funding applications	-	-
<u>24,629</u>	Total applications of operating funding (B)	<u>25,340</u>	<u>25,877</u>
<u>5,871</u>	Surplus/(Deficit) of operating funding (A-B)	<u>7,833</u>	<u>6,959</u>
Sources of Capital Funding			
3,112	Subsidies & grants for capital expenditure	2,069	2,482
504	Development & financial contributions	714	334
22,630	Increase/(decrease) in debt	8,108	10,790
15	Gross proceeds from sale of assets	13	-
769	Lump sum contributions	-	-
<u>27,030</u>	Total sources of capital funding (C)	<u>10,903</u>	<u>13,606</u>
Application of Capital Funding			
Capital expenditure:			
425	- to meet additional demand	-	-
23,252	- to improve level of service	8,113	11,305
12,450	- to replace existing assets	8,373	10,437
(3,166)	Increase/(decrease) in reserves	249	(1,139)
(60)	Increase/(decrease) in investments	2,001	(38)
<u>32,901</u>	Total application of capital funding (D)	<u>18,736</u>	<u>20,565</u>
<u>(5,871)</u>	Surplus / (deficit) of capital funding (C-D)	<u>(7,833)</u>	<u>(6,959)</u>
<u>-</u>	Funding balance (A-B)+(C-D)	<u>0</u>	<u>0</u>

* Rates income at the Council level is net of rates charged on Council properties.

Plan 2011/12 \$000s	FUNDING IMPACT STATEMENT	Actual 2012/13 \$000s	Plan 2012/13 \$000s
	Reconciliation		
	- between FIS & Financial Statements		
30,500	Operating Income - per FIS	33,173	32,836
4,385	Capital Funding (income)- per FIS	2,782	2,816
34,885		35,956	35,652
-	Other Gains	1,634	-
34,885	Operating Income - per Stmt of Comp. Income	37,589	35,652
0		0	(0)
24,629	Operating Expenditure - per FIS	25,340	25,877
8,807	Add depreciation	9,981	9,739
33,436		35,321	35,616
-	Other Losses	4,377	-
33,436	Operating Expenditure - per Stmt of Comp. Income	39,698	35,616
0		(0)	(0)
36,127	Capital Expenditure - per FIS	16,486	21,742
36,127	Capital Expenditure - per Cost of Service Statements	16,486	21,742
-		(0)	(0)
(6,360)	Transfer to/(from) Reserves - per COSS	(3,175)	(4,590)
3,194	Depreciation transferred to reserves - per COSS	3,412	3,451
(3,166)		236	(1,139)
(3,166)	Increase/(Decrease) in Reserves - per FIS	236	(1,139)
		-	-

DEPRECIATION by Group

As per the Local Government Act (Financial Reporting) Regulations 2011

\$000s Plan 2012/13	Groups of Activities	\$000s Actual 2012/13	\$000s Actual 2011/12
4,433	Roading	4,490	4,448
1,238	Water Services	1,246	1,285
1,744	Sewerage Services	1,878	1,678
223	Stormwater	235	230
76	Solid Waste Services	83	89
1,796	Community Facilities/Activities	1,836	1,742
107	Regulatory Services	106	105
18	Governance	14	13
106	Internal Functions	94	93
\$9,739		\$9,981	\$9,683

FUNDING IMPACT STATEMENT

as required by the Local Government (Financial Reporting) Regulations 2011

Plan 2011/12 \$000s	ROADING	Actual 2012/13 \$000s	Plan 2012/13 \$000s
Sources of Operating Funding			
5,175	General rates, uniform charges, rates penalties	5,321	5,343
-	Targeted rates (excl water by meter)	-	-
2,144	Subsidies and grants (for operating)	2,115	1,931
48	Fees & charges	89	60
-	Internal charges & overheads recovered	-	-
-	Interest & dividends	-	-
168	Other receipts (incl petrol tax & fines)	166	162
<u>7,535</u>	Total operating funding (A)	<u>7,691</u>	<u>7,495</u>
Applications of Operating Funding			
4,473	Payments to staff and suppliers	4,458	4,338
49	Finance costs	24	28
1,090	Internal charges and overheads applied	1,086	1,140
-	Other operating funding applications	-	-
<u>5,612</u>	Total applications of operating funding (B)	<u>5,567</u>	<u>5,507</u>
<u>1,923</u>	Surplus/(Deficit) of operating funding (A-B)	<u>2,124</u>	<u>1,989</u>
Sources of Capital Funding			
2,996	Subsidies & grants for capital expenditure	2,031	2,482
150	Development & financial contributions	69	100
110	Increase /(decrease) in debt	76	33
-	Gross proceeds from sale of assets	-	-
-	Lump sum contributions	-	-
<u>3,256</u>	Total sources of capital funding (C)	<u>2,176</u>	<u>2,615</u>
Application of Capital Funding			
Capital expenditure:			
400	- to meet additional demand	-	-
711	- to improve level of service	283	573
5,264	- to replace existing assets	3,923	4,529
(1,268)	Increase/(decrease) in reserves	(77)	(732) *
72	Increase/(decrease) in investments	171	234
<u>5,179</u>	Total application of capital funding (D)	<u>4,300</u>	<u>4,604</u>
<u>(1,923)</u>	Surplus / (deficit) of capital funding (C-D)	<u>(2,124)</u>	<u>(1,989)</u>
<u>(0)</u>	Funding balance (A-B)+(C-D)	<u>(0)</u>	<u>0</u>

* The Plan allowed for depreciation funded into reserves as part of the change in investments.

FUNDING IMPACT STATEMENT

as required by the Local Government (Financial Reporting) Regulations 2011

Plan 2011/12 \$000s	WATER SERVICES	Actual 2012/13 \$000s	Plan 2012/13 \$000s
Sources of Operating Funding			
	General rates, uniform charges, rates penalties	-	-
2,544	Targeted rates (excl water by meter)	2,685	2,686
-	Subsidies and grants (for operating)	-	-
243	Fees & charges (incl metered water)	236	271
-	Internal charges & overheads recovered	-	-
10	Interest & dividends	10	10
-	Other receipts (incl petrol tax & fines)	-	-
<u>2,797</u>	Total operating funding (A)	<u>2,931</u>	<u>2,966</u>
Applications of Operating Funding			
1,375	Payments to staff and suppliers	1,486	1,386
115	Finance costs	99	119
466	Internal charges and overheads applied	464	477
	Other operating funding applications		
<u>1,956</u>	Total applications of operating funding (B)	<u>2,049</u>	<u>1,981</u>
<u>841</u>	Surplus/(Deficit) of operating funding (A-B)	<u>882</u>	<u>985</u>
Sources of Capital Funding			
-	Subsidies & grants for capital expenditure	4	-
7	Development & financial contributions	2	4
877	Increase /(decrease) in debt	523	1,070
	Gross proceeds from sale of assets		
	Lump sum contributions		
<u>884</u>	Total sources of capital funding (C)	<u>529</u>	<u>1,074</u>
Application of Capital Funding			
	Capital expenditure:		
	- to meet additional demand		-
	- to improve level of service	20	87
2,096	- to replace existing assets	1,768	2,156
(1,096)	Increase/(decrease) in reserves	(267)	(993) *
725	Increase/(decrease) in investments	(109)	809
<u>1,725</u>	Total application of capital funding (D)	<u>1,412</u>	<u>2,059</u>
<u>(841)</u>	Surplus / (deficit) of capital funding (C-D)	<u>(882)</u>	<u>(985)</u>
<u><u>-</u></u>	Funding balance (A-B)+(C-D)	<u><u>0</u></u>	<u><u>(0)</u></u>

* The Plan allowed for depreciation funded into reserves as part of the change in investments.

FUNDING IMPACT STATEMENT

as required by the Local Government (Financial Reporting) Regulations 2011

Plan 2011/12 \$000s	SEWERAGE SERVICES	Actual 2012/13 \$000s	Plan 2012/13* \$000s
Sources of Operating Funding			
	General rates, uniform charges, rates penalties		-
4,367	Targeted rates (excluding water by meter)	5,706	5,572
-	Subsidies and grants (for operating)	-	-
314	Fees & charges	243	554
4	Internal charges & overheads recovered	7	4
	Interest & dividends	-	-
	Other receipts (incl petrol tax & fines)	-	-
<u>4,685</u>	Total operating funding (A)	<u>5,956</u>	<u>6,130</u>
Applications of Operating Funding			
797	Payments to staff and suppliers	1,068	1,266
2,275	Finance costs	2,248	2,460
497	Internal charges and overheads applied	730	719
	Other operating funding applications		
<u>3,569</u>	Total applications of operating funding (B)	<u>4,046</u>	<u>4,445</u>
<u>1,116</u>	Surplus/(Deficit) of operating funding (A-B)	<u>1,911</u>	<u>1,685</u>
Sources of Capital Funding			
116	Subsidies & grants for capital expenditure	31	-
-	Development & financial contributions	147	-
21,022	Increase /(decrease) in debt	7,740	9,827
	Gross proceeds from sale of assets	-	
769	Lump sum contributions		
<u>21,907</u>	Total sources of capital funding (C)	<u>7,919</u>	<u>9,827</u>
Application of Capital Funding			
Capital expenditure:			
	- to meet additional demand		-
21,450	- to improve level of service	7,120	9,800
1,900	- to replace existing assets	1,748	2,105
(1,145)	Increase/(decrease) in reserves	(858)	(1,050) *
818	Increase/(decrease) in investments	1,820	657
<u>23,023</u>	Total application of capital funding (D)	<u>9,830</u>	<u>11,512</u>
<u>(1,116)</u>	Surplus / (deficit) of capital funding (C-D)	<u>(1,911)</u>	<u>(1,685)</u>
<u>-</u>	Funding balance (A-B)+(C-D)	<u>(0)</u>	<u>0</u>

Note: The LTP (vol.1, page 143) contained an error - the Group FIS for Sewerage was an out-dated version. The Plan for Year 2 (2013/14) corrected version is included here for comparison purposes.

* The Plan allowed for depreciation funded into reserves as part of the change in investments.

FUNDING IMPACT STATEMENT

as required by the Local Government (Financial Reporting) Regulations 2011

Plan 2011/12 \$000s	STORMWATER SERVICES	Actual 2012/13 \$000s	Plan 2012/13 \$000s
Sources of Operating Funding			
376	General rates, uniform charges, rates penalties	381	381
-	Targeted rates (excluding water by meter)	-	-
-	Subsidies and grants (for operating)	-	-
-	Fees & charges (incl metered water)	-	-
-	Internal charges & overheads recovered	-	-
-	Interest & dividends	-	-
-	Other receipts (incl petrol tax & fines)	-	-
<u>376</u>	Total operating funding (A)	<u>381</u>	<u>381</u>
Applications of Operating Funding			
114	Payments to staff and suppliers	112	122
88	Finance costs	64	76
114	Internal charges and overheads applied	97	111
-	Other operating funding applications	-	-
<u>316</u>	Total applications of operating funding (B)	<u>273</u>	<u>309</u>
<u>60</u>	Surplus/(Deficit) of operating funding (A-B)	<u>108</u>	<u>72</u>
Sources of Capital Funding			
-	Subsidies & grants for capital expenditure	-	-
-	Development & financial contributions	-	-
229	Increase /(decrease) in debt	106	70
-	Gross proceeds from sale of assets	-	-
-	Lump sum contributions	-	-
<u>229</u>	Total sources of capital funding (C)	<u>106</u>	<u>70</u>
Application of Capital Funding			
Capital expenditure:			
-	- to meet additional demand	-	-
300	- to improve level of service	87	150
100	- to replace existing assets	105	155
(235)	Increase/(decrease) in reserves	(24)	(260) *
124	Increase/(decrease) in investments	45	97
<u>289</u>	Total application of capital funding (D)	<u>213</u>	<u>142</u>
<u>(60)</u>	Surplus / (deficit) of capital funding (C-D)	<u>(108)</u>	<u>(72)</u>
<u>-</u>	Funding balance (A-B)+(C-D)	<u>0</u>	<u>(0)</u>

* The Plan allowed for depreciation funded into reserves as part of the change in investments.

FUNDING IMPACT STATEMENT

as required by the Local Government (Financial Reporting) Regulations 2011

Plan 2011/12 \$000s	SOLID WASTE SERVICES	Actual 2012/13 \$000s	Plan 2012/13 \$000s
Sources of Operating Funding			
765	General rates, uniform charges, rates penalties	793	805
382	Targeted rates	411	393
70	Subsidies and grants (for operating)	69	66
1,906	Fees & charges (incl metered water)	2,149	2,071
247	Internal charges & overheads recovered	198	179
	Interest & dividends	-	-
	Other receipts (incl petrol tax & fines)	-	-
3,370	Total operating funding (A)	3,619	3,515
Applications of Operating Funding			
2,611	Payments to staff and suppliers	2,494	2,717
93	Finance costs	101	101
591	Internal charges and overheads applied	559	613
	Other operating funding applications		
3,295	Total applications of operating funding (B)	3,154	3,431
75	Surplus/(Deficit) of operating funding (A-B)	465	85
Sources of Capital Funding			
-	Subsidies & grants for capital expenditure	-	-
-	Development & financial contributions	-	-
(49)	Increase /(decrease) in debt	(54)	46
	Gross proceeds from sale of assets		
	Lump sum contributions		
(49)	Total sources of capital funding (C)	(54)	46
Application of Capital Funding			
	Capital expenditure:		
	- to meet additional demand	-	-
	- to improve level of service	17	100
30	- to replace existing assets	(1)	20
(30)	Increase/(decrease) in reserves	190	(30) *
26	Increase/(decrease) in investments	205	41
26	Total application of capital funding (D)	411	131
(75)	Surplus / (deficit) of capital funding (C-D)	(465)	(85)
-	Funding balance (A-B)+(C-D)	(0)	(0)

* The Plan allowed for depreciation funded into reserves as part of the change in investments.

FUNDING IMPACT STATEMENT

as required by the Local Government (Financial Reporting) Regulations 2011

Plan 2011/12 \$000s	COMMUNITY FACILITIES / ACTIVITIES	Actual 2012/13 \$000s	Plan 2012/13 \$000s
Sources of Operating Funding			
5,042	General rates, uniform charges, rates penalties	5,415	5,414
1,468	Targeted rates (excluding water by meter)	1,627	1,597
61	Subsidies and grants (for operating)	145	81
1,171	Fees & charges	1,372	1,327
175	Internal charges & overheads recovered	243	216
-	Interest & dividends	-	-
21	Other receipts (incl petrol tax & fines)	18	23
<u>7,938</u>	Total operating funding (A)	<u>8,819</u>	<u>8,658</u>
Applications of Operating Funding			
6,000	Payments to staff and suppliers	6,049	6,222
162	Finance costs	207	247
1,120	Internal charges and overheads applied	1,315	1,163
<u>7,282</u>	Total applications of operating funding (B)	<u>7,570</u>	<u>7,632</u>
<u>656</u>	Surplus/(Deficit) of operating funding (A-B)	<u>1,249</u>	<u>1,026</u>
Sources of Capital Funding			
-	Subsidies & grants for capital expenditure	2	-
-	Development & financial contributions	13	-
499	Increase/(decrease) in debt	(247)	(251)
<u>499</u>	Total sources of capital funding (C)	<u>(232)</u>	<u>(251)</u>
Application of Capital Funding			
Capital expenditure:			
25	- to meet additional demand	-	-
1,953	- to improve level of service	405	445
1,112	- to replace existing assets	786	1,225
(2,457)	Increase/(decrease) in reserves	(97)	(2,010) *
522	Increase/(decrease) in investments	(78)	1,114
<u>1,155</u>	Total application of capital funding (D)	<u>1,016</u>	<u>774</u>
<u>(656)</u>	Surplus / (deficit) of capital funding (C-D)	<u>(1,249)</u>	<u>(1,025)</u>
<u>-</u>	Funding balance (A-B)+(C-D)	<u>0</u>	<u>0</u>

* The Plan allowed for depreciation funded into reserves as part of the change in investments.

FUNDING IMPACT STATEMENT

as required by the Local Government (Financial Reporting) Regulations 2011

Plan 2011/12 \$000s	REGULATORY SERVICES	Actual 2012/13 \$000s	Plan 2012/13 \$000s
	Sources of Operating Funding		
1,488	General rates, uniform charges, rates penalties	1,599	1,553
-	Targeted rates	-	-
-	Subsidies and grants (for operating)	2	-
1,326	Fees & charges	1,345	1,451
463	Internal charges & overheads recovered	425	390
2	Interest & dividends	2	2
60	Other receipts (incl petrol tax & fines)	81	63
3,339	Total operating funding (A)	3,453	3,459
	Applications of Operating Funding		
2,365	Payments to staff and suppliers	2,521	2,394
2	Finance costs	4	4
815	Internal charges and overheads applied	827	832
	Other operating funding applications		
3,182	Total applications of operating funding (B)	3,352	3,230
157	Surplus/(Deficit) of operating funding (A-B)	101	228
	Sources of Capital Funding		
	Subsidies & grants for capital expenditure	-	-
280	Development & financial contributions	483	230
(3)	Increase/(decrease) in debt	(12)	(5)
	Gross proceeds from sale of assets	13	
	Lump sum contributions		
277	Total sources of capital funding (C)	483	225
	Application of Capital Funding		
	Capital expenditure:		
	- to meet additional demand		-
10	- to improve level of service	5	100
402	- to replace existing assets	70	67
(20)	Increase/(decrease) in reserves	497	180 *
42	Increase/(decrease) in investments	13	106
434	Total application of capital funding (D)	585	453
(157)	Surplus / (deficit) of capital funding (C-D)	(101)	(228)
-	Funding balance (A-B)+(C-D)	0	0

* The Plan allowed for depreciation funded into reserves as part of the change in investments.

