

WAIHANGATIA NGĀ  
RANGI MEAKE NEI

# SHAPING OUR FUTURE



**“AHUTAHI KI MUA -  
MOVING FORWARD TOGETHER!”**



## ANNUAL REPORT 2015-16

ISSN 1172-1863

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## MASTERTON DISTRICT COUNCIL

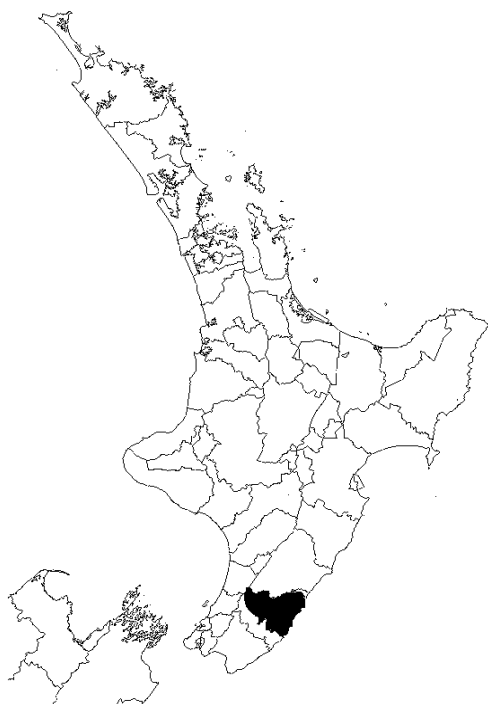
Masterton District Council was formed on 1st April, 1989 with the union of the Masterton Borough and County Councils.

The Masterton District (with amended boundaries) was constituted from 1 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 majority of our residents live in the urban area of the Masterton District (approx.73%). Nearly one quarter of our population are aged between 0 and 17 years (24.5%), and over a quarter are aged 60+ years (25.8%).

Masterton District Council's services span across 28 distinct areas. Each service has an impact on some, or all, of the people who live in the Masterton District. Services include roads, streets and footpaths, water supplies, sewerage systems, stormwater systems, rubbish and recycling services, our library and Wairarapa archive, parks and reserves, sports fields and cemeteries, swimming pools, Council properties such as pensioner housing and public conveniences, economic development, district planning and the range of regulatory services that maintain structure and order in our community, such as building control, liquor licensing and food premises licensing.



### KEY STATISTICS FOR MASTERTON

Population  
(Estimated resident population for 2015)  
**24,400**

Land Area  
**229,859 hectares**

GDP growth (2015)  
**3.9%**

Number of rateable properties  
**12,339**

Average Residential Rate  
**\$2,485**

Water Pipes  
**192km**

Sewer Pipes  
**172km**

Stormwater Pipes  
**46.9km**

Sealed Roads  
**524.4km**

Unsealed Roads  
**279.8km**

Water and Sewerage Treatment Plants  
**6**

# OUR COMMUNITY OUTCOMES



## A KNOWLEDGEABLE COMMUNITY

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

**A SUSTAINABLE, HEALTHY ENVIRONMENT**  
*We will look after our green spaces and waterways, reduce waste to landfill and reduce our energy consumption*



## 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*

**A STRONG RESILIENT ECONOMY**  
*We want Masterton to be a desirable place to do business and for our people to benefit from a strong economy*



## AN EASY PLACE TO MOVE AROUND

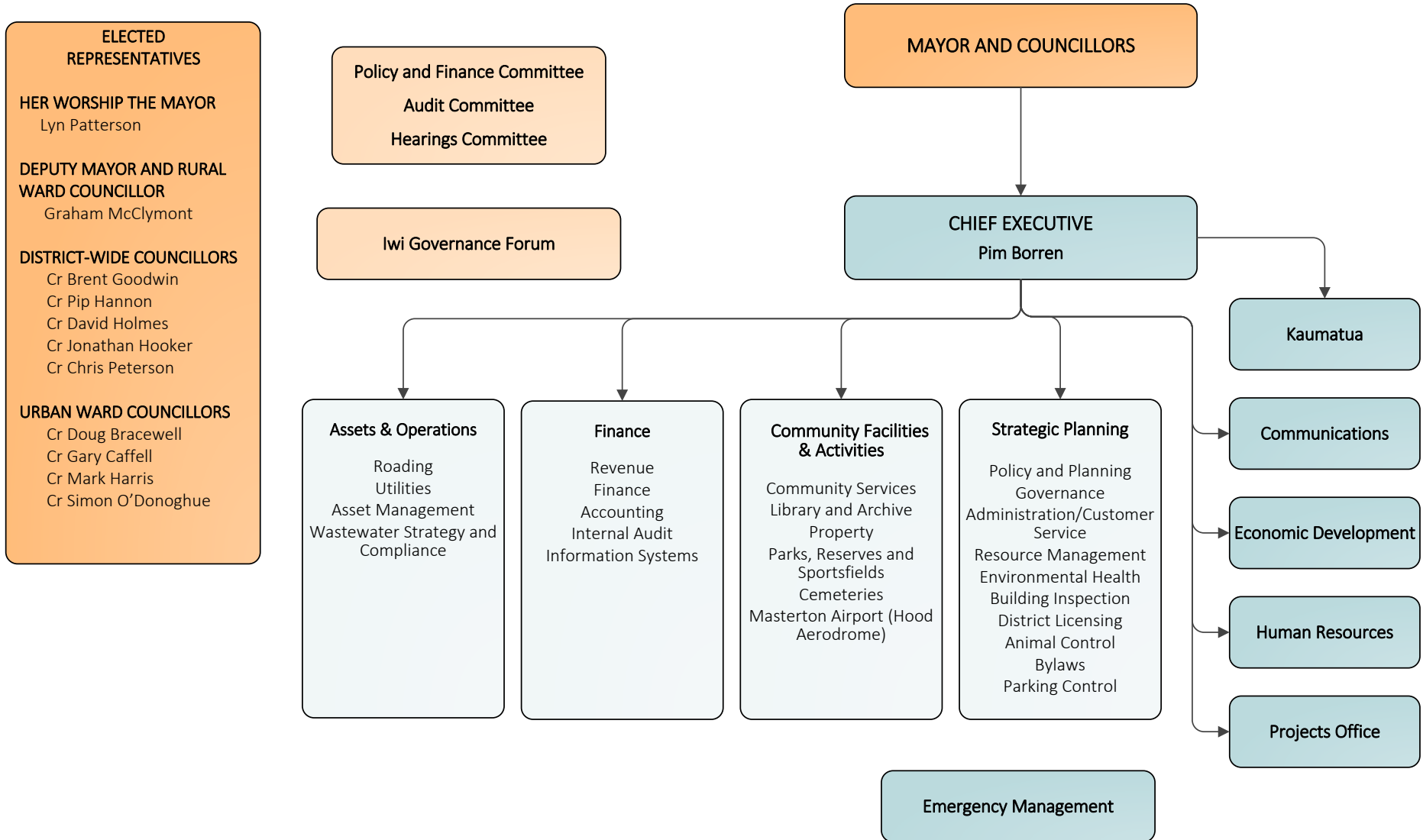
*We want our transport links to be efficient, reliable, convenient and safe*

**A RELIABLE AND WELL MAINTAINED INFRASTRUCTURE**  
*We want to provide water supply, stormwater and wastewater systems in a cost effective way to address the present and future needs of the district.*





# ORGANISATIONAL STRUCTURE



## MAYOR AND CHIEF EXECUTIVE'S REPORT



Mayor Lyn Patterson and Chief Executive Pim Borren

Tēnā koutou katoa. We are pleased to introduce the Masterton District Council / Te Kaunihera ā-rohe o Whakaoriori Annual Report for the 2015/16 year. In this report you will find information about the performance of the Council compared to Year 1 of the 2015-25 Long-Term Plan.

The following section of this report reflects on some of our highlights or key changes that have occurred over the past year.

Our financial outcome for the year is positive. It reflects operating expenditure being held close to or below the planned levels across the majority of the Council's service delivery areas.

Our capital expenditure programme reflects continuing renewal of roading and sewer mains, funded largely from sustainable depreciation funding. Our balance sheet reflects the closing level of net external debt being below the level planned.

The Council is reporting an accounting deficit of \$1.3 million as a result of losses on asset disposals and financial instrument revaluations. After eliminating non-operational losses and gains the operating surplus was \$658,000 or 1.7% of planned operating revenue.

The schedule of capital expenditure reflects many of the planned projects either completed, underway or with planning well advanced at year end. Actual capital expenditure totalled \$9.6 million against a budget of \$13.5 million. The funding not spent remains in Council's reserves or was not borrowed.

The construction phase of the Homebush sewerage treatment plant has been completed, with the ponds exceeding all treatment targets. Treated effluent was not discharged to the river for 92% of the time over summer, and only at times of high river flows when the rivers were unfavourable for swimming. In our 2016 resident survey Council's wastewater service had the highest level of satisfaction overall compared to our other services and functions, which we believe reflects the significant investment we have made in our sewerage treatment plant and reticulation network.

In the roading area, the Manawa bridge replacement was completed in May 2016 at close to the budgeted cost of \$720,000.

There has been some great progress made with our Community led, Council supported initiatives. We have been working with the Riversdale Surf Life Saving Club to improve the surf club, first aid and public toilets facilities at Riversdale Beach. The project is due for completion by the end of 2016.

The Lansdowne shopping village project on First Street was near completion at 30 June. This project has focused on improved roading, street lighting, traffic slowing measures, provision of additional green space and an overall enhancement of the character of Lansdowne Village.

Over the last few months we have undergone a process of site relocations. The Town Hall was closed in June 2016 as a precaution. This followed the receipt of an initial structural engineering report which shows that its earthquake rating is below the required standard. Since then, a decision was made to temporarily close the Frank Cody Lounge and parts of the Council Municipal building for the same reason. We are awaiting the full engineering report to establish the extent of work required.

Our main customer service building is now on Queen Street (the former ANZ bank building). We have appreciated the overall positive feedback of our relocation from the community, and we are happy to be positioned amongst our local businesses and retailers. Apart from our Library and Archive staff, we also have staff based at the Public Trust Building and the northern end of our Council Municipal building.



Over the last 12 months there have been changes to our internal organisational structure at the Council. We acknowledge the way in which staff have been working through this period of change with professionalism and positivity.

New roles have been created to support and strengthen the work of the Council. A Projects Office team was established to provide management and staff with support for the implementation of projects that we are undertaking. As at 30 June 2016, we had 119 projects listed in our projects register.

We have had new and/or additional staffing across nearly all of our teams. An example of this is our Building team. The majority of our Building team are new to MDC and we are pleased with the way in which they are settling into Council.



We are focused on how we work with our community playing a role that supports engagement and education. This is a particular focus in our regulatory work areas such as building control, and animal and bylaw services.

The Kaumatua, Kaitakawaenga/Māori Liaison Advisor and Policy Advisor (Māori and General) roles have been in place for a year now (Kaumatua position since April 2015), and we are excited about the additional capacity and capability they collectively bring to our organisation.

More broadly we have focused on investing in our own people across the organisation. This has included reviewing how we value and reward our people, and introducing new initiatives that recognise the contribution of staff that have dedicated a significant part of their working lives to Council. We acknowledge our partnership with the Public Service Association, and the collaborative approach to working with them this year.

We have introduced more rigour around our people practices, ensuring we balance best practice with the environment we work in. This has provided us with a framework within which we can build a high performance culture that delivers value for our community.

We reflect on a year of progress and changes, and look forward to the year ahead in continuing to work hard to make Masterton a great place to live, visit, do business and providing the best of rural provincial living.

*Ahutahi ki mua – Moving forward together*



Lyn Patterson  
MAYOR



Pim Borren  
CHIEF EXECUTIVE

## MESSAGE FROM THE KAUMATUA

Tēnā koutou katoa. Kātahi te honore nui nei kia tuku atu i ngā whakaaro o te tūranga nei te kaumatua mō ngā mahi o te Kaunihera o Whakaoriori ki roto i ngā rangi kua pahure atu. Kua pā mai te honore ki runga ki a au, kia tū hei Kaumatua mō te Kaunihera, nā reira ka tika me mihi au ki tō tātou koromatua me ngā kaihautu o te Kaunihera ā-rohe nei mō te tautoko i te tūranga nei. Me mihi hoki ki te Tumuaki o te Kaunihera nei me tōna kaha tautoko me te awhi te arahi hoki i te tūranga Kaumatua.