FUNDING IMPACT STATEMENT

as required by the Local Government (Financial Reporting) Regulations 2011

Plan 2011/12 \$000s	GOVERNANCE	Actual 2012/13 \$000s	Plan 2012/13 \$000s
	Sources of Operating Funding		
484	General rates, uniform charges, rates penalties	532	532
-	Targeted rates (excluding water by meter)	-	-
-	Subsidies and grants (for operating)	-	-
-	Fees & charges	-	-
325	Internal charges & overheads recovered	353	343
-	Interest & dividends	-	-
-	Other receipts (incl petrol tax & fines)	-	-
809	Total operating funding (A)	885	874
	Applications of Operating Funding		
572	Payments to staff and suppliers	837	641
-	Finance costs	-	-
262	Internal charges and overheads applied	279	273
-	Other operating funding applications	-	-
834	Total applications of operating funding (B)	1,116	914
(25)	Surplus/(Deficit) of operating funding (A-B)	(231)	(40)
	Sources of Capital Funding		
-	Subsidies & grants for capital expenditure	-	-
-	Development & financial contributions	-	-
-	Increase /(decrease) in debt	-	-
-	Gross proceeds from sale of assets	-	-
-	Lump sum contributions	-	-
-	Total sources of capital funding (C)	-	-
	Application of Capital Funding		
	Capital expenditure:		
-	- to meet additional demand	-	-
-	- to improve level of service	-	-
-	- to replace existing assets	-	-
(25)	Increase/(decrease) in reserves	(220)	(40)
-	Increase/(decrease) in investments	(11)	-
(25)	Total application of capital funding (D)	(231)	(40)
25	Surplus / (deficit) of capital funding (C-D)	231	40
-	Funding balance (A-B)+(C-D)	(0)	0

FUNDING IMPACT STATEMENT

as required by the Local Government (Financial Reporting) Regulations 2011

Plan 2011/12 \$000s	INTERNAL FUNCTIONS	Actual 2012/13 \$000s	Plan 2012/13 \$000s
	Sources of Operating Funding		
	General rates, uniform charges, rates penalties		
	Targeted rates (excluding water by meter)		
-	Subsidies and grants (for operating)	11	-
173	Fees & charges	210	170
3,932	Internal charges & overheads recovered	4,007	3,988
775	Interest & dividends	913	722
-	Other receipts (incl petrol tax & fines)	-	-
4,880	Total operating funding (A)	5,142	4,880
	Applications of Operating Funding		
3,886	Payments to staff and suppliers	3,567	3,755
-	Finance costs	3	-
228	Internal charges and overheads applied	280	248
4,114	Other operating funding applications	3,850	4,004
	Total applications of operating funding (B)		
766	Surplus/(Deficit) of operating funding (A-B)	1,291	877
	Sources of Capital Funding		
-	Subsidies & grants for capital expenditure	-	-
-	Development & financial contributions	-	-
-	Increase /(decrease) in debt	(24)	-
	Gross proceeds from sale of assets		
-	Lump sum contributions	(24)	-
	Total sources of capital funding (C)		
	Application of Capital Funding		
	Capital expenditure:		
	- to meet additional demand		-
75	- to improve level of service	13	50
130	- to replace existing assets	121	180
625	Increase/(decrease) in reserves	1,106	505
(64)	Increase/(decrease) in investments	28	142
766	Total application of capital funding (D)	1,267	877
(766)	Surplus / (deficit) of capital funding (C-D)	(1,291)	(877)
-	Funding balance (A-B)+(C-D)	(0)	(0)

REPORT ON EQUAL EMPLOYMENT OPPORTUNITIES

The Masterton District Council supports the principles and practices of Equal Employment Opportunities (EEO) as a means of ensuring all applicants and employees have equal opportunity to achieve their potential.

The Council is committed to ensuring equality of opportunity in all forms of paid employment and therefore rejects unfair discrimination on any grounds including gender, marital status, religious or ethical belief, race or colour, ethnic or national origins, disability, age, political opinion, employment status, family status, sexual orientation and involvement in union activities.

EEO is also a means of recognising the aims and aspirations of Maori thereby contributing to the spirit of partnership envisaged by the Treaty of Waitangi.

The Council believes that the organisation will benefit from a diverse workforce. It is committed to recognising and valuing the different skills, talents, experiences and perspectives of its employees. The Council's EEO Policy, reviewed in 2002, aims to provide a culturally sensitive, safe and healthy working environment which promotes a positive climate for employees, actively seeks to enhance employee skills and abilities, and ensures appointment and promotional opportunities on relevant merit.

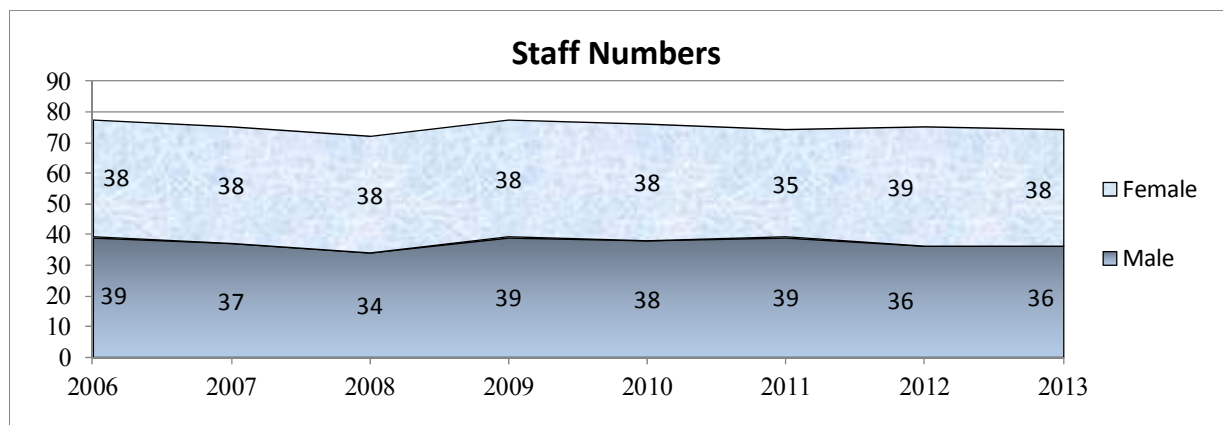
Key Activities

Maintain an effective EEO database of Council employees.

Objectives	Performance Measures	Results
Update and maintain the EEO database.	Database is up to date	<u>Achieved</u> Database is maintained as part of payroll systems.

The following staff analysis reflects the position at 30 June in each year (note: F/T = full time, P/T = part time where a full time employee is determined on the basis of a 40 hour working week). The figures represent all staff employed by the Council, but exclude contractors and any people paid via the Council's payroll, but employed by other organisations. The numbers for part timers have been converted to full time equivalents to be consistent with the numbers reported in note 19. *2012 figures vary from originally reported as a consistent methodology had not been applied.

Staff Analysis	30 June 2010		30 June 2011		30 June 2012*		30 June 2013	
	F/T	P/T	F/T	P/T	F/T	P/T	F/T	P/T
Male								
Maori	-	1	0	1	0	1	0	1
European	34	2	35	2	33	1	32	2
Other	2	0	2	0	1	0	1	0
Female								
Maori	1	1	1	1	1	1	1	1
European	30	10	27	10	24	13	23	12
Other	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>
	68	14	66	14	59	16	58	16



FINANCIAL STATEMENTS

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NOTES TO THE ACCOUNTS



MASTERTON DISTRICT COUNCIL

STATEMENT OF FINANCIAL POSITION as at 30 June 2013				
\$		Notes	\$	\$
30 June 2012			30 June 2013	Plan
CURRENT ASSETS				
2,608,029	Cash & cash equivalents	10	3,234,041	1,200,000
2,965,741	Other financial assets	11	3,120,256	4,311,481
178,341	Inventories	8	185,783	180,000
4,869,843	Debtors and other receivables	9	3,445,205	2,957,401
<u>10,621,954</u>	Total Current Assets		<u>9,985,285</u>	<u>8,648,882</u>
NON-CURRENT ASSETS				
86,383,250	Property, equipment & other assets	12,13	85,512,426	92,740,062
608,975,691	Infrastructural assets	12,13	612,617,907	620,375,988
4,769,392	Intangible assets	14	4,593,021	4,406,000
704,478	Forestry assets	15	899,077	899,295
2,049,700	Investment property	16	2,041,700	1,550,000
0	Derivative financial instruments	22	21,380	0
	Other financial assets	11		
407,269	- Investments in CCO's & other similar entities		659,819	400,000
9,536,188	- Investments in other entities		9,207,951	7,947,652
<u>712,825,968</u>	Total Non-current Assets		<u>715,553,281</u>	<u>728,318,997</u>
<u>\$723,447,922</u>	TOTAL ASSETS		<u>\$725,538,566</u>	<u>\$736,967,879</u>
CURRENT LIABILITIES				
8,644,214	Creditors & other payables	20	6,079,438	5,870,840
741,947	Employee benefits	21	814,195	787,950
82,548	Provisions (current)	23	103,774	20,000
6,540,457	Financial liabilities - current portion	24	1,646,202	1,594,153
<u>16,009,166</u>	Total Current Liabilities		<u>8,643,609</u>	<u>8,272,943</u>
NON-CURRENT LIABILITIES				
35,403,903	Financial liabilities	24	48,406,204	50,390,605
3,240,651	Derivative financial instruments	22	1,848,581	0
80,240	Employee benefits	21	82,444	72,100
286,218	Provisions & other liabilities	23	274,246	400,000
<u>39,011,012</u>	Total Non-current Liabilities		<u>50,611,475</u>	<u>50,862,705</u>
<u>\$668,427,744</u>	NET ASSETS		<u>\$666,283,482</u>	<u>\$677,832,231</u>
PUBLIC EQUITY				
426,748,869	Retained earnings (ratepayers' equity)	25	425,164,322	429,876,438
224,695,529	Revaluation reserves	25	223,886,568	232,577,936
16,983,346	Special funds & restricted reserves	28	17,232,592	15,377,857
<u>\$668,427,744</u>	TOTAL PUBLIC EQUITY		<u>\$666,283,482</u>	<u>\$677,832,231</u>

The accompanying notes form part of these financial statements.



MASTERTON DISTRICT COUNCIL

STATEMENT OF COMPREHENSIVE INCOME				
For the Year Ended 30 June 2013				
\$ Actual 2011/12		Note	\$ Actual 2012/13	\$ Plan 2012/13
INCOME				
21,713,565	Rates Revenue	3	23,653,829	23,643,870
	Capital rates & subsidy			
1,073,688	- Riversdale Beach sewerage scheme	3 & 4	345,441	235,028
570,825	Financial Contributions		713,638	413,898
5,227,430	Subsidies and grants	4	4,373,448	4,602,187
912,278	Finance Income	5	924,124	734,000
5,665,604	Other Operating Revenue	4	5,944,837	6,023,179
422,000	Assets vested from developments/subdivisions	4	-	-
730,312	Other Gains	4a	1,633,996	34,588
36,315,702	Total Operating Revenue		37,589,313	35,686,750
EXPENDITURE				
4,993,977	Personnel Costs	6	5,149,576	5,028,270
16,127,063	Other Expenses	7	17,441,718	17,816,124
2,189,620	Finance Costs	5,24	2,748,579	3,032,435
9,683,170	Depreciation & amortisation	12, 13, 14	9,980,961	9,739,250
2,719,549	Other Losses	4a	4,377,484	-
35,713,379	Total Operating Expenditure		39,698,318	35,616,079
\$602,323	Surplus/(Deficit) before tax		(\$2,109,005)	\$70,671
-	Income tax expense		-	-
\$602,323	SURPLUS/(DEFICIT) AFTER TAX		\$ (2,109,005)	\$70,671
Other Comprehensive Income (CI)				
(1,366,000)	Gain/(Loss) on Infrastructure asset revaluations	12, 13, 25	-	-
(361,982)	Gain/(Loss) on Land and Buildings revaluations	13, 25	-	-
55,593	Change in value of financial assets at fair value through comprehensive income	25	(35,257)	-
(1,672,389)			(35,257)	0
(\$1,070,066)	TOTAL COMPREHENSIVE INCOME		\$ (2,144,262)	\$70,671

STATEMENT OF CHANGES IN EQUITY						
For the Year Ended 30 June 2013						
	\$	\$	\$	\$	\$	\$
Opening Balance	Revaluations (Note 25)*	Special Funds & Reserves (Note 28)	Ratepayers' Equity (Note 25)*	Total 2012/13	Plan 2012/13	Total 2011/12
1 July 2012	224,695,529	16,983,346	426,748,869	\$668,427,744	677,761,560	\$669,497,810
Comprehensive						
Income for the year	(35,257)		(2,109,005)	(2,144,262)	70,671	(1,070,066)
Tsf disposals revaltns	(773,704)		773,704			
Transfers from Reserves		(5,639,441)	5,639,441	0		
Transfers to Reserves		2,464,174	(2,464,174)	0		
Tsf proceeds on sale of assets		12,887	(12,887)	0		
Tsf depreciation to reserves		3,411,626	(3,411,626)	0		
Closing Balance	223,886,568	17,232,592	425,164,322	\$666,283,482	677,832,231	\$668,427,744

*The opening balances of Revaluations and Ratepayer's Equity have been adjusted to reflect showing the changes in the value of financial assets taken through Comprehensive Income, to now be accumulating in the Revaluations Reserve.

The accompanying notes form part of these financial statements.



MASTERTON DISTRICT COUNCIL

STATEMENT OF CASHFLOWS for the Year Ending 30 June 2013

Last Year 2011/12		Notes	Actual 2012/13	Plan 2012/13
	Cash Flows from Operating Activities:			
	Cash was provided from:			
21,591,309	Rates (M.D.C. only)		23,542,249	23,378,269
1,073,688	Riversdale sewerage rates & subsidy		345,441	230,000
4,322,142	Subsidies and grants		5,313,389	4,582,168
534,483	Interest received		931,388	733,000
1,246	Dividends received		1,246	1,000
6,512,098	Other operating receipts		7,091,260	7,312,925
<u>34,034,966</u>			<u>37,224,973</u>	<u>36,237,362</u>
	Cash was applied to:			
(19,709,752)	Payments to suppliers and employees		(23,786,223)	(24,513,307)
(2,124,062)	Interest paid		(2,726,722)	(3,032,435)
(179,198)	Goods and services tax (paid)/received (net)		128,570	-
<u>(22,013,012)</u>			<u>(26,384,375)</u>	<u>(27,545,742)</u>
12,021,954	Net Cash from Operating Activities	<u>29</u>	10,840,598	8,691,620
	Cash Flows from Investing Activities:			
	Cash was provided from:			
51,394	Receipts from sale of property, plant and equipment		8	-
980,443	Receipts from sale of investments		782,151	1,823,353
<u>1,031,837</u>			<u>782,159</u>	<u>1,823,353</u>
	Cash was applied to:			
(29,793,371)	Purchase of property, plant and equipment		(17,797,904)	(21,742,207)
(88,222)	Purchase of intangible assets		(84,458)	-
-	Acquisition of investments		(1,243,809)	-
<u>(29,881,593)</u>			<u>(19,126,171)</u>	<u>(21,742,207)</u>
(28,849,756)	Net Cash from Investing Activities		(18,344,012)	(19,918,854)
	Cash Flows from Financing Activities:			
	Cash was provided from:			
16,000,000	Proceeds from new financial liabilities		10,248,986	12,697,575
<u>16,000,000</u>			<u>10,248,986</u>	<u>12,697,575</u>
	Cash was applied to:			
(803,059)	Repayment of term liabilities		(2,083,946)	(1,470,859)
(32,087)	Repayment of finance lease liabilities		(35,614)	(30,000)
<u>(835,146)</u>			<u>(2,119,560)</u>	<u>(1,500,859)</u>
15,164,854	Net Cash from Financing Activities		8,129,426	11,196,716
(\$1,662,948)	Net Increase/(Decrease) in Cash and cash equivalents		\$626,012	(\$30,518)
4,270,977	Cash and cash equivalents at beginning of the year		2,608,029	5,542,000
<u>\$ 2,608,029</u>	Cash and cash equivalents at the end of the year	<u>10</u>	<u>\$ 3,234,041</u>	<u>\$ 5,511,482</u>

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

During the period, MDC acquired PPE (office equipment) totalling \$47,986 (2012: \$Nil) by means of finance leases.

The accompanying notes form part of these financial statements.

MASTERTON DISTRICT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

Statement of Accounting Policies
For the Year Ended 30 June 2013

Reporting Entity

Masterton District Council ("MDC"/"the Council") is a Territorial Authority governed by the Local Government Act 2002. The Council was constituted on 1st November, 1989 pursuant to the Local Government (Wellington Region) Reorganisation Order 1989. The Council consists of a single operating entity with no subsidiaries or associates.

The primary objective of the Masterton District Council is to provide goods & services for the community or social benefit rather than making a financial return. Accordingly, MDC has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of MDC are for the year ended 30 June 2013. The financial statements were authorised for issue by the Council on 30 October 2013. The Council does not have the power to amend the financial statements after issue.

Basis of Preparation

Statement of compliance

The financial statements of MDC have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirements to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, infrastructural assets, investment property, forestry assets, library books and certain financial instruments (including derivative instruments). The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The financial statements are presented in New Zealand dollars. The functional currency of MDC is New Zealand dollars. The financial statements are rounded to the nearest dollar.

Changes in accounting policies

There have been no changes in accounting policies during the year.

The Council has adopted the following revisions to accounting standards and legislation during the financial year, which have had only a presentational or disclosure effect:

- New requirements resulting from amendments to the Local Government Act 2002 – specifically schedule 10

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted. Those that are relevant to the MDC include:

- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of the financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. The Council has not yet assessed the effect of the new standard and expect it will not be early adopted.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Council is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current international Public Sector Account Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means the Council expects to transition to the new standards in preparing its 30 June 2015 financial statements. As some PAS are still under development, the Council is unable to access the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

Significant Accounting Policies

Revenue

Revenue is measured at the fair value of consideration received or receivable

- **Rates revenue**

Rates are set annually by resolution and according to the processes required under the Local Government Act 2002 and the LG (Rating) Act 2002 and they relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable. Rates collected on behalf of the Greater Wellington Regional Council (GWRC) are not recognised in the financial statements, as the Council is acting as an agent for GWRC.

- **Other revenue**

Water billing revenue is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Parking and dog control infringements are recognised when infringement notices are issued.

MDC receives government grants from the New Zealand Transport Agency, which subsidises part of MDC's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Sales of goods and services are recognised when a product is sold to the customer. Sales are usually in cash or by credit account.

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in MDC are recognised as revenue when control over the asset is obtained.

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

For Development and Financial Contributions the revenue recognition point is at the latter of the point when MDC is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation. Financial contributions are shown separately on the Statement of Comprehensive Income.

Construction contracts

Contract costs are recognised as expenses by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where MDC has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the MDC's decision.

Income Tax

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax. Generally, MDC's structure and activities mean no income tax is applicable.

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, MDC recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether MDC will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less from date of acquisition, and bank overdrafts. Bank overdrafts (if any) are shown within borrowings in current liabilities in the Statement of Financial Position.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Loans, including loans to community organisations made by MDC at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the statement of comprehensive income as a grant.