Greetings everyone. My name is Mike Kawana. I am privileged to have been in my role as Kaumatua for the Masterton District Council for just over a year. I would like to acknowledge our Mayor and Councillors for supporting the creation of this role, and the Chief Executive, not only for his support, but his guidance as well.

Prior to the creation of the Kaumatua position at Masterton District Council, I provided cultural support and advice for 15 years but in a less formal capacity.

In the last year, I have had the opportunity to be part of workshops with the Chief Executive, Mayor, Councillors and staff; participated in Senior Management team meetings; provided cultural support and advice; and supported the Mayor at a wide range of community functions and events.

Iwi-Council relationships within the Masterton district continue to strengthen. This is reinforced by internal staffing with Māori capacity as well as the more recent appointments of iwi representatives to the Policy and Finance Committee and Audit and Risk Committee. I am excited about the future of our community. I believe we are taking positive steps towards Masterton enjoying a biculturally enriched way of life and hope that we can lead the way for the rest of Aotearoa/New Zealand.

Nā reira e te iwi whānui o Whakaoriori, mā Rongomatāne tātou e ruruhau ka tū te winiwni, ka tū te wanawana, tū hikitia, tū hāpainga, tihei mauri ora ki a tātou.

Nāku iti nei, nā



Mike Kawana, Kaumatua

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I was born and raised here in Masterton. I went to Central School, Masterton Intermediate School, Te Aute College and spent one year at Makoura College.

I have worked in the shearing sheds as a presser; at the Waingawa Freezing Works; spent eight years at the Wairarapa Community Polytechnic teaching te reo Māori and customs; and for the last 16 years, have been in the role of Cultural Advisor for Rangitāne o Wairarapa.

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I am married with five children and 21 grandchildren.



## HIGHLIGHTS

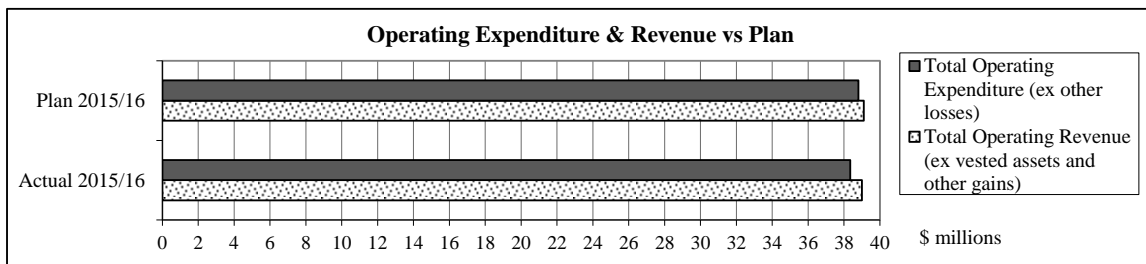
The year to 30 June 2016 reflects Year 1 of the Council’s 2015-25 Long Term Plan (LTP). The Council has maintained its focus on delivering the services that were set out in that Plan. Overall, those services have been delivered within the financial constraints that were set in the LTP.

This Annual Report provides full detail of the Council’s performance against financial and non-financial measures that were set in the LTP. As well as meeting the generally accepted accounting standards, the report also complies with all the requirements of the Local Government Act 2002. These include providing Statements of Service Performance and Funding Impact Statements by Group of Activity, the various note disclosures in the financial statements relating to remuneration, infrastructural assets, insurance, rating base and the LG Financial (Reporting and Prudence) Regulations.

## FINANCIAL SUMMARY

The financial statements show an accounting deficit of \$1.3 million, but that figure includes a number of asset and liability valuation adjustments. The operating result is a surplus of \$0.66 million after excluding Other Gains and Losses and vested assets. This is slightly ahead of the planned surplus of \$0.3 million. The graph below shows the operating revenue and expenditure compared to the Plan and the prior year.

Overall, Operating Revenue is 0.22% below the level planned due largely to less roading subsidies because of savings made on subsidised roading expenditure. There was better than planned Other Revenue including forestry harvest proceeds and solid waste user charges. Operating expenditure of \$38.3 million is \$0.46 million (1.2%) below the planned level with a range of unders and overs making up the variance.



Property rates of \$26.1 million made up 67% of total operating revenue. Rates are set at the start of the year, via the Annual Plan and they increased 2.99% overall from the prior year.

The external debt the Council owes at 30 June 2016 was \$52.3 million, while net external debt (taking off financial assets) was \$33.1 million versus the planned level of \$37.9 million. This reflects lower capital expenditure than was planned, so lower borrowing and lower spend of reserves funds has seen the net external debt decrease.

Declining interest rates have seen a total interest expense (internal & external) decrease from 8.8% of operating revenue last year to 7.8% in 2015/16. Savings of \$0.335 million were made through lower interest costs, this being 10.5% below the overall finance cost planned.

## GOVERNANCE

The Council has continued to strengthen its relationship with Iwi during the year, building on the staff positions created in the prior year. The Council has acted on a recommendation from the Iwi Governance Forum and appointed two Iwi representatives to the Policy & Finance and Audit & Risk committees (one from each Iwi – Rangitāne o Wairarapa and Kahungunu ki Wairarapa).



Ms Mihirangi Hollings (Rangitāne o Wairarapa representative) and Mr Ra Smith (Kahungunu ki Wairarapa representative).

The Council continues to work collaboratively with the other two Wairarapa Councils, with joint Council meetings held four times per year and long-established shared services continuing to operate effectively. The Local Government Commission (LGC) has continued its process of consultation and assessing of options for the future governance of the Wairarapa. Masterton District Council has worked with the LGC with a view to strengthening and growing our region.

## MASTERTON WASTEWATER UPGRADE

The construction contract for the Homebush wastewater treatment and disposal plant was completed during the year with the establishment of border strip areas on most of the land previously occupied by the old oxidation ponds. Parts of the old ponds have been found to be too wet to use and options for their on-going management have been worked on during the year. The plant operated well through one of the longest dry periods the Wairarapa has seen. The Ruamahanga River levels ran low, so wastewater had to be stored or disposed to land and the plant was able to do this and stay within consent conditions. Options for increased treatment were trialled during the year and investigations for the replacement of the irrigation land area that has been lost to the wet pond area have been progressed.

## ECONOMIC DEVELOPMENT & PROMOTION

The Council has undertaken a number of initiatives in this area during the year. The My Masterton promotional campaign targeted marketing to Aucklanders by promoting the benefits of moving to the Masterton district. The campaign included print, radio and social media and included a promotional video. The success of the campaign will be measured over the longer term, but anecdotal evidence shows at least 20 subsequent house sales were related to the My Masterton promotion. The Council supported the WaiConnect bid by the three Wairarapa Councils to apply to central Government for greater investment in rural broadband infrastructure. The Council also supported education-focused

initiatives. The tracking of new job growth has been a high profile initiative using a publically displayed barometer.

### COMMUNITY FACILITIES & ACTIVITIES

Council services provided for via community facilities and activities is the interface for community interaction with the Council. Our library has continued to deliver popular programmes and innovative technology-based opportunities such as the 'maker crate' 3-D printing initiative. The Wairarapa Archive has contributed significant material and research to a number of World War 1 commemorations and publications.

Community grants to a range of organisations remain a feature of the Council's processes, including funding rounds for events and aspects of the arts.

The Council's investment in the upgrade of Memorial Park in 2014/15 has seen the utilisation of that facility continue to increase. Credit for this goes largely to the Wairarapa Multi Sports Stadium Trust who are operating the facility where both rugby and soccer are being played from juniors up to 1<sup>st</sup> class level.

The Council's move toward having more community-led projects has seen progress on a number of fronts. The partnership with the Riversdale Beach Surf Lifesaving Club has been progressed with the Council agreeing with the club to incorporate public toilets in their new facility and gifting land for that purpose, along with a capital grant. The Surf Lifesaving Club are project managing the project, with oversight of the Council's projects office. At 30 June 2016, the construction was underway.

The Netball project gained momentum during the year with the Bring It To Colombo Trust established to both fundraise and project manage the \$2m redevelopment of the main netball facility for the Wairarapa region. The Trust has both Council, netball and community representation.

Another community-led, Council-supported project is the Lansdowne neighbourhood shopping area upgrade. A local committee has worked with Council's engineers and project managers to consult on, develop plans for, and tender work to deliver this project. The work was underway at 30 June 2016.

Land next to the Library in Queen Street was purchased during the year when the opportunity arose. This land will provide the Council with opportunities in future years when redevelopment of the Library is planned.

During the year the operation and management structures that underpin the service delivery of the community facilities and activities have been reviewed. The Hood Aerodrome management contract has been brought in-house, while the Mawley Holiday Park management contract was renewed and extended for three years with more autonomy for management.

### WATER & SEWERAGE SYSTEM RENEWALS

The LTP allowed for \$2.4m of water renewal work and \$1.6m of sewer renewals. The water trunk main work was not progressed as improved technologies were investigated. The asset continues to perform and the aim is to achieve better value-for-money when the work is done. The sewer reticulation renewal programme was \$2.3m more than planned, as work which had been committed in the prior year was





completed and the current year's renewal programme was also undertaken. This saw the completion of 4.2km of renewals or 3.1% of the network, including 600 meters of a 475mm trunk main in Johnston Street.

### **ROAD UPGRADES**

The Manawa (Black Swamp) bridge was completed during the year and on budget. The roading renewal programme was completed and included resealing and shape correction work. The \$3.13 million of subsidised work was 13.9% less than planned with savings arising from the competitive contracting environment. Savings that were funded by rates have been carried forward as general reserves and will be applied to support both community and roading initiatives in 2016/17. Other projects in the roading area included Castlepoint improvements and the streetscape improvements at Lansdowne's First Street which was close to completion at year end.

In the road maintenance area, the regular work was carried out as planned and costs were close to the level planned. No flood damage costs were incurred, so the sum allowed from rates for this cost has been carried forward in reserves.

### **SOLID WASTE**

The Council continued to provide solid waste services through collections from domestic properties of refuse bags and recycling. At Nursery Road, the Council operated a recycling drop-off and processing facility for the whole of the Wairarapa, a green waste composting facility and a transfer station where the residual waste is transported away to Bonny Glen landfill. Waste to landfill from Masterton District residents has remained steady at close to 12,500 tonnes while recycled tonnes have increased by 16% to 4,424 tonnes. The Council remains committed to implementing additional waste minimisation initiatives to further increase the tonnes recycled and reduce waste tonnes going to landfill.

### **REGULATORY**

The Planning and Building Control functions of the Council has been busy with 558 building consents processed, 80 non-notified resource consents and 450 Land Information Memorandums (LIMs) processed. The Council has taken the opportunity during the year to restructure some aspects of its regulatory services. The Building Control department has achieved an IANZ accreditation and has used external resources to ensure services are maintained. With new staff now on board, an investment in training is our current focus with a view to improving customer service.

The District Licensing Committee, who are responsible for managing licencing matters in the district (e.g. alcohol licences), was not required to meet during the year, while new joint application forms were implemented for the three Wairarapa Councils. The Provisional Local Alcohol Policy (PLAP) remained in draft pending a hearing for appellants to the policy. The new Food Act came into force from 1 March 2016 and changes to recording systems, the charging regime and inspection processes were implemented.

Animal Control and General Bylaw administration also underwent some restructuring during the year with a view to improving customer service.

### **CORPORATE, ENGINEERING & PROJECT MANAGEMENT**

Changes to the way internal services are delivered have taken place across the administration team with more de-centralised support. Additional resources have been added to the project management function to support the move towards a project culture. Corporate operating costs were 3.8% less than planned and make up 7.7% of the organisation's operating expenditure, which is consistent with last year. During the year, two service delivery reviews (as per section 17A of the LG Act 2002) were progressed for the delivery of solid waste services across the Wairarapa and for the operation of the recreation centre. These reviews will be completed in 2016/17.

**MASTERTON DISTRICT COUNCIL**  
**STATEMENT OF COMPLIANCE AND RESPONSIBILITY**  
**FOR THE YEAR ENDED 30 JUNE 2016**

**COMPLIANCE**

The Council and management of Masterton District Council certify that all the statutory requirements of the Local Government Act 2002, including the Local Government (Financial Reporting and Prudence) Regulations 2014, 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, Statements of Service Performance, reporting as per the Regulations 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, the statements of service performance and reporting per the regulations.

In the opinion of the Council and management of Masterton District Council, the annual Financial Statements, Statements of Service Performance and reporting per the regulations for the year ended 30th June 2016, fairly reflect the financial position and operations of Masterton District Council.



.....  
Lyn Patterson  
Mayor



.....  
Pim Borren  
Chief Executive



.....  
D E Paris  
Manager Finance

Date: 26 October 2016

# MASTERTON DISTRICT COUNCIL

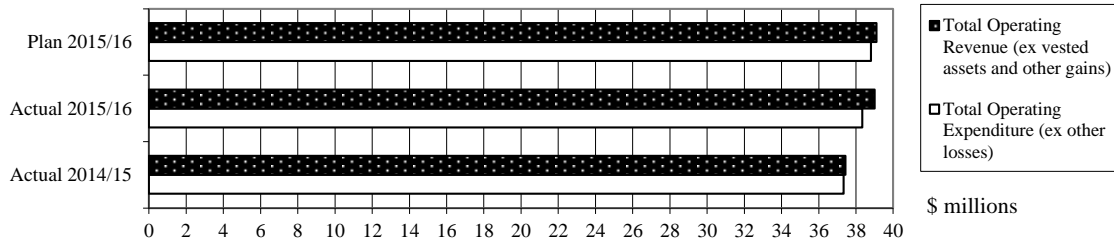
# FINANCIAL STATISTICS

Last Year

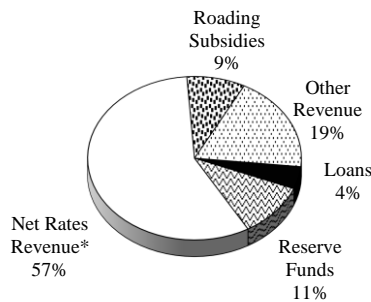
Actual 2014/15		Actual 2015/16		Plan 2015/16	
\$ 47,981,896	<b>Total Expenditure (incl Capital items)</b>	<b>\$ 45,885,387</b>		<b>\$ 49,605,329</b>	
<b>\$ 25,476,207</b>	<b>Funded by:</b> Net Rates Revenue*	<b>\$ 26,237,553</b>	57%	\$ 26,151,500	53%
<b>\$ 3,827,847</b>	Roading Subsidies	<b>\$ 4,054,033</b>	9%	\$ 4,597,049	9%
<b>\$8,122,193</b>	Other Revenue	<b>\$8,708,739</b>	19%	\$ 8,339,030	17%
<b>\$ 3,744,770</b>	Loans	<b>\$ 2,035,274</b>	4%	\$ 3,655,000	7%
<b>\$ 6,810,880</b>	Reserve Funds	<b>\$ 4,849,789</b>	11%	\$ 6,862,750	14%
\$ 47,981,896		<b>\$ 45,885,387</b>		<b>\$ 49,605,329</b>	

\*Includes Riversdale Beach sewerage scheme capital contributions

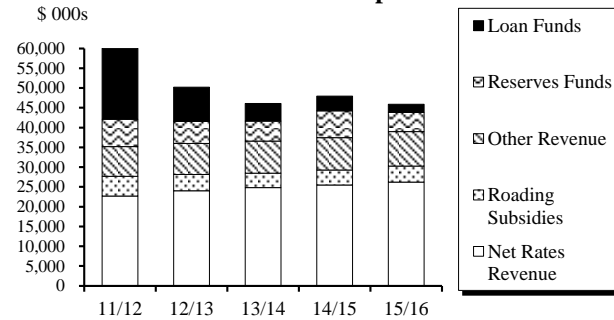
## Revenue & Expenditure Comparisons



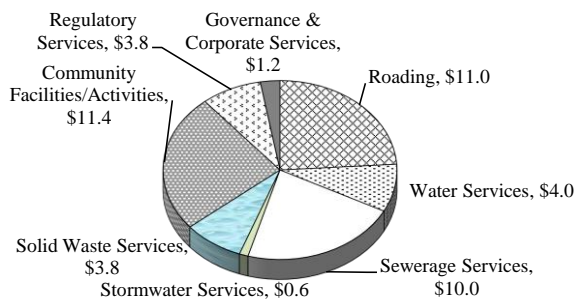
## Source of Funds 2015/16



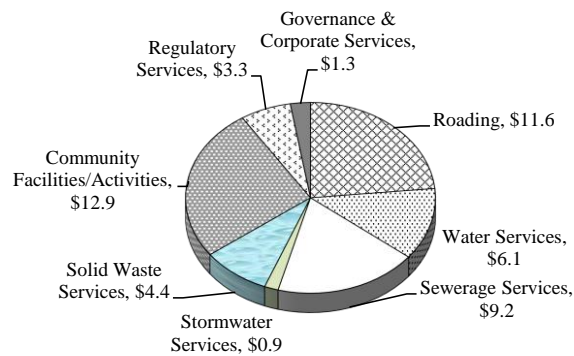
## Source of Funds Comparison



## Total Expenditure by Activity



## Plan 2015/16 \$49.6 million



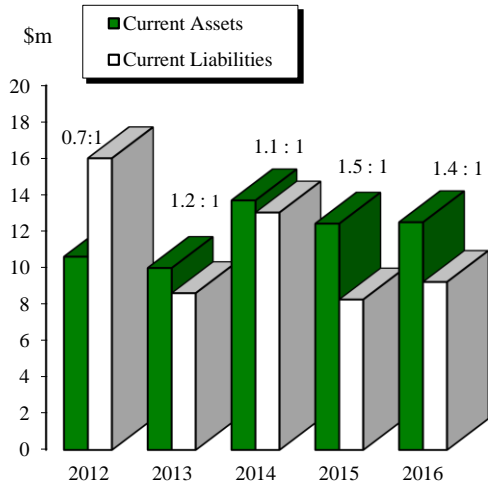
## Financial Ratios

	2013/14	2014/15	2015/16	Plan 15/16
Current Ratio	1.1	1.5	1.5	1.1
Liquidity Ratio	1.0	1.5	1.5	1.1
Long Term Debt (external) per rateable property	\$3,822	\$4,290	<b>\$4,281</b>	\$4,576
Long Term Debt (external) per capita	\$2,001	\$2,241	<b>\$2,144</b>	\$2,390
Interest costs as % of rates revenue	13.2%	12.1%	<b>10.9%</b>	12.2%
Debt servicing costs as % of rates revenue	19.5%	19.6%	<b>18.5%</b>	19.7%
Reserve Funds as % of rates revenue	80.0%	76.3%	<b>83.9%</b>	70.5%
Investments (external) as % of rates revenue	74.8%	75.9%	<b>73.8%</b>	68.6%
Rates receivable as % of rates levied	1.8%	1.7%	<b>1.6%</b>	1.8%
Net External Debt as % of operating revenue	127.6%	93.9%	<b>83.6%</b>	97.0%

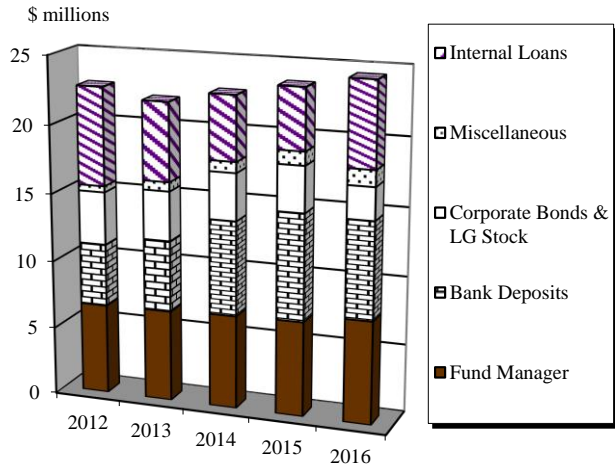
# MASTERTON DISTRICT COUNCIL

# FINANCIAL STATISTICS

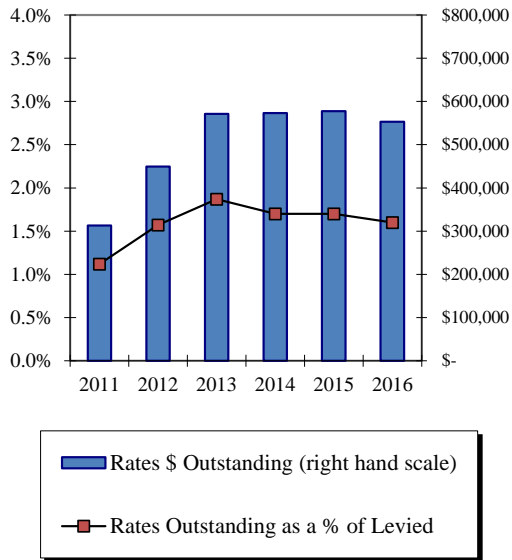
## CURRENT ASSETS TO CURRENT LIABILITIES



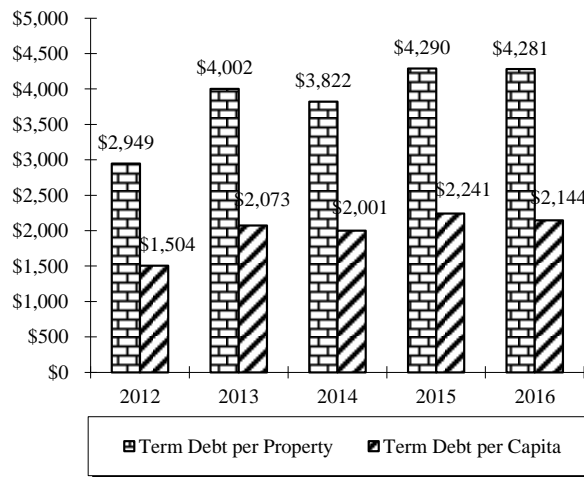
## INVESTMENTS



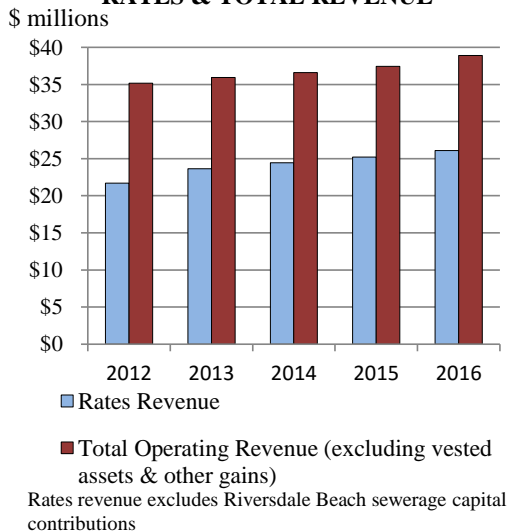
## RATES ARREARS



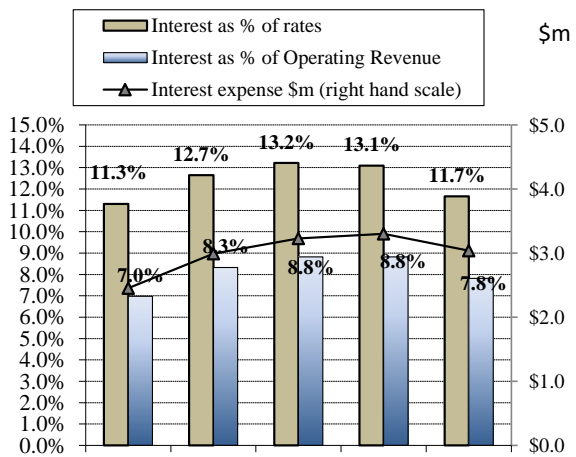
## TERM LIABILITIES (external) per Ratepayer and per Capita