A provision for impairment of receivables is established when there is objective evidence that MDC will not be able to collect all amounts due according to the original terms of receivables. The amount of the

provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost and current replacement cost. The cost of purchased inventory is determined using the FIFO method.

The write down from cost to current replacement cost or net realisable value is recognised in the surplus or deficit in the Statement of Comprehensive Income.

Financial assets

MDC classifies its financial assets into one of the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets at fair value through comprehensive income. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the Statement of Comprehensive Income.

Purchases and sales of investments are recognised on trade-date, the date on which MDC commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and MDC has transferred substantially, all the risks and rewards of ownership.

The fair value of financial instruments, whether traded in active markets or not, is based on a market price valuation supplied by an investment advisor.

The four categories of financial assets are:

Financial assets at fair value through surplus or deficit. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the Statement of Comprehensive Income. Financial assets in this category include the investment funds managed by OnePath (NZ) Ltd.

Loans and receivables. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included as current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit. There are no loans to community organizations made at nil or below-market interest rates. Loans and receivables are classified as "debtors and other receivables" in the Statement of Financial Position.

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that MDC has the positive intention and ability to hold to maturity. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Income.

Financial assets at fair value through other comprehensive income are those that are not classified in any of the other categories above. They are included in non current assets unless council intends to dispose of the share investment within 12 months of balance date or if the debt instrument is not expected to be realised within 12 months of balance date. This category encompasses: investments that MDC intends to hold long-term, but which may be realised before maturity; and shareholdings that MDC holds for strategic purposes. After initial recognition these investments are measured at their fair value. Gains and losses are recognised directly in other comprehensive income except for impairment losses, which are recognised in the surplus or deficit. In the event of impairment, any cumulative losses previously recognised in equity

will be removed from equity and recognised in the surplus or deficit even though the asset has not been de-recognised. On de-recognition the cumulative gain or loss previously recognised in other comprehensive income is re-classified from equity to surplus or deficit.

Impairment of financial assets

At each balance sheet date MDC assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus or deficit.

Accounting for derivative financial instruments and hedging activities

MDC does use derivative financial instruments to manage exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, MDC does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. MDC designates certain derivatives as either: hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or hedges of highly probable forecast transactions (cash flow hedge).

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Property, plant and equipment

Property, plant and equipment consists of:

Operational assets — These include land, buildings, landfill post closure, library books, plant and equipment, and motor vehicles.

Restricted assets — Restricted assets are parks and reserves owned by MDC which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets — Infrastructure assets are the fixed utility systems owned by MDC. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping, manholes, sewer pump stations and a portion of the laterals to private properties.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to MDC and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to MDC and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings - component lives range from	5 to 100 years	(1%-20%)
Landfill post closure	20 years	(5%)
Plant and equipment	10 years	(10%)
Intangibles - software	4 years	(25%)
Motor vehicles	6.67 years	(15%)
Office equipment, office furniture	4 and 5 years	(20% and 25%)
Library books	5 to 7 years	(14.3% to 20%)
Infrastructural assets		
Roading network		
Formation (not depreciated)		
Top surface (seal) 2 nd coat/1 st coat	16 and 40 years	(6.25% & 2.5%)
Road metal (unsealed)	3 years	(33%)
Pavement (base course) 50% depreciated	40 years	(2.5%)
Pavement (sub base) 20% depreciated	40 years	(2.5%)
Pipe culverts	90 years	(1.1%)
Footpaths (basecourse) 40% depreciated	50 years	(2%)
Footpaths (seal) chip/AC/concrete	15/18/50 years	(6.67%, 5.55%, 2%)
Kerbs	100 years	(1%)
Signs	12 years	(8.33%)
Road markings	1 year	(100%)
Streetlights (lamps, fittings & poles)	5/15/50 years	(20%, 6.67% and 2%)
Bridges	80 to 100 years	(1% to 1.25%)
Other structures	50 years	(2%)
Water system		
Treatment plant	10 to 100 years	(1% to 10%)
Pipes	60 to 80 years	(1.25% to 1.6%)
Valves, hydrants, connections	50 years	(2%)
Reservoirs & tanks	50 and 80 years	(1.25% and 2%)
Sewerage system		
Pipes	60 to 80 years	(1.25% to 1.6%)
Manholes	75 years	(1.33%)
Treatment plant	10 to 80 years	(1.25% to 10%)
Drainage network		
Pipes	70 to 90 years	(1.1% to 1.4%)
Stopbanks & seawall	100 years	(1%)
Airport runway		
Pavement & seal	80 years and 15 years	(1.25% and 6.67%)

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each revaluation, which are carried out every 3 years.

Revaluation

Those asset classes that are revalued are valued on a three yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Operational land and buildings

At fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by Darroch Valuations Ltd, and the valuation is effective as at 30 June 2012.

Restricted land and buildings

At fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by Darroch Valuations Ltd, and the valuation is effective as at 30 June 2012.

Infrastructural asset classes: roads, water systems, sewerage systems and stormwater systems

At fair value determined on a depreciated replacement cost basis by an independent valuer. There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

- Estimating any obsolescence or surplus capacity of the asset.
- Estimating the replacement cost of the asset. The replacement cost is derived from recent construction contracts in the region for similar assets.
- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions. For example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over- or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income. To minimise this risk, infrastructural asset lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and asset condition-modelling are also carried out regularly as part of asset management planning activities, which provides further assurance over useful life estimates.

At balance date MDC assesses the carrying values of its infrastructural assets to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. The most recent valuation was performed by Opus International Consultants Ltd and the valuation is effective as at 30 June 2011. An alteration to the valuations was noted as part of the preparation of the Long Term Plan and resulted in an adjustment to the carrying values and depreciation. Other asset classes carried at valuation were revalued as below.

Land under roads

Land under roads was valued based on fair value of adjacent land determined by Opus International Consultants Ltd, effective 30 June 2003. Under NZ IFRS MDC has elected to use the fair value of land under roads as at 30 June 2003 as deemed cost. Land under roads is no longer revalued.

Library collections

At depreciated replacement cost in accordance with the guidelines released by the New Zealand Library Association and the National Library of NZ in May 2002. Library valuations are performed by the District Librarian and are not subject to an independent review because there are readily available market prices to determine fair value. The last valuation was performed in June 2013.

Accounting for revaluations

MDC accounts for revaluations of property, plant and equipment on a class of asset basis. The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset in other comprehensive income. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit, will be recognised first in the surplus or deficit up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised as intangible assets on the basis of the costs incurred to acquire and use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. MDC has not incurred any costs that are directly associated with the in-house development of software for use by MDC only. Software assets are depreciated, straight line, over 4 years.

Resource consents

MDC holds resource consents for many of its activities. Where the consent has a life beyond one year and the costs of obtaining the consents have been identified separately from the asset, the value of the consent is treated as an intangible asset and is amortised over its useful life. Costs associated with gaining a consent are included with the consent value e.g. engineering investigations, assessment of environmental effects, legal review, consent processing charges, hearings and appeals. The period over which the consent value is amortised over (straight line) is based on the life of the consent as granted by the Greater Wellington Regional Council (consent granted is for 25 years).

Easements

While MDC holds easements for only some of its assets, no comprehensive register is kept, no historical cost information is available and no attempt has been made to place a value on the easements held. Because easements have an indefinite useful life and are not generally amortised, the lack of recognition of the value does not significantly affect the financial results of the Council.

Forestry assets

Forestry assets are independently revalued annually by PF Olson & Co Ltd, at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the surplus or deficit. The costs to maintain the forestry assets are included in the surplus or deficit.

Investment property

MDC currently holds no properties solely to earn rentals. Any properties which are leased to third parties under operating leases are owned primarily to meet service delivery objectives. MDC does hold some properties for strategic purposes and hence is gaining capital appreciation.

The investment properties have been valued at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace it's remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows. If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the surplus or deficit.

Employee entitlements

Short-term employee entitlements

Employee benefits that MDC expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date and retiring gratuity entitlements expected to be settled within 12 months.

MDC recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that MDC anticipates it will be used by a portion of staff to cover those future absences.

MDC recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term employee entitlements

Retirement leave entitlements that are payable beyond 12 months, have been calculated on an actuarial basis. The calculations are based on: likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information, and the present value of the estimated future cash flows. A discount rate of 7%, and an inflation factor of 2% were used. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Superannuation schemes

Defined contribution schemes: obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficits incurred.

Defined benefit schemes: MDC has five employees who belong to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme. MDC's contributions to the scheme are based on the employees' annual earnings and the resulting contribution level calculated by the scheme managers. There is a very low level of variability of earnings of the five employees, hence predictability of scheme contributions is high and solely the responsibility of the scheme managers. MDC have no expectation that a future scheme deficit will result in any liability for future extra employer contributions.

Provisions

MDC recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Financial guarantee contracts

A financial guarantee contract is a contract that requires MDC to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability MDC will be required to reimburse a holder for a loss incurred, discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation, however if MDC assesses that it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless Council have an unconditional right to defer settlement of the liability for at least 12 months after the balance date or if the borrowings are not expected to be settled within 12 months.

Equity

Equity is the community's interest in MDC and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Retained earnings
- Special funds & restricted reserves
- Asset revaluation reserves

Special funds and restricted reserves

These are a component of equity representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by MDC for a designated purpose.

Restricted reserves are those subject to specific conditions accepted as binding by MDC and which may not be revised by MDC without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in this category are reserves restricted by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

MDC's objectives, policies and processes for managing capital are described in Note 27.

Property revaluation reserves

These reserves relates to the revaluation of property, plant and equipment to fair value.

Goods and Service Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position. The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by the Council at the beginning of the year in the Long Term Council Community Plan and/or Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by MDC for the preparation of the financial statements.

Cost allocation

MDC has derived the cost of service for each significant activity of MDC using the cost allocation system outlined below.

- Direct costs are those costs directly attributable to an activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.
- Direct costs are charged directly to significant activities.
- Indirect costs are charged to significant activities using an allocation model that utilises cost drivers such as actual usage of support services, staff numbers and rates funding required.

Critical accounting estimates and assumptions

In preparing these financial statements MDC has made some estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Landfill aftercare provision

Note 23 discloses an analysis of the exposure of MDC in relation to the estimates and uncertainties surrounding the landfill aftercare provision.

Infrastructural assets

There are a number of assumptions and estimates used when performing DRC valuations of infrastructural assets. These are listed under the Revaluation heading above.

Critical judgements in applying MDC's accounting policies

Management has exercised the following critical judgements in applying the MDC's accounting policies for the period ended 30 June 2013

Classification of property

MDC owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the MDC's social housing policy. These properties are accounted for as property, plant and equipment.

MDC currently has partly-occupied land and buildings in its ownership that had previously been occupied by the Masterton Borough Council depot and gasworks. This land has been identified by MDC as surplus to requirements, but site contamination issues and previous ownership issues will require further work before it can realistically be regarded as a 'property intended for sale'. It remains listed within Property, Plant and Equipment, with its valuation discounted as a result of the site contamination.

Urban Wastewater Resource Consent and Treatment Plant upgrade

The Council has worked through the process of renewing its resource consent for its waste water treatment and disposal facility and began construction of an upgrade in late 2009. Over the past 12 years, costs relating to the options analysis, consultation, concept design and resource consent application process, have been capitalised as intangible assets – recognising the one-off costs of gaining the consent. In Dec 2009 the Council was granted a consent, based on a proposed scheme, for 25 years. The capitalised costs of the consent have been assumed to be written off over the 25 year life of the consent. As at 30 June 2013, nearly 90% of the construction costs had been incurred and the plant was partially operational. The construction costs incurred this year and those recorded as 'work in progress' in prior years have been added to the Council's asset register at a detailed component level in the 2012/13 financial year.

RATES REQUIREMENT SUMMARY				
2011/12		2012/13	2012/13	
Actual		Actual	Plan	Variance
	Groups & Activities			
	Roading			
\$		\$	\$	\$
3,774,571	Subsidised Roothing	3,604,636	3,675,050	70,414
1,498,529	Non-subsidised Roothing	1,601,542	1,703,527	101,985
	Water Services			
2,474,093	Urban Water Supply	2,701,197	2,590,783	(110,414)
98,458	Rural Water Supplies & Races	98,003	94,813	(3,190)
	Sewerage Services			
4,241,165	Urban Sewerage System	5,087,562	5,142,027	54,465
1,135,817	Rural Sewerage Schemes*	547,502	429,942	(117,560)
	Stormwater Services			
350,292	Urban Stormwater System	352,105	380,695	28,590
	Solid Waste Services			
599,554	Solid Waste Services	813,338	796,881	(16,457)
299,575	Waste Minimisation Services	313,548	401,515	87,967
	Community Facilities/Activities			
1,640,221	Parks, Reserves & Sportsfields	1,979,663	1,896,992	(82,670)
1,351,578	Genesis Energy Recreation Centre	1,335,952	1,198,801	(137,151)
55,106	Cemeteries	70,063	82,125	12,062
1,373,405	Library & Archive	1,487,285	1,455,588	(31,697)
667,153	Property	778,569	734,539	(44,030)
1,325,551	Community Activities	1,351,907	1,370,073	18,166
128,873	Airport	114,501	118,426	3,925
110,213	Mawley Park	157,144	154,811	(2,333)
	Regulatory Services			
560,932	Resource Management & Planning	605,100	603,916	(1,184)
143,777	Building Control	172,044	125,358	(46,686)
315,109	Environmental Health	315,765	343,700	27,935
43,514	Bylaw Control/General Inspection	58,024	51,670	(6,354)
(23,076)	Parking	(58,201)	(43,412)	14,789
24,935	Animal Control	10,188	11,246	1,058
384,599	Emergency Management & Rural Fire	476,088	460,308	(15,780)
	Governance			
538,712	Representation	529,179	531,532	2,353
(23,251)	Internal Functions	(39,827)	(36,000)	3,827
23,089,406	Total Rates Requirement	24,462,878	24,274,906	(187,972)
	Rates Income			
22,148,495	Masterton District rates levied	24,106,657	24,039,878	66,779
957,244	Riversdale Beach Sewerage capital contrib.*	345,441	235,028	110,413
181,972	Rates penalties	300,522	145,000	155,522
(138,109)	Rates remissions	(229,213)	(112,000)	(117,213)
(36,920)	Discounts (on prompt payment)	(37,822)	(33,000)	(4,822)
23,112,682	Rates Revenue (incl Council properties)	24,485,585	24,274,906	210,679
23,276	Net Rates Surplus/(Deficit)	22,707	0	22,707

The figures above represent the net requirement for rates funding for each significant activity of the Council.

The figures include capital expenditure from rates, transfers to and from reserves and loan principal repayments funded from rates. Depreciation not funded into asset replacement reserves has been reversed before arriving at the net figures.

*The higher costs against Riversdale Beach Sewerage are offset by higher than planned capital contributions .

COST OF SERVICES SUMMARY			Actual Net	Plan Net	
for the 2012/13 Year			Operating	Operating	Capital
	Operating	Operating	Cost	Cost	Expenditure
	Revenue	Expenditure			
Roading					
Subsidised Roading	2,115,434	7,941,552	5,826,118	6,692,263	4,206,208
Non-subsidised Roading	323,212	2,115,434	1,792,222	994,481	
Water Services					
Urban Water supply	106,367	3,025,373	2,919,006	2,818,679	1,737,643
Rural Water Supplies & Races	146,047	268,990	122,943	115,813	50,251
Sewerage Services					
Urban Sewerage System	297,719	5,407,914	5,110,195	5,294,977	8,631,386
Rural Sewerage Schemes	105,888	521,782	415,894	335,474	236,486
Stormwater Services					
Urban Stormwater System	-	501,451	501,451	532,013	192,182
Solid Waste Services					
Solid Waste Management	2,118,854	2,433,069	314,215	428,735	32,800
Waste Minimisation Services	296,270	886,374	590,104	760,891	
Community Facilities/Activities					
Parks, Reserves & Sportsfields	106,481	2,119,760	2,013,279	2,169,319	418,918
Genesis Energy Recreation Centre	86,052	1,594,024	1,507,972	1,374,468	103,994
Cemeteries	86,369	156,432	70,063	102,125	-
Library & Archive	115,094	1,614,714	1,499,620	1,480,588	271,071
Property	816,758	1,848,419	1,031,661	1,012,650	317,042
Community Activities	69,355	1,353,625	1,284,270	1,421,151	
Airport	243,874	311,111	67,237	89,415	-
Mawley Park	266,507	419,991	153,484	149,477	80,191
Regulatory Services					
Resource Management & Planning	603,314	587,117	(16,197)	261,916	
Building Control	650,496	1,016,340	365,844	125,358	
Environmental Health	291,143	606,908	315,765	343,700	6,414
Bylaw Control/General Inspection	186,854	244,878	58,024	51,670	57,461
Parking	224,028	160,603	(63,425)	(48,276)	6,017
Animal Control	337,458	347,646	10,188	11,246	
Emergency Management & Rural Fire	43,533	494,621	451,088	455,308	4,848
Governance					
Representation	352,765	1,116,374	763,609	571,532	
Internal Functions	5,129,387	3,944,519	(1,184,868)	(771,000)	133,254
External funding of capital expenditure*	2,068,660		(2,068,660)	(2,482,202)	
Eliminate internal recoveries**	(5,231,872)	(5,718,187)			
	11,956,047	35,320,834	23,851,099	24,291,770	16,486,166
* Includes NZTA subsidy for roading renewals					
** Includes rates paid for council properties					
		Capital expenditure	16,486,166	21,742,207	
		Add loan principal repayments	2,541,043	1,908,513	
		Less loan funds applied to capex	(8,632,771)	(12,650,000)	
		Less finance lease funds applied	(38,060)	(47,575)	
		Transfers to reserves	2,464,174	1,232,000	
		Transfers from reserves	(5,639,441)	(5,821,750)	
			31,032,210	30,655,165	
		Depreciation not funded from rates	(6,569,332)	(6,380,258)	
		Rates Requirement	\$24,462,878	\$24,274,907	

Notes to the Accounts

Note 3

RATES REVENUE		Notes	\$ Actual 2012/13	\$ Plan 2012/13	\$ Last Year 2011/12
excluding targeted, metered water supply rates					
	Gross MDC Rates Levied		24,106,657	24,039,878	22,148,495
less	Rates levied on Council properties		(498,759)	(396,008)	(453,217)
plus	Rates Penalties		300,522	145,000	181,972
less	Rates Remissions	<u>30</u>	(229,213)	(112,000)	(138,109)
less	Discounts on prompt payment		(25,377)	(33,000)	(25,576)
			23,653,829	23,643,870	21,713,565
	Riversdale Beach Sewerage capital contributions		345,441	235,028	957,244
Total Revenue From Rates			\$23,999,270	\$23,878,898	\$22,670,809