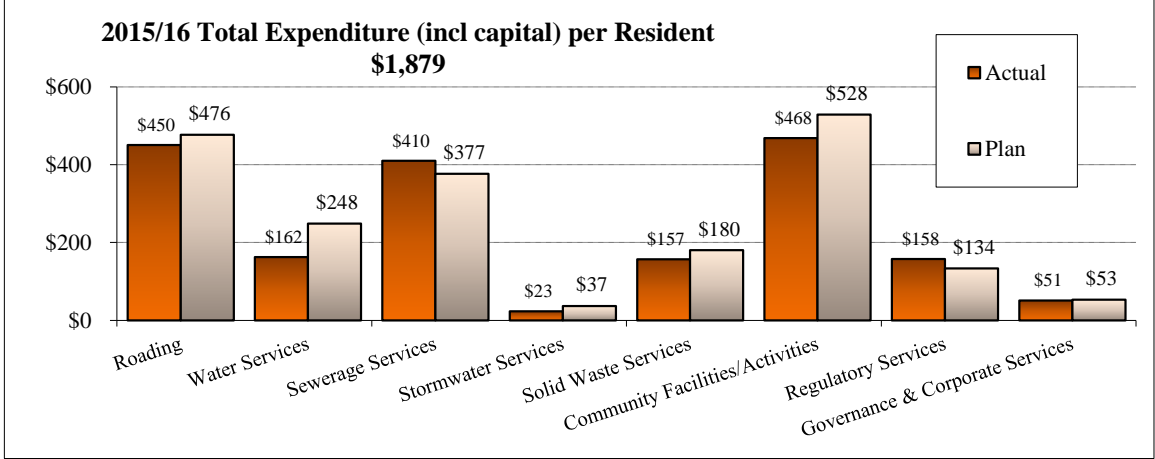
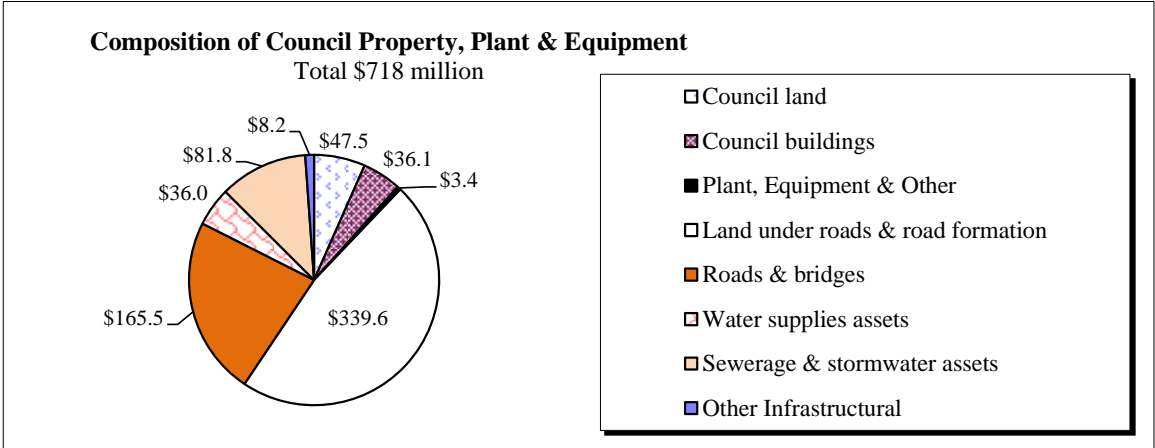
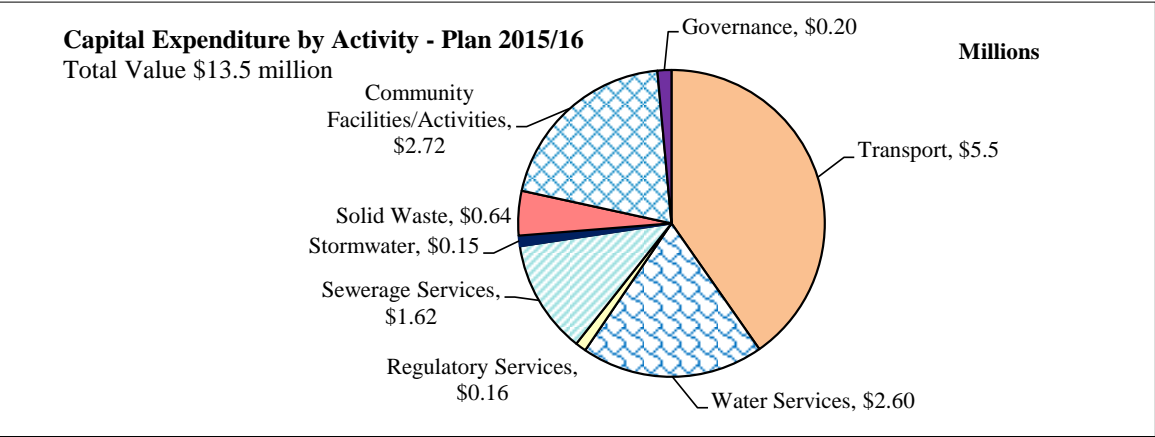
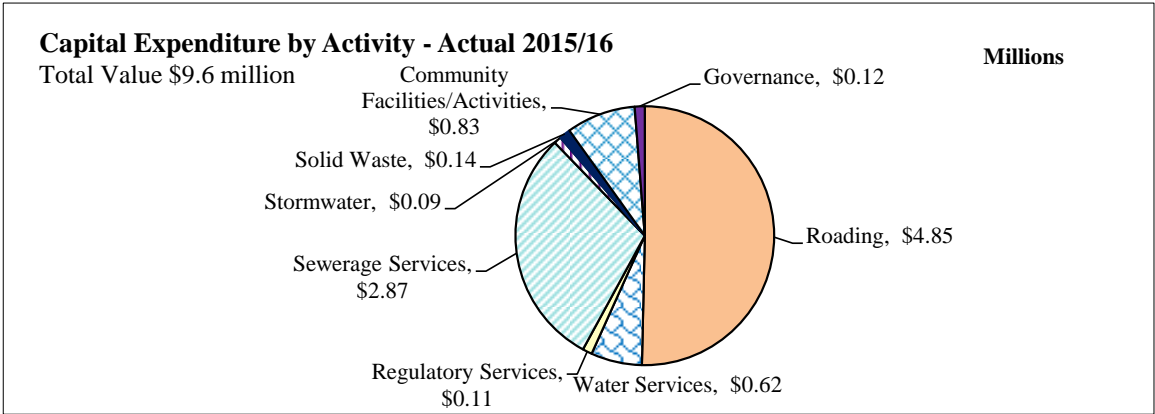


## RATES & TOTAL REVENUE



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







## PROVIDING OPPORTUNITIES FOR MĀORI TO CONTRIBUTE TO COUNCIL DECISION MAKING PROCESSES

The Council acknowledges the principles of active protection of Māori language and culture, participation and partnership, and is committed to engaging more effectively with iwi and Māori communities to ensure they have opportunities to contribute to Council decision making processes. Work undertaken over the year includes:

- The Iwi Governance Forum providing Council with advice and support to enhance the way in which it works with Iwi and Māori communities. The Iwi Governance group is comprised of representatives from Rangitāne o Wairarapa Inc and Kahungunu ki Wairarapa, as well as the Chief Executive, Mayor and one councillor representing Masterton District Council. In the 2015/16 financial year, three meetings were held (October 2015, February 2016 and April 2016).
- Marae Development Fund decisions are made by members of the Iwi Governance Forum (Mayor Lyn Patterson), Chair of Rangitāne o Wairarapa and Chair of Kahungunu ki Wairarapa).
- The Iwi Governance Forum worked with Council to develop a process for the appointment of iwi representatives to the Audit and Risk Committee and Policy and Finance Committee. These appointments have been adopted by Council. The two iwi representatives are Ms Mihirangi Hollings (Rangitāne o Wairarapa representative), and Mr Ra Smith (Kahungunu ki Wairarapa representative).
- Iwi are involved as required in consultation processes for areas of significance to them as part of the resource consent process.
- The Homebush Working Group Party has representation from Rangitāne o Wairarapa Inc and Kahungunu ki Wairarapa to ensure an iwi perspective for the Masterton Wastewater Upgrade project.



Iwi Governance Forum meeting: (from left) Councillor Jonathan Hooker, Tania Madden (Manager, Strategic Planning), Tina Te Tau-Brightwell (Chair, Rangitāne o Wairarapa), Mayor Lyn Patterson, Pim Borren (Chief Executive), Nelson Rangi (Chair, Kahungunu ki Wairarapa), PJ Devonshire (Kahungunu ki Wairarapa representative).  
Absent: Mike Kawana (Rangitāne o Wairarapa representative).

## 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 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 \$406,932 (last year \$425,853) and have been recognised as revenue in the period to 30 June 2016.

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. Contributions totalling \$7,713 have been taken specifically for the purposes of a future upgrade of the Opaki Road sewer and Lansdowne water reservoir.

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 2016

The Auditor-General is the auditor of Masterton District Council (the District Council). The Auditor-General has appointed me, Mari-Anne Williamson, using the staff and resources of Audit New Zealand, on her behalf, to:

- audit the information included in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the audited information); and
- report on whether the District Council has complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report and the Local Government (Financial Reporting and Prudence) Regulations 2014.

#### Opinion on the audited information

In our opinion:

- the financial statements on pages 107 to 156:
  - present fairly, in all material respects:
    - the District Council's financial position as at 30 June 2016;
    - the results of its operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards;
- the funding impact statement on page 95, presents fairly, in all material respects, 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;
- the statement of service performance on pages 25 to 89:
  - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2016, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
    - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand;

- the statement about capital expenditure for each group of activities on pages 97 to 105, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long-term plan;
- the funding impact statement for each group of activities on pages 97 to 105, presents fairly, in all material respects, 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 requirements**

The District Council has:

- complied with the requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures on pages 25 to 156 which are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information.

Our audit was completed on 26 October 2016. 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 audited information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the 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 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 the disclosures in the information we audited;

- determining the appropriateness of the reported statement of service performance within the District 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 District Council complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report, we limited our procedures to making sure the annual report included the required information and identifying material inconsistencies, if any, with the information we audited. We carried out this work in accordance with International Standard on Auditing (New Zealand) 720; The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.

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

### **Responsibilities of the Council**

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

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.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the annual report in accordance with the reporting requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014. Our responsibility arises from the Public Audit Act 2001.

### **Independence**

When carrying out our audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. In addition to this audit, which includes our report on the Other Requirements, we carried out an assurance review of the District Council's Debenture Trust Deed, which is compatible with those independence requirements. Other than this assignment we have no relationship with or interests in the District Council.

Mari-Anne Williamson  
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 objectives of the Council against each of the activities reported; and commentary on the progress or achievement of these objectives.

The performance measures are highlighted for each activity and the results reported have been audited. Each significant activity's performance measures 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 commissioned a Communitrak™ survey (undertaken by the National Research Bureau) of residents' views of the Council's services. The current and previous year's survey results are reported in the section below. Copies of the survey can be obtained from the Masterton District Council.