Notes to the Accounts

Note 4

SUBSIDIES AND GRANTS		\$ Actual 2012/13	\$ Plan 2012/13	\$ Last Year 2011/12
	Roading subsidies ex NZTA	4,146,392	4,413,087	4,984,193
	Other Government grants	147,741	136,200	163,760
	Other grants	79,315	52,900	79,477
Total Subsidies and Grants		\$4,373,448	\$4,602,187	\$5,227,430
OTHER REVENUE				
*	Fees, User charges & other income	5,542,352	5,646,979	5,313,774
	Metered water & sewer rates charged in CDC area	142,117	153,000	111,187
	Infringements and fines	93,865	60,200	72,276
	Dividend income	963	1,000	1,601
	Local authority petrol tax	165,540	162,000	166,766
	Sub total	5,944,837	6,023,179	5,665,604
	MoH SWSS subsidy (Riversdale Beach Sewerage)	-	-	116,444
	Revenue recognised from vested assets	-	-	422,000
Total Other Revenue		\$5,944,837	\$6,023,179	\$6,204,048
*Note fees, user charges & other income includes rentals, recoveries and all income not otherwise disclosed. There are no unfulfilled conditions or other contingencies attached to government grants recognised.				
Annual Rates income - per LGFA Guarantee and Indemnity Deed requirement		\$ Actual	\$ Last Year	
	Rates revenue per Note 3 (includes Riversdale Beach capital contributions)	23,999,270	22,670,809	
	Targeted water supply rates (metered water)	106,367	86,798	
	Rates levied in Carterton District for sewerage	35,750	24,389	
		\$24,141,387	\$22,781,996	

Notes to the Accounts

Note 4a

OTHER GAINS/(LOSSES)		\$ Actual 2012/13	\$ Plan 2012/13	\$ Last Year 2011/12
Gains				
	Forestry asset revaluation gain	194,599	34,588	-
	Property, plant and equipment gains on disposal	12,879	-	4,687
	Library books revaluation gain	13,068	-	6,134
	Carbon credits value on forestry recognised	-	-	12,356
	Investment property revaluation gains	-	-	474,900
	Total non-financial instrument gains	220,546	34,588	498,077
	Gain on valuation of financial assets (fair value thru surplus/deficit)	-	-	232,235
	Gain on mark-to-market valuation of cash flow hedges *	1,413,450	-	-
	Total Gains	1,633,996	34,588	498,077
Losses				
	Forestry asset revaluation loss	-	-	(108,843)
	Carbon credits revaluation loss on forestry	(9,085)	-	-
	Property, plant and equipment losses on disposal	(3,898,827)	-	(1,081,441)
	Investment property revaluation losses	(8,000)	-	-
	Total non-financial instrument losses	(3,915,912)	-	(1,190,284)
	Loss on valuation of financial assets (fair value thru surplus/deficit)	(461,572)	-	-
	Loss on mark-to-market valuation of cash flow hedges *	-	-	(1,529,265)
	Total Losses	(4,377,484)	-	(2,719,549)
* Interest rate swaps (or cash flow hedges) are disclosed in Note 22. Their change in value is required to be brought through the Surplus/Deficit as per NZ IAS 39.				

Notes to the Accounts

Note 5

FINANCE INCOME & FINANCE COSTS	\$	\$	\$
Finance income	Actual	Plan	Last Year
Interest Income on:	2012/13	2012/13	2011/12
- financial assets held/invested by MDC	399,250	284,000	498,893
- financial assets managed by OnePath (NZ) Ltd	524,874	450,000	413,385
Total finance income	924,124	734,000	912,278
Finance costs			
Interest expense:			
- on bank borrowings	1,649,576	2,002,435	1,663,300
- on debenture stock and LGFA bonds	1,075,242	1,000,000	498,443
- on finance leases	6,585	10,000	9,380
Discount unwind on provisions (Note 23)	17,176	20,000	18,497
Total finance costs	2,748,579	3,032,435	2,189,620
Net Finance Costs/(Income)	\$1,824,455	\$2,298,435	\$1,277,342

Notes to the Accounts

Note 6

PERSONNEL COSTS	Actual	Plan	Last Year
	2012/13	2012/13	2011/12
Salaries & wages	4,809,971	4,730,550	4,720,029
Medical insurance (incl FBT)	112,691	127,020	113,372
Superannuation - employer contributions	154,125	170,700	145,900
Incr/(Decr) in employee benefits liability	72,789	-	14,676
Total Personnel costs	\$5,149,576	\$5,028,270	\$4,993,977

Notes to the Accounts

Note 7

OTHER EXPENSES	Actual	Plan	Last Year
	2012/13	2012/13	2011/12
Fees to principal auditor			
Audit fees for annual report	99,528	101,000	97,000
Audit fees for LTP/projects	-	-	72,096
Donations	2,861	5,000	3,049
Grants - funding community development	382,115	404,930	514,950
Grants - funding arts & culture	309,314	309,500	316,407
Grants - funding economic development	400,507	422,500	452,587
ACC levies	31,951	40,240	31,216
Inventories (change in value)	(7,442)	-	11,882
Impairment of receivables	7,783	6,900	32,874
Election costs (net of recoveries)	20,675	15,000	-
Mayor & Councillors' honorariums	313,758	315,700	306,944
Civic entertainment costs	8,026	13,000	8,242
Ceremonies & presentations	4,096	5,300	5,184
Other operating expenses	15,868,546	16,177,054	14,274,632
Total other expenses	\$17,441,718	\$17,816,124	\$16,127,063

Notes to the Accounts

Note 7a

COST OF SERVICE STMT RECONCILIATION - Note 2 to Other Notes	Actual	Plan
Revenue	2012/13	2012/13
Financial Contributions	713,638	413,898
Subsidies and grants (per note 4)	4,373,448	4,602,187
Other Revenue (per Note 4)	5,944,837	6,023,179
Finance Income (per Note 5)	924,124	734,000
Total Operating Revenue (per Note 2)	11,956,047	11,773,264
Expenditure		
Personnel Costs (per Note 6)	5,149,576	5,028,270
Other Expenses (per Note 7)	17,441,718	17,816,124
Finance Costs (per Note 5)	2,748,579	3,032,435
Depreciation (per Notes 12,13,14)	9,980,961	9,739,250
Total Operating Expenditure (per Note 2)	\$35,320,834	\$35,616,079
Add back MDC rates on Council properties (net of discount)	486,312	396,008
Internal allocations not eliminated elsewhere	-	52,947
Net Operating Cost	\$23,851,099	\$24,291,770

Notes to the Accounts

Note 8

INVENTORIES		\$
30 June 2012		30 June 2013
	Held for distribution inventory:	
87,050	Water & sewer reticulation spares	81,169
7,645	Street furniture & pavers	6,541
41,552	Water treatment chemicals	37,646
13,964	Pre-paid envelopes	11,349
	Commercial inventory:	
12,594	Rubbish bags & bins	31,087
15,536	Miscellaneous items	17,991
\$178,341	Total Stock	\$185,783

No inventories are pledged as security for liabilities (2012 \$ nil). There have been no write-downs or reversals of write-downs of inventory held for distribution or commercial inventory. The loss of service potential of inventory held for distribution is determined on the basis of obsolescence.

Notes to the Accounts

Note 9

DEBTORS & OTHER RECEIVABLES		\$
30 June 2012		30 June 2013
453,117	Rates receivables	581,434
1,998,362	Roading subsidies receivable	979,105
1,975,223	Sundry debtors & receivables	1,450,668
13,642	Related party receivables (Note 18)	6,820
462,851	GST receivable	389,934
107,017	Prepayments	147,054
5,010,212		3,555,015
(140,369)	- less provision for doubtful debts	(109,810)
\$4,869,843	Total Debtors & Other Receivables	\$3,445,205

Fair Value

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

Impairment

MDC provides only a nominal sum of \$4,000 for any impairment of rates receivable, as the Local Government (Rating) Act 2002 provides a range of powers to recover outstanding debts, including approaching mortgage holders and legal proceeding which can lead to sale of the property to recover the rate due. Ratepayers can apply for payment plan options to allow them to catchup, but the value of those debts is not considered significant enough to calculate discounted values.

The status of receivables as at 30 June 2012 and 2013 are detailed below:

30 June 2012		30 June 2013
4,159,644	Not past due	2,674,417
374,297	Past due 1-60 days	420,077
71,316	Past due 61-120 days	155,174
404,955	Past due > 120 days	305,347
\$5,010,212	Total	\$3,555,015

The impairment provision has been calculated based on potential losses from MDC's pool of debtors. Potential losses have been determined based on analysis of MDC's write-offs in previous periods and review of specific debtors.

30 June 2012		30 June 2013
37,996	Individual impairment	36,960
102,373	Collective impairment	72,850
\$140,369	Total provision for impairment	\$109,810

Individually impaired receivables have been determined to be impaired because of the doubt over the collectability of the debt. An analysis of the age of these debts is as follows:

30 June 2012		30 June 2013
0	Past due 1-60 days	0
704	Past due 61-120 days	8,404
37,292	Past due > 120 days	28,556
\$37,996	Total individual impairment	\$36,960

Movements in the provision for impairment of receivables are as follows:

30 June 2012		30 June 2013
128,730	At 1 July	140,369
58,574	Additional provisions made during the year	16,786
(31,194)	Provisions reversed during the year	(10,285)
(15,741)	Receivables written off during the year	(37,060)
\$140,369	As At 30 June	\$109,810

MDC holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

CASH & CASH EQUIVALENTS		\$
30 June 2012		30 June 2013
2,592,029	Cash at bank and in hand	1,234,041
16,000	Short term deposits of 3 months or less (from acquisition)	2,000,000
\$2,608,029	Total cash and cash equivalents	\$3,234,041

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value. The total value of cash and cash equivalents that can only be used for a specific purpose as outlined in the relevant Trust Deed is \$180,537.

OTHER FINANCIAL ASSETS			\$
30 June 2012	Current	Notes	30 June 2013
1,972,816	Short term deposits - maturities > 3 but less than 12 mths	*2	1,988,614
209,335	Corporate bonds	*4	0
783,590	Investments held by fund manager	*3	1,131,642
\$2,965,741	Total Current Portion of Financial Assets		\$3,120,256
	Non-current		
	Investments in CCO's & other similar entities		
245,582	Shares (NZLGFA & NZLGIC)	*1	248,859
161,687	Borrower notes (NZ LGFA)	*5	410,960
\$407,269			\$659,819
	Investments in other entities		
27,501	Shares (Airtel)	*1	19,684
3,663,363	Corporate bonds	*4	3,627,113
12,356	NZ Units - Carbon Credits on forestry	*7	3,271
5,832,968	NZ fixed interest investments held by fund manager		5,557,883
\$9,536,188			\$9,207,951
\$9,943,457	Total Non-Current Portion of Financial Assets		\$9,867,770
\$12,909,198	Total Other Financial Assets		\$12,988,026
	Internal loans/investments		
\$7,178,633	Balance at 30 June (also see Note 24)	*6	\$5,732,774
\$22,695,860	Total Funds On Hand or Invested (including Cash & Internal)		\$21,954,841

Notes:

Fair value: the carrying amount of term deposits approximates their fair value.

Impairment: There are no impairment provisions for Other Financial Assets. None of the financial assets are either past due or impaired.

- *1 Shares are valued as 'fair value through comprehensive income' and consist of:
127,230 New Zealand Local Government Insurance Corporation Ltd fully paid ordinary \$1.00 shares valued at \$ 1.17 each, 13,300 Airtel Ltd shares valued at \$1.48 each and 100,000 paid up shares in the NZ LGFA valued at cost of \$1 each (a further 100,000 remains uncalled).
- *2 Bank deposits have maturity dates which range from 1 to 12 months. The deposits are spread across two financial institutions, as per the Council's investment policy and are valued as 'held to maturity'.
- *3 OnePath (ANZ) have been contracted to manage a portfolio of fixed interest investments. These investments are actively managed by OnePath within the Council's investment policies and are valued as 'fair value through surplus/deficit'.
- *4 Corporate bonds held directly by the Council are valued as 'fair value through comprehensive income'.
- *5 The Council holds \$400,000 of borrower notes issued by NZ LGFA, valued at 'fair value through comprehensive income'. These will be repaid on maturity of borrowings from the NZ LGFA, with interest accrued and payable on maturity.
- *6 The Council has continued to utilise internal loans/investments for both long term funding of certain capital projects and short term cash flow funding to allow optimal timing of external debt drawdowns.
- *7 The Council has been allocated 1,817 NZU carbon credits, based on it's forestry area. These have been re valued at the estimated carbon price at 30 June 2013 of \$1.80 per NZU.

Notes to the Accounts

Note 12

PROPERTY PLANT & EQUIPMENT

2013	Original Cost/ Valuation 30-Jun-12	Accum. Depreciation 30-Jun-12	Carrying Amount 30-Jun-12	Current Year Additions	Current Year Disposals *1	Current Year Transfers/ Adjustments *2	Current Year Depreciation	Current Year Revaluation	Original Cost/ Valuation 30-Jun-13	Accum. Depreciation 30-Jun-13	Carrying Amount 30-Jun-13
Operational Assets											
Land	47,385,274	-	47,385,274	3,022					47,388,296	-	47,388,296
Buildings	36,182,549	-	36,182,549	745,568	(94,830)	437,635	(1,619,770)	-	37,261,952	(1,610,799)	35,651,153
Plant & vehicles	2,386,673	(1,551,413)	835,260	221,633	(4)		(173,349)		2,548,158	(1,664,617)	883,540
Equipment & furniture	3,643,085	(2,625,884)	1,017,201	304,703	(3,833)		(228,672)		3,838,652	(2,749,255)	1,089,397
Office equip (finance lease)	202,327	(133,222)	69,105	9,926	-		(32,430)		212,253	(165,652)	46,602
Library books	456,226	-	456,226	147,864	(34,341)		(129,379)	13,068	453,438	-	453,438
Work in progress	437,635	-	437,635	0		(437,635)			0	-	0
Total operational assets	90,693,769	(4,310,519)	86,383,250	1,432,717	(133,008)	-	(2,183,600)	13,068	91,702,749	(6,190,323)	85,512,426
Infrastructural Assets											
Land (under roads)	84,957,312	-	84,957,312	30,870	-		-		84,988,182	-	84,988,182
Roading network	412,068,273	(4,435,055)	407,633,218	4,094,415	(214,705)	598,572	(4,476,199)		416,546,555	(8,911,253)	407,635,302
Urban water supply	35,679,350	(1,107,094)	34,572,256	1,585,717	(359,899)	19,287	(1,062,580)		36,924,454	(2,169,674)	34,754,780
Urban sewerage	30,012,081	(1,255,118)	28,756,963	7,589,553	(3,224,017)	21,439,029	(1,363,942)		55,816,646	(2,619,060)	53,197,586
Stormwater assets	12,023,809	(223,588)	11,800,221	276,393	-	97,458	(228,489)		12,397,660	(452,076)	11,945,583
Other infrastructure	19,390,459	(333,687)	19,056,772	294,857	(1,548)		(390,492)		19,683,768	(724,180)	18,959,589
Work in progress	22,198,949	-	22,198,949	1,092,282		(22,154,346)			1,136,885	-	1,136,885
Total infrastructural assets	616,330,233	-7,354,542	608,975,691	14,964,087	(3,800,169)	(0)	(7,521,702)	-	627,494,150	(14,876,244)	612,617,907
Total Property, Plant & Equipment	\$ 707,024,002	(\$11,665,061)	\$ 695,358,941	\$ 16,396,804	(\$3,933,177)	(\$0)	(\$9,705,303)	\$ 13,068	\$ 719,196,900	(\$21,066,567)	\$ 698,130,333

There are no restrictions over the title of MDC's Plant, Property and Equipment assets, nor are any assets pledged as security for liabilities.

Notes: Land and buildings were revalued as at 30 June 2012, the valuation undertaken by Darroch Valuations, registered valuers.

Library books are valued at depreciated replacement cost annually by the District Librarian.

Infrastructural assets (at fair value determined on an Optimised Depreciated Replacement Cost) were revalued as at 30 June 2011 by Opus International Consultants Ltd,

Land under roads was valued effective June 2003. On transition to NZ IFRS MDC elected to use fair value of land under roads as at 30 June 2003 as deemed cost and are no longer revalued.

*1 Disposals are reported net of accumulated depreciation.

*2 In the Transfers & Adjustments column \$21.1 million was transferred out of work in progress, being the value of work from the prior three years on the Homebush sewerage treatment plant.

For the Rooding network, the Tinui slump repair job and several other minor projects were completed and brought into assets from WIP.

For Buildings, a number of structures which were partly completed at 30 June 2012 were brought into assets from WIP during the year.

Notes to the Accounts

Note 13

PROPERTY PLANT & EQUIPMENT

2012	Original Cost/ Valuation 30-Jun-11	Accum. Depreciation 30-Jun-11	Carrying Amount 30-Jun-11	Current Year Additions	Current Year Disposals *1	Current Year Transfers/ Adjustments *2	Current Year Depreciation	Current Year Revaluation *3	Original Cost/ Valuation 30-Jun-12	Accum. Depreciation 30-Jun-12	Carrying Amount 30-Jun-12
Operational Assets											
Land	50,420,580	-	50,420,580	78,431				(3,113,737)	47,385,274	-	47,385,274
Buildings	36,018,363	(2,843,587)	33,174,776	1,518,107	(181,736)	438,899	(1,519,252)	2,751,755	36,182,549	-	36,182,549
Plant & vehicles	2,213,331	(1,431,249)	782,082	227,632	(4,817)		(169,637)		2,386,673	(1,551,413)	835,260
Equipment & furniture	3,408,355	(2,676,000)	732,355	488,972	(1,340)		(202,786)		3,643,085	(2,625,884)	1,017,201
Office equip (finance lease)	202,327	(101,401)	100,926	0	-		(31,821)		202,327	(133,222)	69,105
Library books	2,527,626	(2,065,594)	462,032	136,861	(22,460)		(126,341)	6,134	456,226	-	456,226
Work in progress	454,569	-	454,569	421,965		(438,899)			437,635	-	437,635
Total operational assets	95,245,151	(9,117,831)	86,127,320	2,871,968	(210,353)	-	(2,049,837)	(355,848)	90,693,769	(4,310,519)	86,383,250
Infrastructural Assets											
Land (under roads)	84,956,000	-	84,956,000	1,312	-		-	-	84,957,312	-	84,957,312
Roading network	408,307,000	-	408,307,000	5,306,607	(265,242)	85,908	(4,435,055)	(1,366,000)	412,068,273	(4,435,055)	407,633,218
Urban water supply	34,585,000	-	34,585,000	1,280,408	(448,581)	262,523	(1,107,094)	-	35,679,350	(1,107,094)	34,572,256
Urban sewerage	27,712,003	-	27,712,003	2,478,590	(178,512)		(1,255,118)	-	30,012,081	(1,255,118)	28,756,963
Stormwater assets	11,789,000	-	11,789,000	236,037	(1,228)		(223,588)	-	12,023,809	(223,588)	11,800,221
Other infrastructure	16,190,999	-	16,190,999	2,182,683	-	1,016,777	(333,687)	-	19,390,459	(333,687)	19,056,772
Work in progress	7,773,056	-	7,773,056	15,791,101		(1,365,208)		-	22,198,949	-	22,198,949
Total infrastructural assets	591,313,058	0	591,313,058	27,276,738	(893,563)	-	(7,354,542)	(1,366,000)	616,330,233	(7,354,542)	608,975,691
Total Property, Plant & Equipment	\$ 686,558,209	(\$9,117,831)	\$ 677,440,378	\$ 30,148,706	(\$1,103,916)	\$ 0	(\$9,404,379)	(\$1,721,848)	\$ 707,024,002	(\$11,665,061)	\$ 695,358,941

There are no restrictions over the title of MDC's Plant, Property and Equipment assets, nor are any assets pledged as security for liabilities.