## OVERALL PERFORMANCE

### SERVICE PERFORMANCE: NON-FINANCIAL TARGETS

Group of Activities	Achieved	Part Achieved	Not Achieved	Not Measured
Roading	6	3	1	0
Water Services	13	0	3	0
Sewerage Services	10	0	3	0
Stormwater Services	6	0	0	0
Solid Waste Services	4	0	2	0
Community Facilities and Activities	30	2	5	1
Regulatory Services	11	1	12	0
Governance & Corporate Services	8	0	2	0

% achieved (of those measured) = 72%

\*Community satisfaction survey undertaken Feb/March 2016

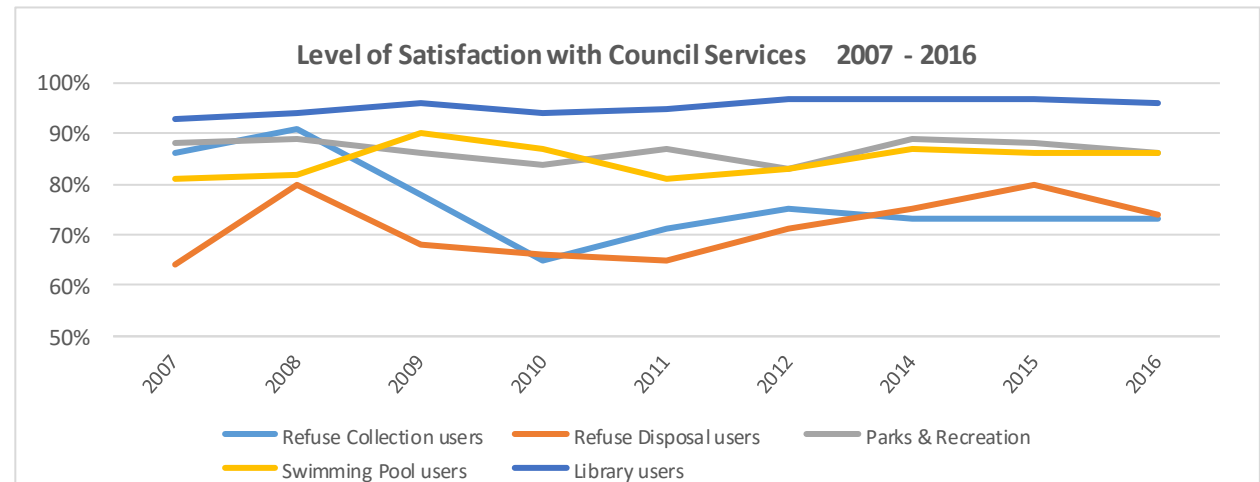
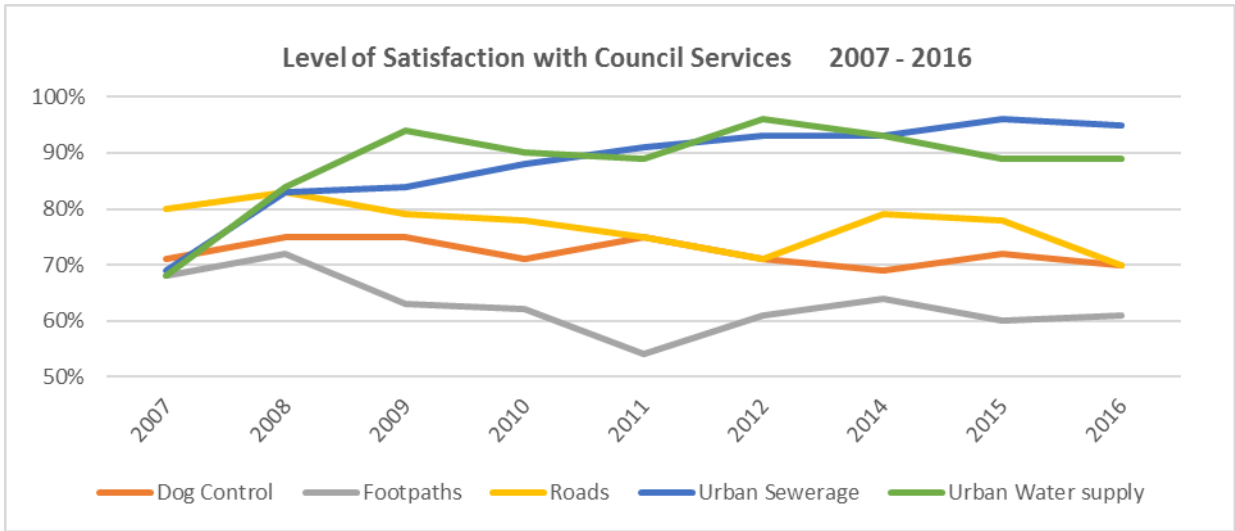
## SATISFACTION SURVEY

The National Research Bureau were commissioned to undertake a Communitrak™ survey in February-March 2016 as a means of measuring the Council’s effectiveness in representing the views of its residents. 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 401 residents. The margin for error of 400 people is plus or minus 5% while the significant difference is 7% for a 95% level of confidence. This means that a shift of 7% or more would indicate a shift in public perception.

The 2016 results are compared to the previous survey results from 2015:

*Highest levels of satisfaction* - The highest levels of satisfaction in 2016 were for urban sewerage system 95% (96% in 2015), community events 89% (90% in 2015), urban water supply 89% (89% in 2015), parks and reserves 86% (88% in 2015), and the library service and archives 85% (83% in 2015).



*Increased satisfaction compared to 2015 survey* - The only service where satisfaction increased by 5% or more compared to last year was Inspection Services, up from 39% in 2015 to 50% in 2016. This increase

in satisfaction puts Inspection Services on par with the 2014 result (49%) and above the 10 year average of 44%.

*Areas for Improvement* - The highest levels of dissatisfaction in 2016 were for footpaths 39% (37% in 2015), roads 30% (22% in 2015), dog control 23% (20% in 2015), parking in the CBD 23% (17% in 2015), and refuse disposal (transfer station, composing and recycling) 21% (17% in 2015).

*Most used/visited services* – The services most used/visited reported by residents included parks and reserves 92% (93% in 2015), a transfer station 79% (76% in 2015), and attending/participating in community events 71% (70% in 2016).

*Highest levels of satisfaction by users of a service* – The highest levels of satisfaction by those who used/visited a service include the library and archive 96% (97% in 2015), community events 92% (96% in 2015), parks and reserves 86% (89% in 2015), and the Masterton Recreation Centre and swimming pools 86% (86% in 2015).

*Masterton Recreation Centre and Swimming Pools* - Satisfaction with swimming pools has risen to 75% (71% in 2015) and is above the peer group average of 69%. 86% (86% in 2015) of users/visitors to the Masterton Recreation Centre reported satisfaction.

*Aratoi Wairarapa Museum* – The survey results reported 72% (76% in 2015) satisfaction with Aratoi Wairarapa Museum of Art and History, which is higher than the peer group average of 55%. 49% (53% in 2015) of households had visited Aratoi and they recorded a 94% (92% in 2015) satisfaction.

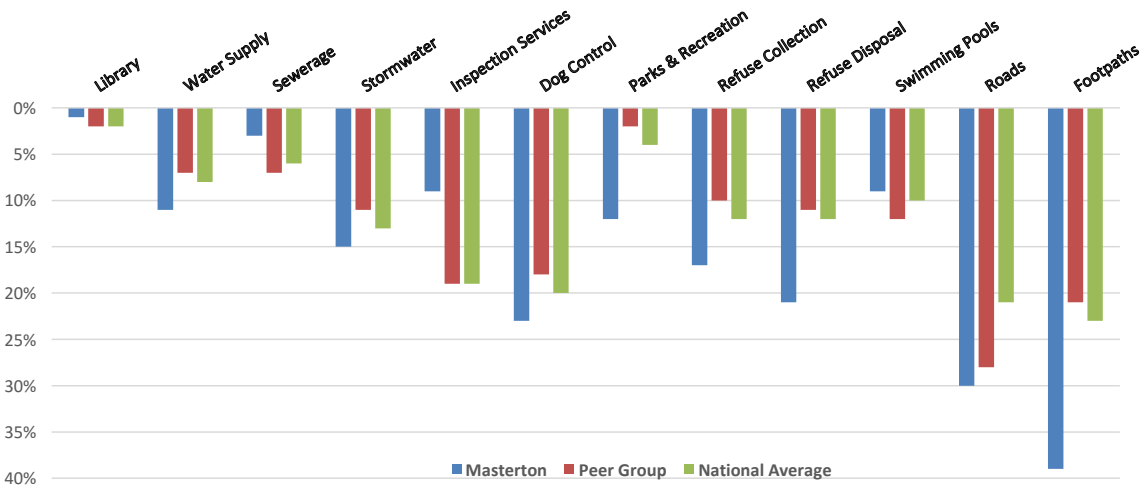
*Masterton as a place to live* - Masterton residents were asked whether they felt the district is better/about the same/or a worse place to live than it was three years ago, in the context of thinking about amenities and activities that Council can influence. Consistent with last year, 90% overall stated that they felt Masterton was the same or better. However, a higher proportion indicated ‘the same’ (52% vs 46%) and fewer indicated “better” (38% vs 44%).

*Masterton as a safe place to live* - Overall the number of people responding ‘yes’ to the question regarding whether Masterton was generally a safe place to live at 91% was comparable with 2015 and 2014 results (94% / 90%). There were slightly more “yes definitely” responses and fewer “yes mostly” responses than in 2015.

*Consultation and Community Involvement* - Satisfaction with the way that Council involves the public in its decisions reverted back to the 2014 level at 48% (there was an increase to 54% in 2015). Dissatisfaction also reverted back to 2014 levels (17% in 2016 vs 18% in 2014). The 2016 satisfaction results are on par with the peer group average (48%) and higher than the national average (41%).

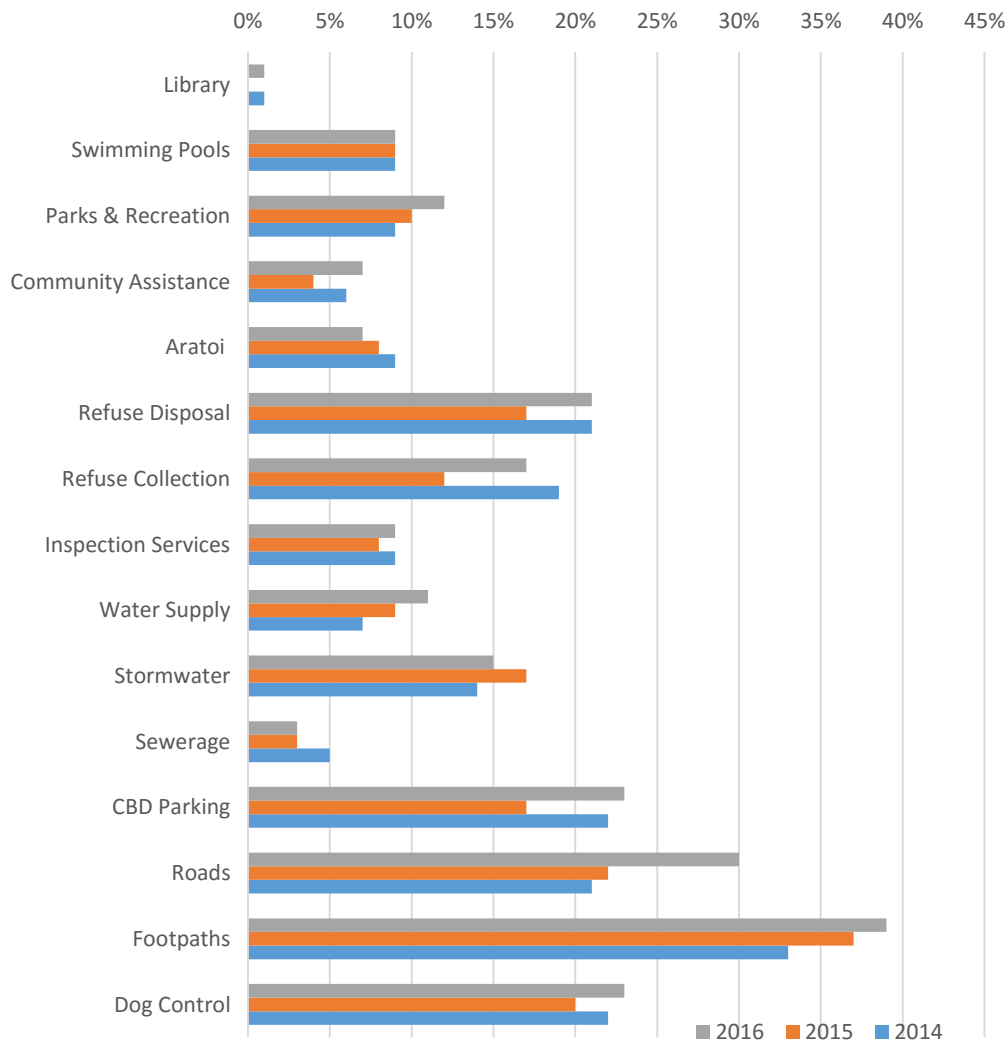
*Tourism* - The proportion of residents that reported being satisfied with the efforts that Council makes to attract visitors or tourists to the area increased to 79% (75% in 2015), which is the highest level of satisfaction reported since this question was first asked in 2010. It is also 13% higher than the national average.

### Surveyed Dissatisfaction Comparison to Peer Group & National Average



(the lower the better)

% Not



## STATEMENTS OF SERVICE PERFORMANCE GROUPS OF ACTIVITIES REPORTS

## ROADING

### 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 New Zealand Transport Agency (NZTA). The Council contributes funding to road safety programmes.

The performance indicators, targets and results reported below are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

### Performance Measures

Performance Measures	Targets 2015/16	Results Relative to Target
Percentage of customers satisfied with the condition of the roading network	Maintain satisfaction level over an average of the three latest surveys and within 10% of peer group average  Baseline 79%  Peer Group Baseline 73%	<b>Partially Achieved</b> Average road satisfaction over the last three surveys was 76% (79% in 2014; 78% in 2015 and 70% in 2016). This is below the baseline satisfaction measure of 79% but within 10% of the 2016 peer group average (72%) and the baseline peer group average (73%).
<i>Mandatory</i> The average quality of ride on a sealed local road network, measured by smooth travel exposure.	At least 90%	<b>Achieved</b> Network smooth travel exposure was 93% as at of 30 June 2016.
<i>Mandatory</i> The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	Reduction on previous year	<b>Partially Achieved</b> Results are only available for the calendar years. There was one less fatality but two more serious injury crashes in 2015 compared to 2014.



Performance Measures	Targets 2015/16	Results Relative to Target
Cycle usage at key sites is monitored to assess demand for cycle facilities	Survey 4 monitor sites annually	<b>Achieved</b> A cycle usage survey was undertaken in May 2016 for four monitor sites.
<i>Mandatory</i> The percentage of the sealed local road network that is resurfaced	Maintain 5-6% in an average year	<b>Achieved</b> 5.6% (55 lane km) of the total sealed local road network (976.4 lane km) was resurfaced.
Percentage of customers satisfied with the condition of the footpath network	Maintain satisfaction level over an average of three surveys and within 10% of peer group average  Baseline 64%  Peer Group Baseline 71%	<b>Partially Achieved</b> Average footpath satisfaction over the last three surveys was 62% (64% in 2014; 60% in 2015 and 61% in 2016). This is below the baseline satisfaction measure of 64% but within 10% of the 2016 peer group average (72%) and the baseline peer group average (71%).
<i>Mandatory</i> The percentage of footpaths within the District that fall within the level of service for the condition of footpaths that is set out in the Council's asset management plan.	95%	<b>Achieved</b> Based on condition rating surveys, work undertaken and site inspections, 95% of footpaths meet the level of service.
<i>Mandatory</i> The percentage of customer service requests relating to roads and footpaths to which the Council responds:  Urgent requests: Within 2 days  Non-urgent requests: Acknowledged within 10 days and placed on the appropriate maintenance programme.	95% within specified timeframe  95% within specified timeframe	<b>Achieved</b> 99% of all requests were responded to within specified timeframes.  <b>Not Achieved</b> 74% of non-urgent requests were responded to within specified timeframes.
Customer satisfaction with parking control services	Maintain satisfaction level  Baseline 74%	<b>Achieved</b> The 2016 survey of residents reports 75% satisfaction with parking in the CBD (80% in 2015). This is above the baseline average of 74%.

## COMMUNITY SURVEY – PERFORMANCE RATING

Roads	2010/11	2011/12	2013/14	2014/15	2015/16
Very satisfied/fairly satisfied	75%	71%	79%	78%	70%
Not very satisfied	25%	28%	21%	22%	30%
Don't know	0%	1%	0%	0%	0%

Footpaths	2010/11	2011/12	2013/14	2014/15	2015/16
Very satisfied/fairly satisfied	54%	61%	64%	60%	61%
Not very satisfied	41%	37%	33%	37%	39%
Don't know	4%	2%	3%	4%	1%

\*Does not add to 100% due to rounding

## Roads, Streets & Footpaths

### Cost of Service Statement

2014/15 Actual \$		2015/16 Actual \$	2015/16 Plan \$
<b>Operating Costs</b>			
3,861,036	Subsidised roading programme - maintenance	3,844,016	3,854,015
1,150,331	Non-subsidised roading	1,176,294	1,195,615
307,238	Flood damage expenditure	0	513,200
4,580,509	Depreciation	4,499,740	4,725,102
<b>9,899,115</b>		<b>9,520,051</b>	<b>10,287,932</b>
<b>Operating Revenue</b>			
1,984,911	NZ Transport Agency subsidy (on maint.)*	1,858,871	2,162,636
175,826	Local authority petrol tax	176,851	170,000
99,896	Roading contributions (ex developers)	121,354	99,000
105,212	Other recoveries	67,584	190,020
<b>2,365,845</b>		<b>2,224,660</b>	<b>2,621,656</b>
<b>Appropriations</b>			
314,553	Net transfer to/(from) flood damage fund	310,000	90,000
227,896	Transfers to reserves	358,354	99,000
(125,000)	Tranfers from reserves	(204,875)	(125,000)
109,646	Provision for loan repayments	117,069	117,067
(4,018,388)	Depreciation not rates funded**	(3,804,746)	(4,034,735)
<b>4,041,976</b>	<b>Rates Requirement (Operational)</b>	<b>4,071,192</b>	<b>3,812,608</b>

\* Further subsidy revenue is shown in the Capital Expenditure Summary.

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

### Variations from Plan

2015/16 was the first year of the current NZTA-approved programme and the Council has spent very close to the planned \$3.85 million on subsidised road maintenance. The planned provision for expenditure on flood damage was not required, so the NZTA subsidy is less than planned. The rates funding that would have been applied to the flood damage work has been carried forward in reserve funds.

Rates funding of \$87,000 for the Colombo Road footpath extension has been carried forward as that project is work in progress at year end. An additional \$150,000 of surplus funding that has arisen from savings on roading capital renewals has been added to special funds carried forward.

## Roads, Streets & Footpaths

### Rates Requirement Summary

2014/15 Actual \$	Activity	2015/16 Actual \$	2015/16 Plan \$
3,503,587	Subsidised roading	3,647,308	3,839,341
1,383,265	Non-subsidised roading (urban)	1,229,569	1,039,954
130,252	Non-subsidised roading (rural)	246,562	236,524
447,923	Flood damage	310,000	310,676
<b>\$5,465,028</b>	<b>Rates Requirement</b>	<b>\$5,433,440</b>	<b>\$5,426,495</b>

## Roads, Streets & Footpaths

### Capital Expenditure Summary

2014/15 Actual \$	Roading	2015/16 Actual \$	2015/16 Plan \$
2,115,422	Asset renewals - Rural roading programme	2,069,622	2,392,200
681,148	Asset renewals - Urban roading programme	587,866	633,700
296,242	Asset renewals - Bridges	719,684	720,000
203,093	Urban footpath upgrades & reseals	217,147	380,000
8,202	Car park developments	0	54,000
200,128	Rural/urban Minor Improvements	473,990	612,000
-	Railway Station & streetscape upgrades	0	10,000
17,465	CBD footpath resurfacing project	250,169	270,000
-	Street furniture/flag poles	23,321	-
45,388	Horseshoe carparking landscaping	0	-
53,731	Streetscape & neighbourhood design	216,109	383,600
382,073	Vested roading assets ex subdivision	179,266	-
89,939	Vested assets - land under roads	116,100	-
<b>4,092,830</b>		<b>4,853,274</b>	<b>5,455,500</b>
	<b>Capital Funding</b>		
(1,842,936)	NZ Transport Agency subsidy (on renewals)	(2,195,162)	(2,434,413)
(296,528)	Transfers from reserves	(804,220)	(1,023,600)
(58,302)	External contrib.	(6,826)	-
(472,012)	Vested assets (ex developers)	(295,366)	-
-	Loan funds	(189,452)	(383,600)
<b>(2,669,778)</b>		<b>(3,491,026)</b>	<b>(3,841,613)</b>
<b>\$1,423,052</b>	<b>Rates Requirement (Capital)</b>	<b>1,362,248</b>	<b>\$1,613,887</b>

### Variances from Plan – Capital Expenditure

2015/16 was the first year of the 3 yearly NZTA-approved programme. The replacement of Manawa (Black Swamp) bridge was completed during the year. Competitive tendering on renewals work produced savings against the planned subsidised programme while the majority of the components of work were completed.

The urban footpath resurfacing programme was again affected by the laying of broadband cabling around Masterton. The project to upgrade the CBD sidestreet footpaths was completed, as was the first stage of the Castlepoint Jetty Road upgrade. Stage two was underway at year end.

## 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 *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 are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

### Performance Measures

Performance Measures	Targets 2015/16	Results Relative to Target
Customer satisfaction with urban water supply services	Maintain satisfaction and equal or exceed peer group average  Baseline 93% Peer Group Baseline 90%	<b>Achieved</b> Satisfaction with the urban water supply was 89% (89% in 2015). This is 4% below the baseline measure (93%) and the 2016 peer group average (93%); and 1% below the baseline peer group average (90%) but within the margin of error.
Mandatory:  The total number of complaints received by the Council about any of the following:  (a) drinking water clarity  (b) drinking water taste	≤ baseline measure  2.7/1000 requests were received  0.33/1000 requests were received	<b>Achieved</b> 10 complaints equating to 1.1/1000 complaints were received  <b>Achieved</b> 2 complaints equating to 0.2/1000 complaints were received

Performance Measures	Targets 2015/16	Results Relative to Target
<p>(c ) drinking water odour</p> <p>(d) drinking water pressure or flow</p> <p>(e) continuity of supply, and</p> <p>(f) the Council's response to any of these issues expressed per 1000 connections to the Council's networked reticulation system.</p>	<p>0.33/1000 requests were received</p> <p>0.33/1000 requests were received</p> <p>0.88/1000 requests were received</p>	<p><b>Achieved</b> No drinking water odour complaints were received</p> <p><b>Not Achieved</b> 5 complaints equating to 0.5/1000 complaints were received</p> <p><b>Not Achieved</b> 15 complaints equating to 1.6/1000 complaints were received</p> <p><b>Achieved</b> All complaints received a response.</p>
<p><i>Mandatory</i> Where the Council attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:</p> <p>(a) attendance for urgent call-outs: from the time that the Council receives notification to the time that service personnel reach the site, and</p> <p>(b) resolution of urgent call-outs: from the time that the Council receives notification to the time that service personnel confirm resolution of the fault or interruption.</p> <p>(c) attendance for non-urgent call-outs: from the time that the Council receives notification to the time that service personnel reach the site, and</p>	<p>≤60 minutes</p> <p>≤480 minutes</p> <p>≤7 days</p>	<p><b>Achieved</b> 0h 37m or 37 minutes</p> <p><b>Achieved</b> 2h 49m or 169 minutes</p> <p><b>Achieved</b> 1h 15m or 0.05 day</p>

Performance Measures	Targets 2015/16	Results Relative to Target
(d) resolution of non-urgent call-outs: from the time that the Council receives notification to the time that service personnel confirm resolution of the fault or interruption	≤3 months	<b>Achieved</b> 3h 08m or 0.13 day
An alternative water supply is provided when shutdown exceeds 24 hours	100% of occasions	<b>Achieved</b> Alternative supply not needed. No shutdown exceeded 24 hours.
<i>Mandatory</i> The extent to which the Council's drinking water supply complies with:  (a) part 4 of the drinking-water standards (bacteria compliance criteria), and  (b) part 5 of the drinking-water standards (protozoal compliance criteria).	100%  100%	<b>Achieved</b> 100% compliance  <b>Achieved</b> 100% compliance
<i>Mandatory</i> The percentage of real water loss from the Council's reticulation system (calculated using minimum night flow).	< 30%	<b>Not Achieved</b> Real water loss from Council's reticulation system was 32%.
<i>Mandatory</i> The average consumption of drinking water per day per resident within the District.	< 923 Litres /person/day	<b>Achieved</b> Average consumption of drinking water per day per resident was 811 l/p/d