Notes: Land and buildings were revalued as at 30 June 2012, the valuation undertaken by Darroch Valuations, registered valuers.

Library books are valued at depreciated replacement cost annually by the District Librarian.

Infrastructural assets (at fair value determined on an Optimised Depreciated Replacement Cost) were revalued as at 30 June 2011 by Opus International Consultants Ltd,

Land under roads was valued effective June 2003. On transition to NZ IFRS MDC elected to use fair value of land under roads as at 30 June 2003 as deemed cost and are no longer revalued.

*1 Disposals are reported net of accumulated depreciation.

*2 In the Transfers & Adjustments column \$438,899 was transferred out of work in progress in the operational area and back to buildings for both Mawley Park buildings and QE Park Development work completed.

Under infrastructural assets \$1,365,208 was transferred out of WIP for completed works including Riversdale sewerage, Solway Cres roading, water main renewals & QE Park swingbridge.

*3 Following reviews of asset management plans as part of the LTP process, adjustments were considered appropriate to the valuation of two roading components. The asset life and replacement cost assumptions for road seal and pavement were reviewed by Opus, resulting in an adjustment to the 30 June 2011 base valuation and subsequent depreciation of those components.

Notes to the Accounts

Note 14

INTANGIBLE ASSETS	\$		\$ 2012 Total	\$		\$ 2013 Total
	2012 Computer Software	2012 Resource Consents		2013 Computer Software	2013 Resource Consents	
Opening Original Cost	787,965	6,325,637	7,113,602	805,960	6,384,833	7,190,793
Opening Accum. Amortisation	(699,689)	(1,442,921)	(2,142,610)	(740,822)	(1,680,579)	(2,421,401)
Carrying Amount (start of year)	88,276	4,882,716	4,970,992	65,138	4,704,254	4,769,392
Additions	17,995	59,196	77,191	50,771	48,514	99,285
Disposals (net BV)	-	-	-	-	-	-
Amortisation Change	(41,133)	(237,658)	(278,791)	(35,497)	(240,159)	(275,656)
Closing Original Cost	805,960	6,384,833	7,190,793	856,731	6,433,347	7,290,078
Closing Accum. Amortisation	(740,822)	(1,680,579)	(2,421,401)	(776,319)	(1,920,738)	(2,697,057)
Carrying Amount (end of year)	65,138	4,704,254	\$ 4,769,392	80,412	4,512,609	\$ 4,593,021

There are no restrictions over the title of MDC's Intangible assets, nor are any assets pledged as security for liabilities. Computer software is amortised over the assessed useful life of 4 years.

Resource consents are amortised over the number of years for which each consent has been granted. Those consents which have yet to be granted by GWRC are amortised over the number of years for which the consent has been applied for. In the case of the Homebush sewage treatment and disposal consent, the Council received a 25 year consent in 2009. The Council does hold easements over some of its assets where they affect private property, but the incomplete nature of the easement coverage means little reliance could be placed on the valuation of easements, hence no disclosure has been made as part of these financial statements.

Notes to the Accounts

Note 15

FORESTRY ASSETS	Actual 2013	Actual 2012
Opening balance 1 July	704,478	864,706
Gains/(losses) arising from changes in fair value	194,599	(108,843)
Decreases due to harvest	-	(51,385)
Balance at 30 June	\$ 899,077	\$ 704,478

The Council's investments in forestry total 72.5 ha and are spread across the district in relatively small areas of planting. These areas have been planted for one of two reasons: 1) the desire to best utilise what would otherwise be unproductive land and 2) for stabilisation of roadsides. Currently 27 separate blocks are recognised, measured and valued. Blocks vary in size from 0.3 ha to 16 ha. Roadside blocks are primarily planted for road asset protection and where a negative value is identified because of the cost of removal, a zero value has been assumed.

Independent registered valuers PF Olsen Ltd (Erin Leahy) have valued the forestry assets as at 30 June 2013, in accordance with NZ IAS 41. A rate of 7% has been used to discount the present value of expected cash flows. Notional land rental costs have been included for freehold land. The forests have been valued on a going concern basis and includes only the value of the existing crops on a single rotation basis. The valuation assumes inflation will impact equally on both costs and revenue at a rate of 3% pa. No allowance for cost improvements in future operations. Log prices are based on a 12 quarter average. The valuation does not include any value in respect of carbon trading opportunities. In June 2013, the Council approved the harvest of the Kaituna block, to commence in September 2013.

Notes to the Accounts

Note 16

INVESTMENT PROPERTY	Actual 2013	Actual 2012
Opening balance 1 July	2,049,700	1,574,800
Acquisitions / (Disposals)	-	-
Fair value gains/(losses) on valuation	(8,000)	474,900
Balance at 30 June	\$ 2,041,700	\$ 2,049,700
Further information required per NZ IAS 40.75	\$ 2013	\$ 2012
Rental Income	29,490	30,159
Expenses from investment property generating income	13,942	14,325
Expenses from investment property not generating income	3,370	3,259
Contractual obligations for capital expenditure	-	-
Contractual obligations for operating expenditure	-	-

MDC's investment properties are valued at fair value effective 30 June 2013. All investment properties were valued on open market evidence. The valuation was performed by Kerry Stewart FNZIV, of QV Asset & Advisory.

CAPITAL EXPENDITURE SUMMARY		2012/13	2012/13	Source of Funding			
Activity	Project	Plan	Actual	Rates	Reserves	Other	
Roading		<i>(Renewal/New)</i>					
Roading	Subsidised roading renewals - rural	R 2,273,282	2,590,003	1,171,749		1,418,254 *2	
	Subsidised roading renewals - urban	R 1,190,600	701,943	311,232		390,711 *2	
	Subsidised bridge renewals	R 550,000	29,189		10,344	18,845 *2	
	Urban footpath renewals	R 388,000	238,836	97,536	141,300		
	CBD footpath resurfacing (stage1)	N 280,000	252,278		102,278	150,000 *1	
	Car park seal renewals	R 20,000	10,817		10,817		
	Footpath land ex subdivision	N -	30,870		30,870		
	Tinui slump reinstatement	R 350,000	350,248		147,100	203,148 *2	
	QE Park footbridge refurbishment	R 50,000	2,024	2,024			
Water Services							
Urban Water Tmt	Water tmt filters refurbishment	R 800,000	186,761			186,761 *1	
	Consent renewal - sludge disposal	N 50,000	-				
	Water tmt plant & equip renewal	R 86,000	126,460		126,460		
	Water tmt buildings & grounds	R 35,000	31,873		31,873		
Urban Water Reti	Water retic - mains renewals	R 870,000	1,106,326		606,326	500,000 *1	
	Water connections renewals	R 300,000	286,223		281,913	4,310 *3	
Rural Water	Wainuioru water supply	R 15,000	30,139		30,139		
	Te Ore Ore water race consent	R 50,000	-				
	Water take metering	N 37,000	20,112			20,112 *1	
Sewerage Services							
Urban Sewerage	Homebush sewerage plant upgrade	N 9,900,000	6,901,174		200,000	6,701,174 *1&3	
	Sewerage reticulation renewals	R 2,000,000	1,730,212		798,820	931,392 *1&3	
Rural Sewerage	Riversdale sewerage scheme	N -	219,077	121,846	97,231		
	Tinui sewerage ponds planting	R 5,000	1,991		1,991		
	Castlepoint sewerage equipment	R -	15,417		15,417		
Stormwater Services							
Stormwater	Stormwater - renewals	R 155,000	104,871		17,457	87,414 *1	
	Opaki retention dam (completion)	N 150,000	87,311			87,311 *1	
Solid Waste Services							
Solid Waste	Reseal access road surface	R 20,000	15,993		15,993		
	Septic tank waste "grit trap"	N 50,000	16,807		16,807		
	Asbestos repository	N 50,000	-				
Community Facilities/Activities							
Parks & Reserves	Q. E. Park renewal programme	R 50,000	53,982		53,982		
	Recreation trails project	N 40,000	31,106		31,106		
	Henley Lake upgrade projects	N 80,000	14,390		14,390		
	Replace Centotaph panels	N 40,000					
	Robinson Park land acquisition	R -	1,560		1,560		
	Street tree strategy	N 15,000	19,618		19,618		
	McJorrow Park playground	R 15,000	-				
	Parks facilities - incl playgrounds	R 50,000	-				
	Public toilets (24 hour) - replacem	R 119,000	181,969		181,969		
Sportsfields	Sportsfields - buildings upgrades	N 20,000	30,000		30,000		
	Netball carpark extension and reseal	N/R 67,000	86,293		86,293		
GE Rec Centre	Genesis Energy Recreation Centre	R 255,000	55,394		53,394	2,000 *3	
	War Mem. Stadium - strengthening	N -	48,600		48,600		
Cemeteries	Cemetery upgrades	N 60,000	-				
Library	Library book purchases	R 144,500	147,864		147,864		
	Computer & equipment upgrades	R 80,325	83,545		45,485	38,060 *5	
	Library building/furniture upgrades	R 18,500	31,956		31,956		
Archive	Leasehold improvements	R 22,000	7,706		7,706		
District Building	District bldg facilities & equip	R 39,500	23,006		23,006		
	District bldg - office lighting	N 36,000	-				
	District bldg - town hall stage equip	R 225,000	11,626		11,626		
sub totals to carry forward to next page							
		\$21,051,707	\$15,915,571	\$ 1,704,387	\$ 3,471,692	\$ 10,739,492	

CAPITAL EXPENDITURE SUMMARY			2012/13 Plan	2012/13 Actual	Source of Funding		
					Rates	Reserves	Other
Activity	Project						
sub totals carried forward			\$21,051,707	\$15,915,571	\$ 1,704,387	\$ 3,471,692	\$ 10,739,492
Community Facilities/Activities contd.							
Elderly Housing	Pensioner housing upgrades	R	62,000	35,512		35,512	
Other Property	Public conveniences - Riversdale	N	20,000	115,409		115,409	
	Rental & other property upgrades	R	61,000	15,328		15,328	
	Toilets	R	73,500	116,161		116,161	
	Earthquake strengthening	R	30,000	-			
	Rural Hall upgrades	R	12,000	-			
Airport	Landings recording system	R	10,000	-			
Mawley Park	Mawley Park facility upgrades	N	25,000	80,191		80,191	
Regulatory Services							
Building Control	Building records digitised (exp)	N	100,000	-			
Environ. Health	Testing equipment	R	7,000	6,414		6,414	
Gen. Inspection	Vehicle replacements	R	60,000	57,461		57,461	
Parking	Parking meter replacements	R	-	6,017		6,017	
Emergency Mgmt	Emergency mgmt equip.	N	-	4,848		4,848	
Internal Functions							
Corporate Serv.	Computer and office equip upgrades	R	110,000	84,964		84,964	
	Aerial photography (digital)	R	70,000	35,686		35,686	
	Records management system	N	50,000	-			
Services Eng.	Engineers survey equipment	N	-	12,604		12,604	
Total Capital Expenditure			\$21,742,207	\$16,486,166	\$ 1,704,387	\$ 4,042,286	\$ 10,739,491
*1 External loan funding totals \$8,632,771, internal loans total \$nil							
*2 NZ Transport Agency subsidies on roading capital and renewals expenditure totals \$2,030,958							
*3 External grants & contributions towards asset purchases \$37,702							
*4 Vested assets from subdivision include Roading \$0; Water \$0; Sewer & Stormwater \$0							
*5 Finance Lease funding (interest free) from CIVICA over four years for purchase of RFID equipment at Library \$38,060							
Capital Expenditure Analysis			Plan	Actual			
	Asset Renewals		10,437,207	8,373,467			
	New Assets (improve level of service)		11,305,000	8,112,699			
	Vested Assets		-	-			
COMMENTARY ON CAPITAL EXPENDITURE VARIANCES							
Transport							
Some non-urgent urban roading renewals were deferred in favour of urgent work on rural roads affected by forestry logging. The renewal of Black Swamp bridge did not proceed as delays occurred with the GWRC consent and building consent. Not all of the urban footpath renewals programme could be completed as it followed behind the broadband roll-out. The Tinui slump realignment job and the resurfacing of Masterton's CBD footpaths were both completed during the year.							
Water Services							
The project to renew the water treatment plant's water filter beds was started during the year, with one of five filters completed. More work is scheduled in 2013/14 to complete the project. The provisions for capital expenditure on the sludge disposal system and the Te Ore ore water race consent renewal were not required. Several water main renewal jobs carried over from the prior year.							
Waste Services							
Homebush wastewater treatment plant upgrade made further progress towards completion. See Highlights section for detail. The sewer reticulation renewal work continued, with a series of small projects tendered, providing work and competition amongst contractors. The budget included \$300,000 of work expected to be c/fwd from the prior year, but most of the work ended up being recognised in 2011/12. The Riversdale Beach sewerage scheme, although commissioned in 2011/12 still needed capital expenditure to complete aspects of the scheme (incl backup pumps). Castlepoint sewerage scheme needed two pump replacements that were not budgeted.							
Community Facilities -							
Rec trails, street trees, public toilets and netball parking projects all proceeded to completion. Several other capital projects were not able to be completed for a variety of reasons. The pools heating plant options were reviewed during the year and the provision allowed for replacement was carried forward into the 2013/14 year. The library IT system upgrades continued with facility for RFID tags part of the spend. The project to renew the town hall stage rigging equipment was further delayed, while the final stage of the Mawley Holiday Park upgrading was the inclusion of a new hard stand area for campervans.							
Regulatory & Internal Functions -							
The project to digitise building control records was completed this year, but costs were treated as operating rather than capital. The records management system project did not proceed, while saving were made on aerial photography project.							

RELATED PARTY TRANSACTIONS

During the year Councillors and staff of the Council were involved in minor transactions with the Council (such as payment of rates, trade waste charges and building consents). In addition, during the year the Council had dealings with the entities listed below where there is a direct relationship between a Councillor or staff member and the named organisation:

- * **Mayor G.E. Daniell** is the owner of Wairarapa Concrete Ltd which supplies goods to the Council.
- * **Mayor G.E. Daniell and Cr C. Petersen** were elected members of the Lands Trust Masterton (LTM) which is both a supplier to the Council and a provider of grants funding.
- * **Cr L. Patterson** is the Council appointee and chair of the Workforce Development Trust which received a grant.
- * **Cr J. Hooker** is a trustee of Wairarapa All Weather Track Trust and Workforce Development Trust, which received grants from the Council. He also provided services as a civil defence controller and event manager via Synergy Consultants Ltd.
- * **Cr J. Hooker and Mr D. Paris** (Mgr Finance) are members of the Wairarapa Balloon Society Inc. which received a grant from the Council.
- * **Cr J. Hooker** is the owner of RekooH Motors Ltd, to which the Council both receives & supplies services.
- * **Cr G. McClymont** is the owner of GT Environmental Services Ltd and GTG Ltd t/a Deco Precasters, to which the Council both receives & supplies services.
- * **Cr G. Caffell & Cr P. Hannon** are members of the Wairarapa Community Centre Board which received Council grants.
- * **Mrs J. Gerritsen** (Mgr Community Services) was a trustee of the Wairarapa Community Counselling Centre which received grants.

Significant transactions and balances outstanding are as follows:

	\$ 2012/13	\$ 2011/12
Value of goods supplied by Wai. Concrete Ltd.	217	0
Value of services supplied to Wairarapa Concrete (landfill charges)	122	185
Council owes / is owed by Wairapa Concrete at year end	0 / 140	1209 / 417
Value of goods & services supplied by LTM	2,857	5,453
Value of grants income received by Council from LTM	66,000	46,000
Council is owed from LTM at year end	0	30,000
Value of services supplied by GT Environmental Services Ltd and GTG Ltd.	3,462	1,313
Value of services supplied to GT Environmental Services Ltd (waste charges)	70,247	82,498
Council owes / is owed by GT Environmental Services Ltd at year end	0 / 6,680	447 / 13,225
Grant given by the Council to Wairarapa Regional All Weather Track Trust	25,000	331,627
Grant given to the Wairarapa Workforce Development Trust	5,000	10,500
Payments to Synergy Consultants Ltd (as CD controller)	65	299
Payments to Synergy Consultants Ltd (event management)	150	405
Payments to RekooH Motors Ltd	477	599
Grant given by the Council to the Wairarapa Balloon Society Inc.	13,500	10,000
Council is owed from Wairarapa Balloon Society at year end	0	3,809
Grants given to the Wairarapa Community Counselling Centre	0	2,000
Grants given to the Wairarapa Community Centre	11,500	110,000

Transactions with key management personnel

	\$ 2012/13	\$ 2011/12
Salaries & performance payments	945,832	915,094
Other benefits (professional fees, Kiwisaver, etc)	15,897	14,855
Post-employment, long term or termination benefits	0	0
	<u>\$961,729</u>	<u>\$929,949</u>

Key management personnel includes the Mayor, 10 Councillors, Chief Executive and 3 senior management personnel.