#### COMMUNITY SURVEY – PERFORMANCE RATING

Water Supply (Users)*	2010/11	2011/12	2013/14	2014/15	2015/16
Very satisfied/fairly satisfied	89%	96%	93%	89%	89%
Not very satisfied	11%	3%	7%	9%	11%
Don't know/NA	0%	1%	0%	1%	1%

\*urban users only



### Urban Water Supply

#### Cost of Service Statement

2014/15		2015/16	2015/16
Actual		Actual	Plan
\$	Operating Costs	\$	\$
1,095,317	Water treatment costs	1,067,128	1,127,381
844,791	Water reticulation costs	766,179	762,476
1,205,512	Depreciation	1,226,992	1,159,736
<b>3,145,619</b>		<b>3,060,299</b>	<b>3,049,593</b>
	<b>Operating Revenue</b>		
159,292	User charges & recoveries	164,827	226,100
	Internal Recoveries	79,200	
<b>159,292</b>		<b>244,027</b>	<b>226,100</b>
	<b>Appropriations</b>		
-	Transfer from reserves	-	-
-	Transfer to reserves	-	-
221,882	Provision for loan repayment	252,516	252,517
(321,000)	Reverse depreciation	(180,000)	(115,110)
<b>\$2,887,209</b>	<b>Rates Requirement</b>	<b>\$2,888,787</b>	<b>\$2,960,900</b>

### Rural Water Supplies

#### Cost of Service Statement

2014/15		2015/16	2015/16
Actual		Actual	Plan
\$	Operating Costs	\$	\$
225,673	Rural water supplies & rates	215,502	227,628
52,242	Depreciation & decline in service	60,600	54,544
<b>277,915</b>		<b>276,103</b>	<b>282,172</b>
	<b>Operating Revenue</b>		
186,163	Rural water scheme charges	194,412	174,500
	<b>Appropriations</b>		
(79,746)	Transfer from reserves	(4,000)	-
34,055	Transfer to reserves	16,024	-
91,552	Provision for loan repayment	3,011	1,566
(6,695)	Reverse depreciation	(11,700)	(14,950)
<b>\$130,918</b>	<b>Rates Requirement</b>	<b>\$85,026</b>	<b>\$94,288</b>

#### Variations from Plan – Water supplies

The operating costs of the Masterton urban water supply were 3% less than the planned level, with most savings coming from lower chemical usage due to lower than usual river turbidity. Internal recoveries are now reported separately and designed to ensure water treatment operations staff time is allocated to sewerage treatment based on the work and time they spend operating the Homebush and Riversdale Beach treatment plants.

**WATER SERVICES****Rates Requirement Summary**

2014/15 Actual \$	Activity	2015/16 Actual \$	2015/16 Plan \$
2,887,209	Masterton urban water supply	2,888,787	2,960,900
17,080	Tinui water supply	24,319	27,435
43,852	Opaki water race	39,488	39,909
69,987	Miscellaneous rural water costs	21,219	26,944
<b>\$3,018,127</b>	<b>Rates Requirement</b>	<b>\$2,973,813</b>	<b>\$3,055,188</b>

**WATER SERVICES****Capital Expenditure Summary**

2014/15 Actual \$	Activity	2015/16 Actual \$	2015/16 Plan \$
111,963	<b>Urban water treatment</b> Water treatment plant & equip. renewals	164,887	125,000
-	Water treatment Upper Plain Chlorination	11,154	20,000
-	Water treatment - buildings & grounds	8,571	39,000
381,646	Water treatment - filter refurbishment	64,869	-
34,741	WTP Consent renewal - sludge disposal	-	-
<b>528,350</b>		<b>249,481</b>	<b>184,000</b>
772,597	<b>Urban water reticulation</b> Water main, Water trunk & reservoir upgrades	189,601	2,195,000
131,905	Water connections renewals	73,812	200,000
93,161	Assets vested by subdividers	52,623	-
<b>997,663</b>		<b>316,036</b>	<b>2,395,000</b>
61,290	<b>Rural water reticulation</b> Wainuioru water supply renewals	34,462	20,000
95,750	Tinui water supply upgrades	9,397	5,000
14,491	Opaki water race weir construction	6,048	-
8,094	Castlepoint Water Supply	-	-
<b>179,625</b>		<b>49,907</b>	<b>25,000</b>
<b>1,705,638</b>	<b>Total Water Supplies capital expenditure</b>	<b>615,424</b>	<b>2,604,000</b>
(295,750)	<b>Capital Funding</b> Loan funds	(74,266)	(1,857,500)
-	External funds	(13,092)	-
(93,161)	Assets vested by subdividers	(52,623)	-
(1,316,727)	Transfer from reserves	(475,443)	(746,500)
<b>(1,705,638)</b>		<b>(615,424)</b>	<b>(2,604,000)</b>

**Variances from Plan – Water Supplies Capital Expenditure**

There were some carry-over costs associated with the full commissioning of the new water treatment plant filters. The three old earthquake-prone filters have been decommissioned.

Two water main renewal projects were in progress at year end, but the planned extent of mains renewals was not achieved as sewer renewals took priority. The water trunk main renewal was deferred as design and options analysis work has not progressed to the point where the most effective replacement methodology has been identified.

Both Wainuioru and Tinui water supplies had more capital/renewals requirements than expected.

## 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 improved as per the Long Term Plan (LTP). The LTP provided for an increase in service level for the urban sewerage system via the Homebush treatment plant upgrade. The commissioning of the plant in the previous year has meant the plant is delivering the designed 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 Wastewater Upgrade that will improve the quality and reduce the quantity of treated effluent being released into the Ruamahunga River. Further progress was made on renewal of the reticulation infrastructure.

The performance indicators, targets and results reported below are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

### Performance Measures

Performance Measures	Targets 2015/16	Results Relative to Target
Customer satisfaction with urban wastewater services	Maintain satisfaction level and within 10% of peer group average  Baseline 93%  Peer Group Average Baseline 94%	<b>Achieved</b> Satisfaction with wastewater services was 95%. This is 1% lower than the 2015 survey (96%), but within the margin of error. It is 2% above the baseline (93%); and also above the 2016 peer group average (93%) and the baseline peer group average (94%).
<i>Mandatory</i>  The total number of complaints received by the Council about any of the following:  (a) sewage odour	≤ baseline measure          0.11/1000 requests	<b>Not Achieved</b> 8 complaints received equating to 0.9/1000 complaints were received.

Performance Measures	Targets 2015/16	Results Relative to Target
(b) sewerage system faults	0.45/1000 requests	<b>Achieved</b> 1 complaint equating to 0.1/1000 complaints were received.
(c) sewerage system blockages, and	5.31/1000 requests	<b>Not Achieved</b> 48 complaints equating to 5.4/1000 complaints were received.
(d) the Council's response to issues with its sewerage system, expressed per 1000 connections to the Council's sewerage system	1.01/1000 requests	<b>Not Achieved</b> 16 complaints equating to 1.8/1000 complaints were received.
<p><i>Mandatory</i> Where the Council attends to sewerage overflows resulting from a blockage or other fault in the Council's sewerage system, the following median response time measured:</p> <p>(a) attendance time: from the time that the Council receives notification to the time that service personnel receives notification to the time that service personnel reach the site, and</p> <p>(b) resolution time: from the time that the Council receives notification to the time that service personnel confirm resolution of the blockage or other fault.</p>	<p>≤ 6 hours</p> <p>≤ 12 hours</p>	<p><b>Achieved</b> 0h 17m or 0.28 hour</p> <p><b>Achieved</b> 2h 52m or 2.87 hours</p>
Alternative system provided where loss of service exceeds 24 hours	100% of occasions	<b>Achieved</b> Alternative system not required.

Performance Measures	Targets 2015/16	Results Relative to Target
<p><i>Mandatory</i> Compliance with the Council's resource consents for discharge from its sewerage system measured by the number of:</p> <p>(a) abatement notices</p> <p>(b) infringement notices</p> <p>(c) enforcement orders</p> <p>(d) convictions</p> <p>received by the Council in relation to those resource consents.</p>	No consent breaches	<b>Achieved</b> No consent notices, orders or convictions.
Proportion of network failures that had environmental effects	Less than 1%	<b>Achieved</b> No environmental effects.
<p><i>Mandatory</i> The number of dry weather sewerage overflows from the Council's sewerage system, expressed per 1,000 sewerage connections to that sewerage system.</p>	≤ 2/1000	<b>Achieved</b> 9 dry weather overflows in 2015/16 equating to 1/1,000.
(e) Percentage of time that treated effluent is not discharged to the river.	<p>Winter: &gt;50%</p> <p>Summer: &gt;75%</p>	<b>Achieved</b> <p>Winter: 61%</p> <p>Summer: 92%</p>
All registered premises comply with trade waste disposal requirements as evidenced by annual inspection and followed up with further visits for enforcement if necessary.	100% of known premises	<b>Achieved</b> All known premises inspected and complied.

#### COMMUNITY SURVEY – PERFORMANCE RATING

Sewerage*	2010/11	2011/12	2013/14	2014/15	2015/16
Very satisfied/fairly satisfied	91%	93%	93%	96%	95%
Not very satisfied	6%	4%	5%	3%	3%
Don't know/NA	3%	3%	2%	1%	2%

\* Urban area respondents only

## SEWERAGE SERVICES

**Sewerage Services - urban****Cost of Service Statement**

2014/15		2015/16	2015/16
Actual		Actual	Plan
\$	Operating Costs	\$	\$
1,087,466	Sewerage reticulation	1,135,338	1,198,082
3,339,381	Wastewater treatment	3,264,853	3,525,529
2,072,818	Depreciation	2,097,412	2,126,816
<b>6,499,665</b>		<b>6,497,603</b>	<b>6,850,427</b>
	<b>Operating Revenue</b>		
436,351	User charges & other revenue	393,643	477,900
	<b>Appropriations</b>		
62,500	Transfer to reserves	150,000	-
(250,000)	Transfer from reserves	(171,091)	(170,000)
1,164,985	Provision for loan repayments	1,327,405	1,315,282
(1,150,200)	Reverse depreciation not rates funded	(1,005,000)	(1,055,758)
<b>\$5,890,599</b>	<b>Rates Requirement</b>	<b>\$6,405,273</b>	<b>\$6,462,051</b>

**Variances from Plan – Urban wastewater**

Net operating costs, excluding depreciation, were \$323,000 (6.8%) less than Plan. This includes savings of over \$300,000 on interest costs as a result of taking advantage of declining market interest rates. External income was less than planned as baleage sales were below expectations. A sum of \$150,000 has been added to reserve funds as part of anticipated surplus funding being carried forward. This surplus was anticipated and has been allocated as part of the 2016/17 Annual Plan.

**Sewerage Services - rural schemes****Cost of Service Statement**

2014/15		2015/16	2015/16
Actual		Actual	Plan
\$	Operating Costs	\$	\$
46,344	Castlepoint sewerage scheme	58,781	43,452
216,816	Riversdale sewerage scheme	197,517	225,278
14,378	Tinui sewerage scheme	13,172	16,238
255,350	Depreciation	256,841	268,417
<b>532,888</b>		<b>526,312</b>	<b>553,385</b>
	<b>Operating Revenue</b>		
13,593	Capital Contribution & other revenue	0	111,650
4,611	Internal Recoveries	8,733	5,000
<b>18,204</b>		<b>8,733</b>	<b>116,650</b>
	<b>Appropriations</b>		
(30,000)	Transfer from reserves	(22,500)	(30,000)
211,095	Loan Repayment	115,553	131,652
(239,612)	Reverse depreciation not rates funded	(202,700)	(226,088)
<b>\$456,167</b>	<b>Rates Requirement (Operational)</b>	<b>\$407,932</b>	<b>\$312,300</b>

**Variances from Plan – Rural wastewater**

Operating costs for Castlepoint were more than what was planned, while Riversdale Beach and Tinui costs were less than what was planned. Capital contributions from new joiners to the Riversdale scheme were planned but did not eventuate. Loan repayments for the Riversdale Beach scheme come from capital repayments received, including ratepayers who choose to pay off the capital contributions in full (they had originally chosen to pay over time). There is \$71,000 extra income reported as part of rates



income from those contributions (see Note 1). The Council continues to carry a significant debt for the Riversdale Beach scheme (some \$2.3 million), with the intention that the owners paying off contributions and connection fees from new joining properties and subdivision will reduce that debt over time.