Severance payments - for the year ended 30 June 2013 MDC made 0 severance payments (2011/12 = 0)

REMUNERATION - Elected Representatives

The Masterton District Council consists of a Mayor and ten councillors. The Mayor's honorarium and Councillors' 'pool' of remuneration are set by the Remuneration Authority, with the allocation basis decided by the Council.

		\$ 2012/13	\$ 2011/12
Mayor	Garry Daniell	81,100	78,400
Deputy Mayor	Jane Terpstra	27,005	26,527
Councillor & committee chair	Chris Peterson	27,005	26,527
Councillor & committee chair	Jonathan Hooker	27,005	26,527
Councillor & committee chair	Lyn Patterson	27,005	26,527
Councillor	Judith Callaghan	20,773	20,406
Councillor	David Holmes	20,773	20,406
Councillor	Doug Bracewell	20,773	20,406
Councillor	Gary Caffell	20,773	20,406
Councillor	Phillipa Hannon	20,773	20,406
Councillor	Graham McClymon	20,773	20,406
		<u>\$ 313,758</u>	<u>\$ 306,944</u>

REMUNERATION - Chief Executive Officer

The Chief Executive Officer of the Masterton District Council is appointed under section 42 of the LG Act 2002. Mr Wes ten Hove's re-appointment was confirmed in December 2011, for the period to 30 June 2014. The annual salary package, including benefits is:

	\$ 2012/13 Per Agreement	\$ 2012/13 Paid to CEO	\$ 2011/12 Paid to CEO
Annual salary	184,170	184,170	181,267
Performance provision (discretionary to max of)	3,000	3,000	0
Other (medical, phone, prof. fees incldg FBT)	2,500	3,233	3,215
	<u>\$189,670</u>	<u>\$190,403</u>	<u>\$184,482</u>

Note: Variations between the agreed salary and the actual paid may occur due to holidays paid at a higher rate in complying with the Holidays Act 2003 and if there are any extra days in the pay year.

REMUNERATION - Council employees

Total annual remuneration by band for employees as at 30 June:

2013		2012	
< \$60,000	60	< \$60,000	64
\$60,000- \$79,999	23	\$60,000- \$79,999	18
\$80,000- \$119,999	10	\$80,000- \$99,999	8
\$120,000-\$199,999	4	\$100,000-\$199,999	5
Total Employees*	97	Total Employees *	95
*(includes part time & casuals)			
Total FTEs	74	Total FTEs	75

Total remuneration includes all financial and non-financial benefits provided to employees.

Where the number of employees in any band is 5 or fewer, the number for that band is combined with the next-highest band. The band ranges differ between the two reporting years as a result of this. At balance date the Council employed 58 (2012 = 59) full-time employees, with the balance of staff representing 16 (2012 = 16) full-time equivalent (FTE) employees. A full-time employee is determined on the basis of a 40 hour working week.

CREDITORS & OTHER PAYABLES

30 June 2012		\$ 30 June 2013
7,588,312	Trade payables	4,921,643
288,682	Deposits & bonds	204,293
62,009	Agency rates collected - Greater Wellington Regional Council	81,048
606,503	Income received in advance	638,367
98,708	Community organisations - funds held in trust	234,087
<u>\$8,644,214</u>		<u>\$6,079,438</u>

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

EMPLOYEE BENEFIT LIABILITIES

30 June 2012		\$ 30 June 2013
660,966	Staff holiday provision	700,550
19,776	Salaries & wages accrued	19,723
19,325	Councillor's honorariums payable	20,988
8,693	Staff sick leave provision	11,663
0	Staff alternative leave provision	11,976
113,427	Staff retirement gratuities	131,737
<u>\$822,187</u>	Total Employee Benefit Liabilities	<u>\$896,639</u>
741,947	Comprising:	814,195
80,240	Current	82,444
<u>\$822,187</u>	Non-current	<u>\$896,639</u>
	Total Employee Benefit Liabilities	

The present value of staff retirement gratuities represents the discounted value of long service leave payable to nine staff. The entitlement was 'grandfathered' in the 1990s, with the nine staff having their entitlement frozen, except for salary movements. The discounted rate for future payments is 4.5% (last year 6.25%) while no salary inflation factor has been applied. The discounted rate has been applied to the best estimate of future cashflows. Any changes to these assumptions will affect the carrying amount of the liability.

DERIVATIVE FINANCIAL INSTRUMENTS				Actual
30 June 2012				30 June 2013
\$	Assets			\$
-	Current	Interest rate swaps - fair value hedges		-
-	Non-current	Interest rate swaps - fair value hedges		21,380
\$0				\$21,380
	Liabilities			
-	Current	Interest rate swaps - fair value hedges		-
3,240,651	Non-current	Interest rate swaps - fair value hedges		1,848,581
\$3,240,651				\$1,848,581
Fair value				
The fair value of interest rate swaps have been determined using a discounted cash flows valuation technique based on current market prices and have been provided by Etos Resolution/Hedgebook Limited.				
Interest rate swaps				
The notional principal amounts and interest rate details of the interest rate swap contracts are:				
#	Notional Principal	Term remaining	Maturity Date	Interest Rate (excl margin)
2B	2,500,000	5.1 years	31/07/18	6.320%
3	2,500,000	5.6 years	30/01/19	6.660%
7	1,000,000	5.7 years	29/03/19	5.165%
8	1,200,000	2.1 years	20/07/15	4.030%
9	800,000	6.1 years	20/07/19	5.78% / 5.34% *1
10	1,200,000	3.8 years	20/04/17	4.200%
11	1,000,000	5.1 years	20/07/18	5.800%
12	1,500,000	4.9 years	22/05/18	4.86% / 4.48% *1
13	2,000,000	4.7 years	21/03/18	4.650%
14A	1,000,000	3.5 years	22/12/16	4.770%
14B	1,000,000	4.0 years	22/06/17	4.240%
15A	2,000,000	3.1 years	25/07/16	3.900%
16	2,000,000	5.3 years	23/10/18	5.350%
17	2,000,000	8.2 years	24/08/20	4.660%
18	2,000,000	2.8 years	20/04/16	4.300%
19	2,000,000	5.0 years	22/06/18	5.320%
20	2,000,000	3.9 years	22/05/17	5.220%
21	2,000,000	9.0 years	22/06/22	4.570%
22	2,000,000	8.2 years	22/09/21	4.570%
23	2,000,000	8.1 years	24/07/21	4.680%
24	1,000,000	6.7 years	22/02/20	4.980%
25	2,000,000	1.7 years	17/03/15	2.625%
26	1,500,000	1.5 years	24/12/14	2.595%
	38,200,000			
Movements in the value of the derivative instruments are shown through the Surplus/(Deficit) in the Statement of Comprehensive Income, as per NZ IFRS 7 and NZ IAS 39.				
*1 : At year end three swaps had their term extended and a new fixed interest rate will apply from the next rate reset date. The interest rates shown are as at the 30th June and from their next renewal (within 90 days).				

PROVISIONS

30 June 2012		30 June 2013
\$	Landfill Aftercare Provision	\$
383,761	Opening balance	368,766
(75,472)	Amounts used during the year	(82,548)
-	Unused amounts brought forward	-
41,980	Adjustments to provision*	74,627
18,497	Discount unwinding (Note 5)	17,176
<u>\$368,766</u>	Closing balance	<u>\$378,020</u>

Commentary

The Nursery Road landfill was closed for general refuse on 30th September 2006. An interim closure plan was accepted by the GWRC and a resource consent application has been lodged for the closure plan and on-going limited disposal of special wastes. MDC's responsibilities under the closure plan include progressive capping using cleanfill (as it is deposited) and on-going monitoring. The liabilities for this work were recognised and allowed for over a 10 year time period to 2020.

* In 2010/11 the resource consent, including a closure plan was finalised. The sums expended in 2012/13 were less than expected (for monitoring and moving of cover material around the site). The capping and closure are still required by 2015 so unexpended provisions are carried forward.

Provision for Financial Guarantees**NZ Local Government Funding Agency**

Masterton District Council is a shareholder of the NZ Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a credit rating from Standard and Poors of AA+.

Masterton District Council is one of 30 council shareholders of the NZLGFA, along with the NZ Government. In that regard it has uncalled capital of \$100,000. When aggregated with uncalled capital of other shareholders, \$20m is available in the event that an imminent default is identified. Also, together with the other shareholders, Masterton DC is a guarantor of all of NZLGFA's borrowings. At 30 June 2013, NZLGFA had lent \$2.48 billion (2012: \$835m). Financial reporting standards require Masterton District Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee and therefore has not recognised a liability. The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

* we are not aware of any local authority debt default events in New Zealand; and

* local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

Community Organisations

MDC has, in the past, provided banks with guarantees on the borrowings of community organisations. Currently there are no guarantees in place, although a commitment was made as part of the Annual Plan process to guarantee a loan for Masterton Motorplex for \$300,000 to assist with the development of a motorsport complex on Council land next to Hood Aerodrome. At balance date this is still to be signed. MDC is obligated under these guarantees to pay the debt if the community organisation defaults. The exercising of guarantees will be dependent on the financial stability of the community organisations, which will vary over time. A financial provision would be prudent to be carried if any one of these groups' guarantees is likely to be called upon. No provision is currently considered necessary.

	Value of Guarantee	Amount owing 30 June 2013	Amount owing 30 June 2012
Harlequin Theatre Inc.	0	0	843

30 June 2012		30 June 2013
\$0	Value of Financial Guarantee Provision carried	\$0

\$	Total Provisions	\$
368,766	Landfill aftercare provision	378,020
0	Financial guarantees provision	0
<u>\$368,766</u>	Closing carrying value - Provisions	<u>\$378,020</u>
82,548	Current	103,774
286,218	Non-current	274,246
<u>\$368,766</u>		<u>\$378,020</u>

FINANCIAL LIABILITIES as at 30 June 2013		\$	\$	\$
		30 June 2012	30 June 2013	Plan 2013
SUMMARY	Secured (bank) loans	26,791,001	24,910,276	29,197,348
	Debenture and LGFA bonds	15,000,000	25,000,000	22,650,000
	EECA Energy Efficiency Crown Loan	71,010	47,410	47,410
	Finance leases	82,349	94,720	90,000
	Internal loans	7,178,635	5,174,688	5,200,000
	Sub total - all financial liabilities	49,122,994	55,227,094	57,184,758
	Less current portion of external liabilities	(6,540,457)	(1,646,202)	(1,594,153)
	Internal loans/investments reversed	(7,178,635)	(5,174,688)	(5,200,000)
	Total non-current financial liabilities	\$35,403,903	\$48,406,204	\$50,390,605
COST OF DEBT SERVICING		Actual		Plan
	Loan repayments (external)	2,140,939		1,500,859
	Interest expense (external)	2,731,403		3,032,435
	Cost of Debt Servicing (external)	4,872,342		4,533,294
	Loan repayments (internal)	2,003,947		407,653
	Interest expense (internal)	261,289		271,422
	Cost of Debt Servicing (internal)	2,265,236		679,075
	Treasury Policy Compliance		Policy Limits	
	Net External Debt to Total Equity	7.0%	10%	7.0%
	Net External Debt to Operating Revenues	130.5%	150%	133.7%
	Interest (external) as % of operating revenue	7.6%	10%	8.5%
	Interest (external) as % of total rates revenue	11.5%	15%	12.8%
	Interest (internal & external) as % of total rates revenue	12.7%	20%	14.0%
MOVEMENTS IN TOTAL DEBT		\$ Actual	\$ Plan	
	Opening Balance 1 July 2012	\$49,122,994	\$46,443,270	
	Loan repayments	(4,144,886)	(1,908,512)	
	New borrowing (external & finance leases)	8,680,757	12,650,000	
	New borrowing (repay internal loans)	1,568,229		
	Closing Balance 30 June 2013	\$55,227,094	\$57,184,758	
MATURITY ANALYSIS				
The following is a maturity analysis of MDC's borrowings (excluding finance leases & internal borrowings).				
		30 Jun 2012	30 Jun 2013	
	Repayments due in less than one year	6,499,138	1,646,202	Weighted average interest on external loans 5.7%
	Later than one year, less than five	7,507,384	8,072,254	
	Later than five years	27,855,489	40,239,231	
		\$41,862,011	\$49,957,686	
ANALYSIS OF FINANCE LEASE LIABILITIES		Actual 2012	Actual 2013	
	Payable no later than one year	41,319	51,844	
	Later than one, not later than two years	39,689	22,910	
	Later than two, not later than five years	11,367	26,681	
	Future financing charges	(10,026)	(6,715)	
		\$82,349	\$94,720	
	Representing lease liabilities - Current	41,319	51,844	
	- Non-current	41,030	42,876	
Security: The Council has secured its loans and debenture borrowing using a Debenture Trust Deed (DTD). Under the DTD the Council's rates revenue is offered as security and all lenders rank equally, with a trustee representing the lenders. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.				
Term: Each bank loan facility has a term which may be shorter than the sanctioned term of the borrowing, but for the maturity analysis above, it has been assumed that they will be repaid over sanctioned terms and refinanced as they mature. The loans include two Cash Advance Facilities (CAFs) with \$24.9m drawn and \$15m undrawn. The CAFs have interest rate resets every 90 days, priced off the bank bill rate plus a margin. Interest rate swaps have been used to fix interest rates for terms ranging from two to nine years.				

FINANCIAL LIABILITIES as at 30 June 2013

Debentures: Debenture stock of \$5m, issued in July 2007 for 5 years was repaid in July 2012. The Local Government Funding Agency (LGFA) bonds have been utilised to replace this and some bank debt. The LGFA bonds are floating rate, with swaps used to fix interest rates to comply with treasury policies.

Leases: The Council has entered into finance leases for a number of photocopiers. The value of these assets is disclosed in Note 13. The finance leases can be renewed at MDC's option and MDC does have the option to purchase the assets at the end of the lease term. There are no restrictions placed on MDC by any of the finance leasing arrangements.

New Debt: The Council borrowed \$19 million externally during the year. The loan funds were applied to capital projects (\$8.9 million) while 10.1 million was used to replace existing external and internal debt.

Internal loans: No new internal borrowing was needed, while \$2m was applied to reduce internal loans. Internal interest paid/earned totalled \$261,289 and was charged on the average balance due. The interest rates charged averaged 4.40% for the year to 30 June 2013. The rates were based on the mid-point between what the Council could earn and what Council was paying on its external loans.

Schedule of Internal Loan/Investment Movements by Groups of Activities

for the year ended 30 June 2012/13

Internal Interest \$ 000's		Opening Balance \$ 000's	New Borrowing \$ 000's	Reduction \$ 000's	Closing Balance \$ 000's
11	Roading	272	0	(56)	217
146	Sewerage Services	4,511	0	(1,755)	2,756
1	Stormwater	32	0	(17)	15
24	Solid Waste	557	0	(28)	529
78	Community Facilities/ Activities	1,806	0	(148)	1,658
261		7,179	0	(2,004)	5,175

EQUITY**RETAINED EARNINGS**

\$ 30 June 2012		\$ 30 June 2013
424,480,383	Opening Balance	426,748,869
6,945,564	Transfers From Special Funds & Reserves	5,639,441
(5,707,880)	Transfers (To) Special Funds & Reserves	(5,888,687)
428,479	Revaluation reserve on disposal assets to equity	773,704
602,323	Surplus/(Deficit) for the year	(2,109,005)
\$426,748,869	Closing Balance	\$425,164,322

REVALUATION RESERVES

\$		Notes	\$	\$	\$
30 June 2012			Movements due to asset disposals	Revaluation Movements	30 June 2013
31,413,587	Land	*1			31,413,587
15,850,578	Buildings	*2	(27,826)		15,822,752
	Infrastructural Assets	*3			
3,709,589	Land (under roads)				3,709,589
142,484,980	Roading network		(69,307)		142,415,673
13,040,740	Urban water supply		(127,570)		12,913,170
11,415,003	Urban sewerage system		(553,682)		10,861,321
4,281,557	Stormwater assets				4,281,557
2,419,907	Other infrastructure assets				2,419,907
3,840	Work In Progress				3,840
75,748	Financial assets value change via comprehensive income		4,681	(35,257)	45,172
\$ 224,695,529			(\$773,704)	(\$35,257)	\$ 223,886,568

Analysis of Movements

*1 Land disposals: nil

*2 Buildings disposals: - Dixon Street Toilets Demolished \$ 17,984
 - Riversdale beachfront toilets condemned & to be demolished (\$16,393)
 - Old managers residence Mawley Park demolished (\$13,842)
 - South Rd (Airport) dwelling septic tank removed (\$15,575)

*3 Infrastructure assets disposed/replaced included the following:

Roading assets: - Kerb & channel, signs, culverts (\$69,307)
 Water assets: - water reticulation & connections (\$127,570)
 Sewerage assets: - sewer mains, old oxidation ponds (\$553,682)

FINANCIAL INSTRUMENTS**Financial instrument categories**

The accounting policies for financial instruments have been applied to the line items below:

	\$000	\$000
Financial Assets	30 June 2013	30 June 2012
Fair value through profit & loss		
Fund manager - cash and cash equivalents	9	19
Fund manager - current financial assets	1,132	784
Fund manager - non-current financial assets	5,558	5,833
	<u>6,699</u>	<u>6,635</u>
Cash Deposits, Receivables & Community Loans		
Debtors and other receivables	3,445	4,870
Cash and cash equivalents	3,225	2,589
Bank deposits - current financial assets	1,989	1,973
	<u>8,658</u>	<u>9,432</u>
Fair value through comprehensive income		
Derivative financial instrument assets	21	0
Corporate bonds - current	0	209
Corporate bonds - non-current	4,038	3,825
Unlisted shares	269	273
	<u>4,328</u>	<u>4,307</u>
Financial Liabilities		
Fair value through comprehensive income		
Derivative financial instrument liabilities	1,849	3,241
Financial liabilities at amortised cost		
Trade and other payables	6,079	8,644
Borrowings - secured loans	24,910	26,791
- debentures & LGFA bonds	25,000	15,000
	<u>55,989</u>	<u>50,435</u>

FINANCIAL INSTRUMENT RISKS

Masterton District Council (MDC) has a Treasury Management Policy in place to manage the risks associated with financial instruments. MDC is risk averse and seeks to minimise exposure from its treasury activities. MDC has established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. MDC is exposed to equity securities price risk on its investments, which are classified as financial assets held at fair value through equity and fair value through P&L. This price risk arises due to market movements in tradeable securities. This price risk is managed by diversification of MDC's investment portfolio in accordance with the limits set out in MDC's Investment policy.

MDC holds shares (equity instruments) in NZ Local Government Insurance Corporation, Airtel Ltd and NZ Local Government Finance Agency, none of which are publicly traded. Change in value is calculated by calculating MDC's share of the reported value of the entity's equity.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. MDC is not exposed to currency risk, as it does not enter into foreign currency transactions.

Interest rate risk

The weighted average interest rate that the MDC's investments are earning at 30 June 2013 is 4.5% (last year 5.29%) and on MDC's borrowings (as shown in Note 24) weighted average interest rate is 5.7% (last year 6.3%).

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing issued at fixed rates exposes the MDC to fair value interest rate risk. MDC's Liability Management Policy outlines the minimum level of borrowing (20%) that is to be secured using fixed rate instruments. Floating to fixed interest rate swaps have been entered into to hedge the fair value interest rate risk arising where MDC has borrowed at floating rates.

In addition, investments at fixed interest rates expose the MDC to fair value interest rate risk. If interest rates on **investments** at 30 June 2013 had fluctuated by plus or minus 1%, the effect would have been to decrease/increase the fair value through P&L and/or equity reserve by \$158,400 (2012 \$152,100).

If interest rates on **borrowings** at 30 June 2013 had fluctuated by plus or minus 1%, the effect would be to decrease/increase the surplus/(deficit) in future periods by up to \$500,100 (2012 \$419,400) as a result of higher/lower interest expense on borrowings.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose MDC to cash flow interest rate risk.

MDC can manage its cash flow interest rate risk on borrowings by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings at floating rates and swaps them into fixed rates that are generally lower than those available if MDC borrowed at fixed rates directly. Under the interest rate swaps, MDC agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

Credit risk is the risk that a third party will default on its obligation to MDC, causing MDC to incur a loss.

Maximum exposure to credit risk	\$000	\$000
	30 June 2013	30 June 2012
Cash at bank and term deposits	5,223	4,581
Debtors and other receivables	3,445	4,870
Local authority and government stock	4,837	5,028
Corporate bonds/discounted securities/SOEs	5,890	5,623
Financial guarantees	0	0
	19,395	20,102
Credit quality of financial assets		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings (if available) or to historical information about counterparty default rates:		
Counterparties credit ratings		
Cash at bank and term deposits	AA- 3,734	4,292
	Not Rated 1,489	289
	5,223	4,581
Government stock	AA 3,659	3,612
Local authority stock	Not Rated 1,179	1,416
	4,837	5,028
Corporate bonds/discounted securities	AA+ 0	0
	AA 1,534	1,286
	A to AA- 3,390	3,589
	A-1+ 966	616
	BBB 0	132
	5,890	5,623
Counterparties without credit ratings		
Debtors and other receivables	3,445	4,870
Financial guarantees	0	0
	3,445	4,870
Debtors and other receivables mainly arise from MDC's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors with reference to internal or external credit ratings.		

Credit risk (continued)

Due to the timing of its cash inflows and outflows, the MDC invests surplus cash into term deposits. MDC also holds reserve funds that are invested in a number of financial instruments, according to criteria in the Investment Policy. These investments can give rise to a credit risk. MDC invests funds only in deposits with registered banks, local authority stock and corporate bonds of BBB credit rating or better, and its Investment policy limits the amount of credit exposure to any one institution or organisation and the percentage of the portfolio that can be invested in less than A rated instruments. Investments in other Local Authorities are secured by charges over rates.

MDC has no significant concentrations of credit risk in its general debtor assets as it has a large number of credit customers, mainly ratepayers, and MDC has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity risk

Liquidity risk is the risk that MDC will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. MDC aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, MDC maintains a prudent level of investments held short term to enable operational access to funds if required.

MDC manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management Policy. These policies have been adopted as part of the MDC’s Long Term Council Community Plan.

MDC is a shareholder in the NZ LGFA and borrowed \$15m from them during 2012/13. There are two cash advance facilities with Westpac and ANZ. The maximum amount that can be drawn down against the bank cash advance facilities is \$40m (2012 \$46.8m). The intent of using these type of facilities is two-fold: 1) to assist meeting cashflow requirements on capital projects prior to conversion to longer term debt, and 2) to enable floating-to-fixed interest rate risk management instruments to be used. The amount currently drawn against the CAFs is \$24.9m (2012 \$26.8m).

The maturity profile of MDC’s interest bearing investments is disclosed in Note 11 with a split between cash, deposits of less than 3 months, financial assets of less than 12 months and financial assets with terms greater than 12 months.

Contractual maturity analysis of financial liabilities					
	Carrying amount	Contractual cash flows	Less than 1 year	1 -5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000
As at 30 June 2012					
Creditors and other payables	8,644	8,644	8,644		
Net settled derivative liabilities*	3,241	5,327	863	3,153	1,311
Committed cash advances	26,744	29,367	1,111	28,256	
Secured loans	118	120	70	50	
Debenture stock & LGFA bonds	15,000	16,924	5,385	1,539	10,000
Finance leases	82	92	41	51	
Financial guarantees	0	0	0		
	53,829	60,475	16,115	33,049	11,311
As at 30 June 2013					
Creditors and other payables	6,079	6,079	6,079		
Net settled derivative liabilities*	1,849	4,596	813	2,942	842
Committed cash advances	24,908	26,247	1,071	25,176	
Secured loans	50	52	26	26	
Debenture stock & LGFA bonds	25,000	30,444	1,089	4,355	25,000
Finance leases	95	101	52	49	
Financial guarantees	0	0	0		
	57,980	67,519	9,130	32,547	25,842

* Contractual cashflow estimate is based on the variance between fixed rate and floating rate on balance date

Contractual maturity of financial liabilities

Note 24 contains a table which discloses the relevant maturity groupings of MDC's term liabilities. The table on the previous page analyses all MDC's financial liabilities based on the remaining period from the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The amounts disclosed are the undiscounted cash flows and include interest payments.

The table on the previous page also includes MDC's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

FAIR VALUE HIERACHY DISCLOSURES

Note 26b

For those instruments measured at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market prices (level 1)
- Valuation technique using observable inputs (level 2)
- Valuation techniques with significant non-observable inputs (level 3)

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

Fair Value Hierarchy	Total	Valuation technique		
		Quoted market price	Observable inputs	Significant non-observable inputs
	\$000	\$000	\$000	\$000
as at 30 June 2012				
Financial Assets				
Derivatives	0	0	6	0
Local Authority stock	1,416	0	1,416	0
Shares	273	0	0	273
Corporate bonds & disc. securities	5,396	5,396	0	0
Government Bonds	3,612	3,612	0	0
	10,697	9,008	1,422	273
Financial Liabilities				
Derivatives	3,241		3,241	
as at 30 June 2013				
Financial Assets				
Derivatives	21	21		0
Local Authority stock	1,179	0	1,179	0
Shares	269	0	0	269
Corporate bonds & disc. securities	5,890	5,890	0	0
Government Bonds	3,659	3,659	0	0
	11,017	9,570	1,179	269
Financial Liabilities				
Derivatives	1,849		1,849	

CAPITAL MANAGEMENT

The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings, revaluation reserves and special funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 [the Act] requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. And the Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

MDC has the following types of Council-created Special Funds and Reserves:

- Reserves representing accumulating asset replacement provisions;
- Reserves representing developer contributions towards assets & infrastructure;
- General purpose reserves originating from asset sales and carried forward funding;
- Restricted reserves intended for special purpose assets or originating from a bequest.

Reserves for asset replacement are used where there is a discrete asset for which renewal or replacement expenditure is required to be met over and above annual revenue.

Developer contributions taken under the District Plan are held in reserves and applied to asset development projects, giving effect to the intent of the District Plan, to help fund the impacts of growth.

Interest is added to reserve fund balances as per the Council policy of protecting the reserve funds against inflation while maximising the interest return for use on Council development projects. Full interest is allocated to bequest and special purpose asset reserves. Deductions from reserves are made based on Council's Annual Plan decisions on the funding source for a range of expenditure.

Purpose and Application of Special Funds & Reserves

Note 28

The Council maintains special funds and reserves as a sub-part of ratepayers' equity. On the following page (Note 28) the financial detail of the balances and movements in special funds and reserves are shown. There are 30 separate fund balances, but for simplicity they have been grouped into the main categories. The words and descriptions below were listed in the Long Term Plan and describe the purpose and application of each category of fund.

Plant & Equipment Depreciation Funds

These funds are built up from depreciation on plant and equipment and are used to fund replacements.

General Capital Reserves

These funds have been set aside from the sale of assets, the most significant of which was the Wairarapa Electricity shares sold in 1996. They can be utilised for new asset purchases and to fund one-off Council projects and grants.

Investment Interest Fund

These funds are generated by receiving the proceeds of interest earnings on investments, after allocating interest at half the rate of inflation to all other special funds balances. The funds are applied to offset debt servicing costs on specific projects including the CBD upgrading, Chapel St stormwater line, Castlepoint seawall and rural transfer stations.

Reserves & Development Funds

These funds represent reserves and development contributions that are generated from the District Plan provisions for financial contributions on development and subdivision. The funds can only be applied to the purpose for which they were taken ie development of assets on reserves and general district development.

Buildings Depreciation Funds

The Council has a series of specific depreciation reserve accounts for assets such as Housing for the Elderly, the District Building, Genesis Energy Recreation centre and parks & reserves buildings. Depreciation funds on these assets are accumulated in these funds and used for renewal expenditure as required.

Roading, Bridges & Flood Damage Funds

Most roading renewal expenditure is funded from rates and NZTA subsidies, but some funding for Council's share of bridge renewals and street furniture is being built up in this fund. Roothing contributions taken as per the District Plan financial contributions are accumulated in this fund and a separate fund for responding to road flood damage is also part of this group. Use of these funds can be for roading and bridge renewals, upgrades and flood damage.

Urban Infrastructure Depreciation Funds

Depreciation on urban infrastructural assets is accumulated in this fund and applied to renewal of those assets. Infrastructure contributions taken as per the District Plan financial contributions are accumulated in this fund and utilised on renewing and upgrading the network assets.

Miscellaneous Funds

These funds are made up of surpluses and deficits of various distinct entities under Council's control. Separate balances are maintained for a number of rural water and sewerage supplies and the Dog Control carry forward surpluses. A separate Special Funds account represents a balance of funds carried forward. They are generally rated for specific items, but not spent. The sums are identified at year end and carried forward so they can be applied to the expenditure for which they were raised. The Council has also utilised, or borrowed from these funds to advance projects and repay back to the fund, eg Wairarapa Combined District Plan project.

Crematorium Fund – ex Mrs Smart bequest

To manage a bequest made to establish a crematorium.

MOVEMENTS IN SPECIAL FUNDS & RESERVES - 2012/13

	Opening Balance	Transfers Out	Transfers In	Closing Balance	Plan
Plant & Equipment Funds	1,480,147	(285,388)	385,706	1,580,465	1,381,353
General Capital Funds	3,578,231	(233,130)	34,617	3,379,718	3,370,448
Investment Interest Fund	255,586	(678,800)	694,203	270,989	(18,381)
Reserves & Development Funds	1,057,630	(60,314)	138,108	1,135,424	970,356
Building Depreciation Funds	4,360,019	(958,360)	1,200,891	4,602,550	3,517,918
Roading, Bridges & Flood Damage Funds	2,849,853	(371,022)	516,244	2,995,075	2,312,762
Urban Infrastructural Depreciation Funds	2,305,616	(1,811,476)	1,845,113	2,339,253	2,918,942
Miscellaneous Funds	1,096,264	(1,240,951)	1,073,805	929,118	924,459
Total	16,983,346	(5,639,441)	5,888,687	17,232,592	15,377,857
				Actual 2012/13	Plan 2012/13
Funding of Capital Expenditure from special funds & reserves				4,042,286	4,921,750
Funding of Operating Expenditure from special funds & reserves				1,597,155	900,000
				5,639,441	5,821,750
Analysis of Transfers 'IN' to Funds & Reserves					
Reserves & Development Contributions received				127,197	110,000
Infrastructure & Rooding Contributions received				484,998	273,898
Carry forward funding for on-going project commitments				976,938	98,102
Interest earned and retained in special funds				180,838	251,576
Interest earned and allocated to Investment Interest fund				694,203	498,424
				Sub Total	
				2,464,174	1,232,000
Depreciation funded into asset replacement reserves funds				3,411,626	3,451,092
				Total of Transfers into funds from Operations	4,683,092
				5,875,800	
Proceeds from sale of plant & equipment assets				12,887	0
				Total Transfers into funds from Asset Sales	0
				12,887	
				5,888,687	4,683,092

Explanation of variances from Plan:**Plant & Equipment Funds** - 14% more than Plan

More depreciation has been added to these funds than were planned

Investment Interest Fund - \$290,000 more than Plan

More interest income was added to this fund than planned and less was allocated to operating costs than planned.

Reserves & Development Funds - 17% more than Plan

Opening balance was higher than was anticipated in the Plan/LTP

General Capital Funds

Closing balance is close to Plan expectation

Building Depreciation Funds - 30% more than Plan, \$1,085,000

Opening balance was \$636k more than in LTP, while expenditure on renewals was \$567k less than planned largely due to the pools heating & town hall stage projects not proceeding

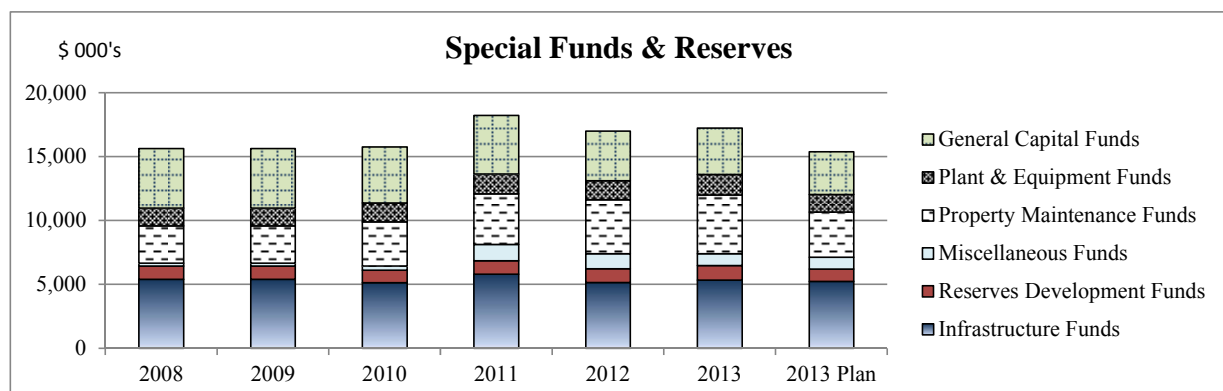
Infrastructural Assets Funds

Roading funds are 29.5% more than planned, at close to \$3m, but within that Flood Damage fund is negative \$213,000

Estimated opening balance of infrastructure funds was overstated, by \$820k. Closing balance is \$580k less than planned

Miscellaneous Funds

These funds have ended the year close to Plan expectation.



RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH INFLOW		
2011/12	FROM OPERATING ACTIVITIES	2012/13
\$ 602,323	Operating Surplus / (Deficit)	(\$2,109,005)
	- Add (less) non-cash items	
9,683,170	Depreciation and amortisation	9,980,961
(422,000)	Vested asset gains	-
108,843	(Gains)/losses in fair value of biological assets (forestry)	(194,599)
(474,900)	(Gains)/losses in fair value of investment property	8,000
(18,490)	Other non-cash items	(3,983)
	- Add (less) items classified as investing or financing	
1,076,754	(Gains)/losses on disposal of property, plant & equipment	3,885,948
1,297,030	(Gains)/losses on change in fair value of financial assets/liabilities	(951,878)
	- Add (less) movements in working capital items	
(1,246,754)	Receivables & current assets	1,417,196
(248,374)	Accounts payable	591,827
14,643	Payroll & accrued leave liabilities	74,452
1,649,709	Other current liabilities	(1,858,321)
\$ 12,021,954	Net Cash Inflow from Operating Activities	\$ 10,840,598

RATING POLICIES REPORT**RATES REMISSIONS**

	2012/13		2011/12	
	No.	\$	No.	\$
The cost of the Council's Rates Remission Policy is summarised below.				
Rates remissions were given on:				
Community halls, volunteer & charitable groups	59	58,736	61	57,236
Sporting, arts and cultural use	27	46,639	22	34,653
Land protected for conservation or heritage purposes	26	2,495	26	2,176
Rate arrears penalties*	5,642	115,897 *	580	38,987
Uniform charges on non-contiguous units	4	1,437	5	1,498
Urban land with rural use	8	4,009	5	3,559
Total (as per Note 3)	<u>5,766</u>	<u>\$229,213</u>	<u>699</u>	<u>\$138,109</u>

* Note: The majority of these penalty remissions were given to properties which had a direct debit (DD) in place to clear the instalment by the end of the quarter. At the penalty date they had a balance due on which an automatic penalty has been calculated, then remitted. The 5,642 is the number of transactions but relates to penalty remissions on 2054 properties. The large increase from the previous year, both in terms of volume and value, is a reflection of the growth in people paying by way of DD and in particular, choosing to pay on a weekly, fortnightly or monthly basis.

No estimate has been attempted to establish the value of rates income which would have been chargeable on those properties which the Rating Act 2002 makes non-rateable. If those properties had been rateable the Council would have still collected the same total rates to fund its activities and the rates-in-the-\$ would have been less, effectively making all other ratepayers' rates less.

RATES POSTPONEMENTS - Subdivision Developments

Under the Council policy on Rates Postponements for subdivision developments, zero (2012 = 0) ratepayers have received the benefit of being allowed to postpone 50% of the rates on unsold sections.

- Postponements for Hardship or Against Equity

In 2012/13, no properties (2011/12 = 0) requested or were allowed to postpone rates based on the Council's policy for postponement under extreme financial circumstances, or for postponement against equity on the homes of elderly ratepayers.

PLAN COMPARISON & BUDGET VARIATIONS		2012/13	2012/13	2011/12
Treasury Policy	<i>Policy Limit</i>	Actual	Plan	Actual
Current Ratio (current assets to current liabilities)		1.2 : 1	1.05 : 1	0.7 : 1
Net external debt to Total public equity	10%	7.0%	7.0%	5.8%
Net External Debt as % of Operating revenue	150%	130.5%	133.7%	110.8%
Interest expense (external) as % of total revenue	10%	7.6%	8.5%	6.2%
Interest expense as % of Rates revenue	15%	11.4%	12.8%	10.0%
Interest (external & internal) as % Rates revenue	20%	12.7%	14.0%	11.3%
Term debt (external) per capita		\$2,073	\$2,104	\$1,504

Major Variations from Plan
Explanations for major variations from the Council's 2012/22 Long Term Plan (year 1) are as follows:

Statement of Comprehensive Income
The accounting deficit of \$2.1m compares to the planned figure of \$0.07m surplus, but after excluding Other Gains & Losses, there was an overall surplus of \$0.634m

Total Operating Revenue of \$37.6m is more than plan by \$1,902,563 5.3%

- Riversdale Beach sewerage capital contributions totaled \$0.345m which was \$0.11m more than planned. This was due to more ratepayers deciding to pay capital contributions off in full.
- Financial contributions of \$0.714m exceeded Plan by \$0.30m
- Other Gains total \$1.634m and include value increases on cash flow hedges and forestry assets.
- Other operating revenue of \$5.94m was 1.3% below planned.
- Interest income of \$0.924m was \$0.190m better than planned.
- Subsidies (including roading subsidy income from NZTA) was \$0.229m less than planned as the bridge renewal that was planned did not proceed.

Personnel & Other Expenses are less than plan by \$253,100 1.1%

- Savings were made against a range of operating budgets, but overall personnel costs being \$121,000 were 2.4% more than planned. Waste minimisation costs were less than planned, some property maintenance cost savings were achieved and costs in the corporate support area were less than planned.
- Areas where costs were higher than planned include insurance costs across all activities and the Genesis Energy Recreation Centre where \$145,000 more than plan (14%) was due insurance, earthquake assessment and water heating plant operating issues.

Finance costs were less than plan by \$283,800 9.4%

- Lower than planned spending on the Homebush sewerage project and lower interest rates than planned have seen a lower cost of debt financing than planned.

Depreciation & amortisation is more than plan by \$241,700 2.5%

- The plan depreciation provision did not anticipate the full increase that resulted from the revaluation of buildings that took effect on 30 June 2012.

Other Losses were more loss than planned by \$4,377,500

- These were not allowed for in the LTP. There were losses on revaluation of financial assets to market value (\$461,500) and write-downs of the value of assets disposed (largely infrastructural renewals). These write-downs include \$3.1m being the book value of the old oxidation ponds and screening plant at the Homebush wastewater treatment plant. The ponds were in the process of being decommissioned at year end.

Statement of Financial Position as at 30 June 2013

- Current assets were \$9.98m at year end, a 6% reduction from the prior year. Current liabilities were \$8.64m so there were sufficient current funds to meet current liabilities. Creditors was lower due to less activity on capital projects in the month of June 2013 than June of the prior year.
- Property and equipment assets were revalued at 30 June 2012. The plan included a \$5m revaluation increase that did not eventuate, so the June 2013 value varies from the planned value.
- With infrastructural assets, the Plan did not allow for the writing down of the oxidation ponds and a higher value of capital expenditure on the Homebush was anticipated.
- Non-current financial assets are at a similar level to last year but more than planned.
- Current portion of financial liabilities includes the anticipated level of debt reduction in the next year.
- Non-current liabilities are less than planned due to less borrowing for capital projects.

Statement of Movements in Equity

- Equity is more than planned because of the revaluation of infrastructural assets was underestimated in the plan and the one-off other losses as described above.

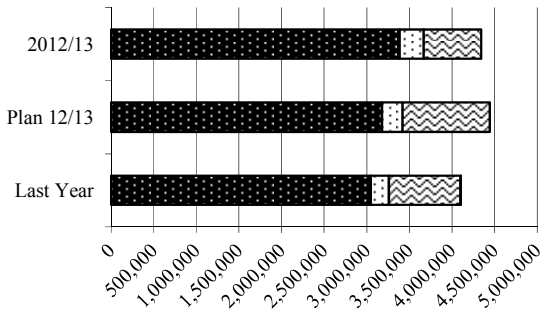
Statement of Cashflows

- Operating cashflows 'in' are more than planned due to roading subsidy income being receivable at 30 June 2012. Cash applied is less than planned due to operational savings and less interest paid on loans.
- Investing activities are less - capital expenditure was less. Less was needed from loan financing while funds were applied to investments rather than, as planned, being sourced from investments.
- More funds were applied to debt repayment than planned as prior year surplus funds from the sewerage activity were applied to repay some of the debt early.

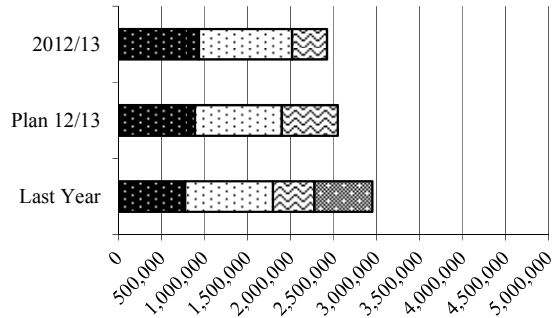
Funding Comparisons by Activity

■ Rates □ Other revenue ▨ Reserves ■ Loans

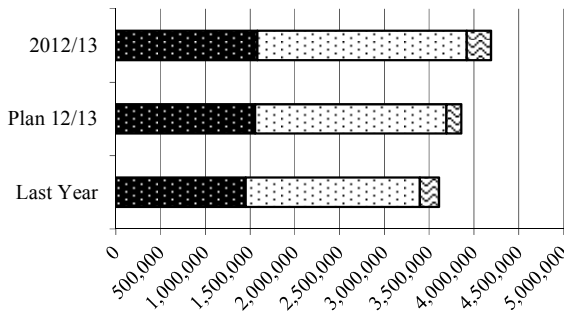
Parks & Recreation



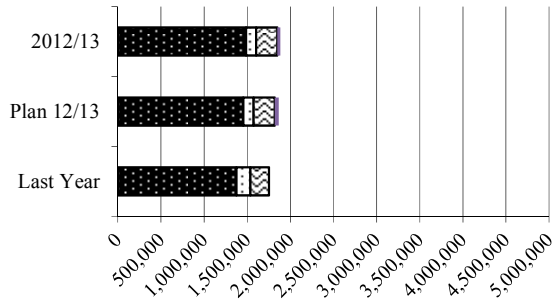
Property Mgmt (including Mawley Park)



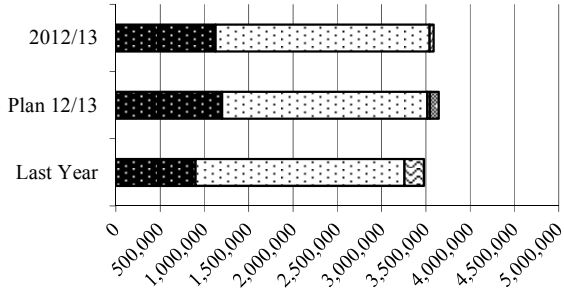
Res. Mgmt & Regulatory



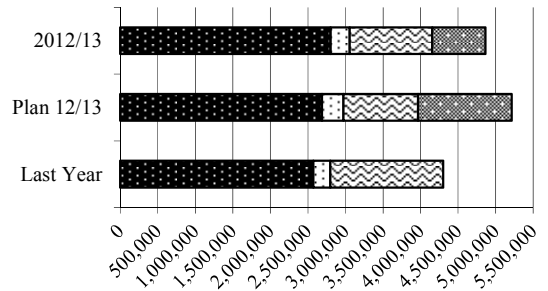
Library & Archives



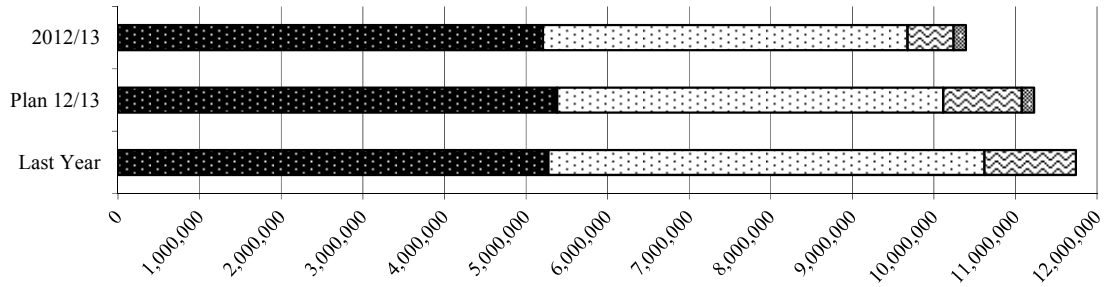
Solid Waste Services



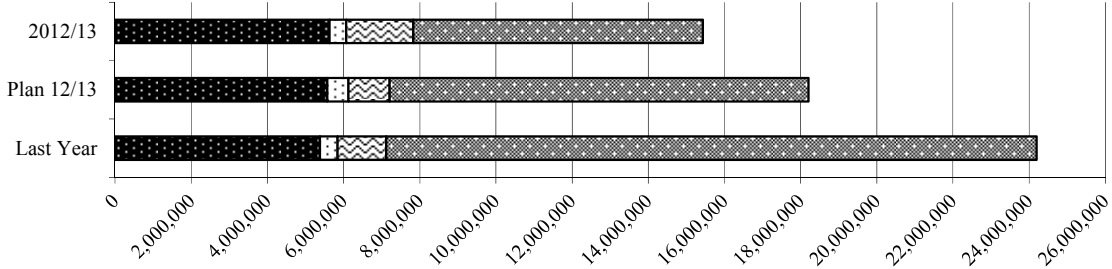
Water Services



Roading



Sewerage Services



STATEMENT OF COMMITMENTS AND CONTINGENCIES**As at 30 June 2013**

This statement gives an indication of the funds that the Council is committed to spending on major projects and discloses information on contingent liabilities.

Capital Commitments - Projects

There are 13 significant construction contracts in progress at 30 June 2013 (2012 = 11). These were:

- ♦ Sewerage treatment plant (Homebush) - Hopper Construction holds three contracts, all of which were started during 2010/11. The contracts are now 88% complete with the value of the remaining works \$3.55m for the construction of the ponds, the irrigation/border strips and the structural/mechanical/electrical (SME).
- ♦ Three sewer main renewal contracts were part completed, Oldfields had two (Jordan Tce & Town Square) with \$206,700 remaining and City Care Ltd (Roberts Road) \$74,800.
- ♦ A water main renewal contract had been let to City Care Ltd (for Queen Alexandra St) and a sewer renewal contract had been let to Oldfields Ltd (for Cambridge Tce) - commitment \$40,400 and \$234,000 respectively.
- ♦ One water main renewal contracts was part completed, G & C Diggers (Totara St) \$294,000.
- ♦ Filtration Technology has partly completed two contracts to upgrade the water filters floors with the remaining commitment \$280,200.
- ♦ Venture Consulting has partly completed the lighting, underground power and carpark sealing for the new Town Square, remaining commitment \$73,700
- ♦ One road construction contract was part-completed - Oldfields (Traffic Islands) with \$32,000 remaining.

Contract Commitments

Council has let a **professional services contract** for the urban sewerage upgrade project to Sinclair Knight Merz.

Three other professional services engagements were active at 30 June 2013, two with Spiire and one with Eastern Conulting. They relate to rehabilitation design, bridge replacements and bridge inspections. All invoice monthly on an hours basis.

Commitments have been made relating to **maintenance contracts** for roading, services, parks, solid waste and the facilities management of the Recreation Centre. The parks maintenance contract has an expiry of 30 June 2014. The roading maintenance contract held by Futlon Hogan Ltd and the Streetlight Maintenance Contract held by Linetech will both expire on the 30th June 2014. The Utility Services maintenance contract held by City Care Ltd is due to expire the 30th June 2015. The Recreation Centre management contract with Community Leisure Management (CLM Ltd) will expire 30th June 2015.

A contract for collection of waste and recycling and operation of the recycling and composting facilities was tendered in 2010 and let to Earthcare Environmental Ltd, with the contract commencing 1 July 2010 for a period of five years.

Operating Lease Commitments (as a lessee)

Council leases property in the normal course of its business. Two of these leases have non-cancellable terms: they are the Wairarapa Archive at 79 Queen Street, and Genealogy Centre.

Future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	2013	2012
Not later than one year	37,100	22,725
Later than one year and not later than five years	43,283	0
Later than five years	0	0
Total Non-cancellable operating leases	\$80,383	\$22,725

There are no restrictions placed on the Council by any of the leasing arrangements.

Operating Lease Commitments (as a lessor)

In the course of it's business Council has a number of leases in place. Residential tenancies and parking leases are not included as they have two weeks to one month notice periods respectively. The non-cancellable leases include 20 for grazing (2012 17), 17 sporting groups (including a mix of ground & building rentals 2012 14), 23 airport sites (2012 21) and 8 other properties (2012 8).

15 of these leases expire in the next 12 months (2012 12), 33 within five years (2012 36) and 6 have a term greater than five years (2012 1). The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	2013	2012
Not later than one year	330,193	281,119
Later than one year and not later than five years	368,476	445,536
Later than five years	32,600	62,629
Total Non-cancellable operating leases	\$731,269	\$789,284

No contingent rents have been recognised during the period.

STATEMENT OF COMMITMENTS AND CONTINGENCIES
As at 30 June 2013

Contingencies

Contaminated Sites

The Council is aware of the existence of three sites within the Masterton urban boundary which have some level of contamination as a result of the operation of former gas works. The Council is meeting its obligations with respect to disclosure about these sites pursuant to the Resource Management Act and has commissioned studies into the levels of contamination and continues to undertake monitoring as required.

The former gas works site in Bentley Street is owned by the Council and may need some remediation in the future. The investigations to date indicate some limited off-site migration of a number of contaminants. This is not considered significant as the groundwater is not utilised in the area and the plumes are generally very limited in extent. Council is currently working with the Greater Wellington Regional Council as a resource consent for this site is required and will involve on-going monitoring costs in the order of \$40,000 per annum.

The Council purchased, for a nominal sum, a piece of land on the corner of Church St and Colombo Road. The site has confirmed sub-soil contamination and subsidence problems and will be used for passive recreation. One other site is in part Council ownership, part private. Further studies have been commissioned by Council to establish if the level of contamination is causing any threat to the current occupiers and has accepted no liability for this site and is working with the property owners and insurers to resolve any issues.

Local Government Funding Agency - Guarantee

As stated in Note 23 (Provisions) and Note 26a (Financial Instrument Risks), the Council is a shareholding guarantor of the LGFA. That brings with it obligations in terms of the guarantee liability which has been disclosed in those Notes. The Council has been unable to determine a sufficiently reliable fair value for the guarantee and therefore has not recognised a liability or contingency value.

Local Authority Protection Programme (LAPP) - Mutual self-insurance

The Council is a member of the LAPP disaster insurance scheme. The scheme is designed to provide the Council's 40% share of the cost of recovery of infrastructural assets (excluding roading) following a disaster. The Christchurch earthquakes have resulted in the fund being called on to the full extent and the member Councils having to rebuild the fund over several years. In order to do this and maintain an affordable level of re-insurance, the trustees of LAPP have put in place a mutual self-insurance arrangement. If a member Council has an event where the claim on the fund is greater than \$15 million, the other members will be required to contribute up to a level where re-insurance cover is available. The maximum call will be 4 times the member's annual contribution, which in MDC's case, for 2013/14 is \$875,000.

Weather-tight Homes

The Council is not aware of any properties with potential unresolved weather-tightness issues within the District. Council's liability insurer, Riskpool is a mutual liability fund and they have made four calls on their member Councils relating to mutual liability for weather-tightness claims made in relation to fund years 2002/03 and 2003/04. The MDC share of those calls has been \$160,498. There are not expected to be any further calls by Riskpool.

Contingent Assets - carbon credits

The Council owns land and forestry assets that were planted prior to 1990. These forested areas are eligible for carbon credits under the Government's emissions trading scheme (ETS). An account for NZU carbon credits has been setup in the Council's name and 79 ha of pre-1990 forestry has initially been confirmed as eligible for carbon credits. A value has been assigned in these accounts for those credits, but their value remains subject to the market price of traded NZUs.

There were no other contingent assets.

EVENTS AFTER BALANCE DATE

Note 34

There are no events after balance date that have a material bearing on the financial statements.

STATEMENT OF RESOURCES

Year Ended 30th June 2013

Masterton District Council provides a wide range of services to the residents, businesses and visitors to the area. In order to meet its objectives and provide the services required, the Council employs a large number of resources. Although some of these resources are valued within the Statement of Financial Position, in many cases the quantitative information is more meaningful.

This statement therefore tends to reflect in quantitative terms those resources the Council uses in its day-to-day activities in order to service the community.

Statistics

Population (Census 2013)

Masterton	Rural area	5,220	<u>Area</u>	229,500 ha
	Urban area	<u>18,132</u>		(urban area – 1,796 ha)
		<u>23,352</u>		

District Rateable Valuations (June 2013)

Land Value	Rural	\$1,462,770,000	Capital Value	Rural	\$2,236,200,000
	Urban	\$ 952,500,000		Urban	\$2,226,700,000

No. Rateable Properties	Rural	3,850
	Urban	<u>8,245</u>
		12,095

Staff

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Full time	33	25	58
Part time	2	10	12

Water Reticulation (urban only)

Storage capacity (megalitres)	12
Kaituna	9
Lansdowne	3

Length of watermains (kms)	160
Storage reservoirs and tanks (megalitres)	12
Hydrants	1,051
Valves	819
Peak daily demand (Mstn) (m ³)	29,550
Water treatment plant at Kaituna	

Sewage Reticulation (urban only)

Length of sewers (kms)	137
Number of pumping stations	2
Number of manholes	1,760
Qty treated daily (average) (m ³)	14,600

Roading

System length (kilometres)	801
Sealed	516
Metalled	285

Buildings (owned)

District Building (including offices, town hall, council chambers and meeting rooms)	7
Rental houses	0
Retail outlets	86
Residential flats	9
Public halls	1
Library	12
Sports/recreation facilities	845
Off-street carpark	5
Fire stations	1
First aid post	13
Public toilets	
Camping ground & cabins	24
Camping ground ancillary	5
Landfill buildings	6
Bentley Street ex-depot	1
Parks buildings	

Vehicles

Fleet number	26
Utilities/vans	10
Cars	9
Fire engines	0
Tractors	2

Recreation Reserves

Total Area (hectares)	205	
	<u>Urba</u>	<u>Rural</u>
	<u>n</u>	
Natural Bush	2	39
Beach Front esplanades	-	9
Nursery, cemeteries/sports grounds/formal gardens	54	5
Neighbourhood reserves	49	47

MAP OF DISTRICT



MASTERTON DISTRICT

SCALE 1 : 400,000



Masterton
District
Council