#### SEWERAGE SERVICES

##### Rates Requirement Summary

2014/15		2015/16	2015/16
Actual	Activity	Actual	Plan
\$		\$	\$
5,890,599	Urban sewerage system	6,405,273	6,462,051
56,741	Castlepoint sewerage scheme	65,158	54,302
143,632	Riversdale Beach sewerage scheme	166,434	153,933
244,528	Riversdale & Tinui capital contributions	160,818	85,743
11,266	Tinui sewerage scheme	15,521	18,321
<b>\$6,346,767</b>	<b>Rates Requirement</b>	<b>\$6,813,205</b>	<b>\$6,774,350</b>

#### SEWERAGE SERVICES

##### Capital Expenditure Summary

2014/15		2015/16	2015/16
Actual	Urban Sewerage system	Actual	Plan
\$		\$	\$
2,148,737	Homebush sewerage upgrade project	289,698	190,000
2,339,360	Sewerage reticulation mains renewals	2,252,514	1,100,000
0	Reticulation - hydraulic modelling	0	150,000
0	Homebush Treatment plant upgrade	135,188	180,000
0	New Sewer Connections	15,436	0
156,035	Assets vested by subdividers	133,772	-
<b>4,644,132</b>		<b>2,826,608</b>	<b>1,620,000</b>
	<b>Rural Sewerage schemes</b>		
49,019	Riversdale Beach sewerage scheme	46,751	0
18,482	Castlepoint sewerage scheme	0	0
<b>67,501</b>		<b>46,751</b>	<b>-</b>
<b>4,711,633</b>	<b>Total</b>	<b>2,873,359</b>	<b>1,620,000</b>
	<b>Capital Funding</b>		
(3,347,027)	Loan funds	(1,676,401)	(770,000)
	External funds	(13,413)	-
(156,035)	Assets vested by subdividers	(133,772)	-
(1,208,571)	Transfer from reserves	(1,049,773)	(850,000)
<b>(4,711,633)</b>		<b>(2,873,359)</b>	<b>(1,620,000)</b>
<b>\$0</b>	<b>Rates Requirement (Capital Contributions)</b>	<b>\$0</b>	<b>\$0</b>

#### Variances from Plan – Capital Expenditure

Expenditure on the Homebush treatment plant included preparation of the final areas of land for border strip irrigation and the investigation of options for the remediation of the residual sludge. The planned value for this work was not sufficient.

The sewer reticulation renewals programme was extended from the level planned at the expense of the water reticulation renewal programme. Sewer renewals continue to be funded by a mix of depreciation and borrowing, with some \$906,000 additional borrowing needed to fund most of the extra work.

There were 4.2 km of sewer mains renewed (3.1% of the network) costing \$2.25m including 600 meters of a 475mm trunk main in Johnstone Street. There were two contracts in progress at 30 June 2016. This programme is being done using a number of experienced local contractors and the design and supervision work is being done in-house in order to keep costs down. Some hydraulic modelling work has been done, with the costs expensed.

Riversdale Beach sewerage scheme capital expenditure was unplanned and was for extension of the irrigation area and pump renewals.

## 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 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 resident's wellbeing and businesses.

### Performance Measures

Performance Measures	Targets 2015/16	Results Relative to Target
Percentage of residents satisfied with stormwater services	Maintain satisfaction level  Baseline 71%	<b>Achieved</b> Satisfaction with stormwater services was 72%. This is above the 2015 (69%) and baseline (71%) results.
<i>Mandatory</i> The number of complaints received by a Council about the performance of its stormwater system, expressed per 1,000 properties connected to the Council's stormwater system.	≤ 2/1000	<b>Achieved</b> 12 complaints equating to 1.2/1,000 were received.
<i>Mandatory</i>  (a) The number of flooding events that occur in the Council's district    (b) For each flooding event, the number of habitable floors affected. (Expressed per 1,000 properties connected to the Council's stormwater system).	≤98 events    Maintain baseline	<b>Achieved</b> 7 stormwater related incidents resulted in flooding events on the roads.  <b>Achieved</b> No houses were flooded.

Performance Measures	Targets 2015/16	Results Relative to Target
<p><i>Mandatory</i></p> <p>Compliance with the Council's resource consents for discharge from its stormwater system, measured by the number of:</p> <p>(a) abatement notices  (b) infringement notices  (c) enforcement orders, and  (d) convictions,  Received by the Council in relation to those resource consents</p>	No consent breaches	<p><b>Achieved</b></p> <p>No consent breaches.</p>
<p><i>Mandatory</i></p> <p>The median response time to attend a flooding event, measured from the time that the Council receives notification to the time that service personnel reach the site.</p>	≤ 60 minutes	<p><b>Achieved</b></p> <p>13 minutes attendance by City Care.</p>

#### COMMUNITY SURVEY – PERFORMANCE RATING

	2010/11	2011/12	2013/14	2014/15	2015/16
<b>Stormwater</b>					
Very satisfied/fairly satisfied	67%	69%	71%	69%	72%
Not very satisfied	20%	19%	14%	17%	15%
Don't know	14%	12%	15%	14%	13%

#### STORMWATER

#### Stormwater

#### Cost of Service Statement

2014/15		2015/16	
Actual		Actual	Plan
\$	Operating Costs	\$	\$
282,445	Stormwater	270,952	336,534
272,827	Depreciation	274,861	273,730
<b>555,272</b>		<b>545,813</b>	<b>610,264</b>
	<b>Operating Revenue</b>		
-	User charges & other revenue	-	-
	<b>Appropriations</b>		
30,000	Transfer to reserves	-	-
(135,000)	Transfer from reserves	(101,250)	(135,000)
124,369	Provision for loan repayment	132,457	132,456
(147,000)	Reverse depreciation not rates funded	(130,000)	(132,456)
<b>\$427,641</b>	<b>Rates Requirement</b>	<b>\$447,019</b>	<b>\$475,264</b>

**STORMWATER****Capital Expenditure Summary**

2014/15		2015/16	2015/16
Actual		Actual	Plan
\$	Stormwater	\$	\$
167,672	Stormwater renewals & upgrades	14,346	150,000
96,970	Assets vested by subdividers	74,579	
<b>264,642</b>		<b>88,925</b>	<b>150,000</b>
	<b>Capital Funding</b>		
-	Loan funds	-	-
(167,672)	Transfer from reserves	(14,346)	(150,000)
(96,970)	Assets vested by subdividers	(74,579)	
<b>(264,642)</b>		<b>(88,925)</b>	<b>(150,000)</b>
<b>(\$0)</b>	<b>Rates Requirement</b>	<b>\$0</b>	<b>\$0</b>

**Variances from Plan – Stormwater**

Operating costs were below planned levels.

The stormwater renewal and upgrades budget was not spent in its entirety as wastewater renewal projects were again a priority in this year.

## 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 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 contribute 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. There were increases in both recycling tonnages and tonnes to landfill this year.

### Performance Measures

Performance Measures	Targets 2015/16	Results Relative to Target
Percentage of residents satisfied with the urban and rural transfer stations, recycling and composting facilities	Maintain satisfaction level  Baseline 72%	<b>Achieved</b> Satisfaction with refuse disposal services was 70%. This is 2% lower than 2015 (72%) and the baseline (72%) but within the margin of error.
Proportion of advertised hours that the transfer stations and recycling centre are open to the public	100%	<b>Not Achieved</b> There was one day (21 Oct. 2015) where the Riversdale Transfer Station did not open at 1:30 pm as scheduled.
Percentage of residents satisfied with solid waste collection services	Maintain satisfaction level  Baseline 73%	<b>Achieved</b> Satisfaction with solid waste collection services was 73%. This is the same result as 2015 (73%) and the baseline (73%).
Number of call-backs due to non-collection of official rubbish bag in each weekly collection	No more than one call-back per 200 urban households	<b>Achieved</b> There were 38 call-backs in total for missed rubbish bags in total equating to less than 1 per 200 households.



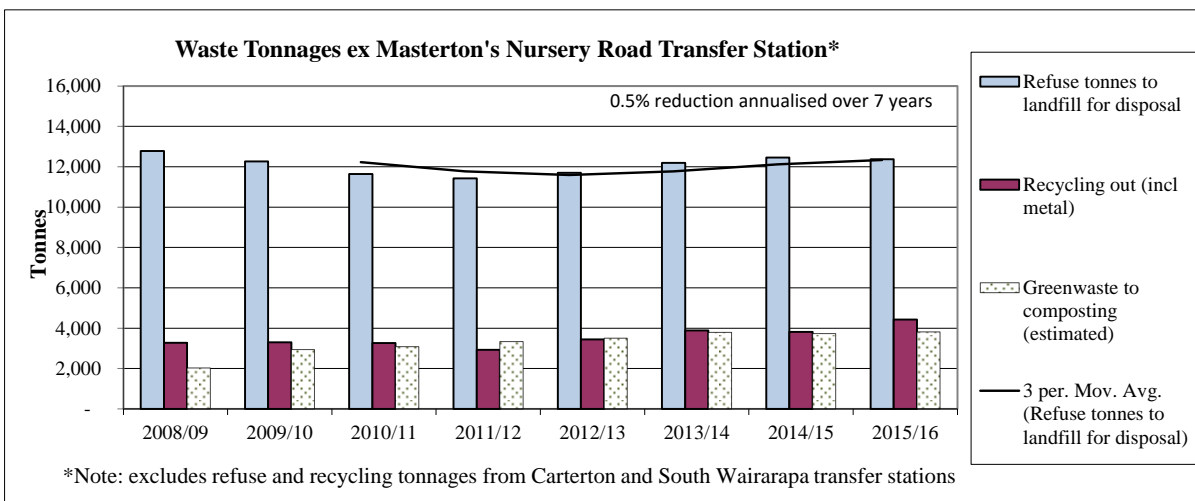
Performance Measures	Targets 2015/16	Results Relative to Target
Tonnage of waste delivered for transfer is reduced annually	Annual reduction of waste taken to the Transfer Station	<b>Achieved</b> Residual waste received for transfer to landfill reduced by 0.1% to 12,450 tonnes (MDC only, excludes any waste coming from CDC & SWDC).
Urban and rural transfer stations, recycling, composting facilities and landfills operate within approved resource consent conditions	100% compliance	<b>Not Achieved</b> This measure was not achieved due to minor technical non-compliances.

### COMMUNITY SURVEY – PERFORMANCE RATING

Refuse Collection	2010/11	2011/12	2013/14	2014/15	2015/16
Very satisfied/fairly satisfied	71%	75%	73%	73%	73%
Not very satisfied	20%	14%	19%	12%	17%
Don't know/NA	9%	10%	8%	15%	10%

### COMMUNITY SURVEY – PERFORMANCE RATING

Refuse Disposal (overall)	2010/11	2011/12	2013/14	2014/15	2015/16
Very satisfied/fairly satisfied	65%	71%	72%	72%	70%
Not very satisfied	32%	22%	21%	17%	21%
Don't know/NA	3%	6%	7%	11%	9%



## Solid Waste Services

### Cost of Service Statement

2014/15 Actual		2015/16 Actual	2015/16 Plan
\$		\$	\$
	<b>Operating Costs</b>		
402,122	Urban refuse collection costs	376,273	417,550
(11,660)	Nursery Rd landfill closure costs*	(13,282)	40,000
1,942,675	Transfer station operation & refuse disposal	2,057,222	2,020,899
905,688	Waste minimisation (incl recyc.& composting)	1,017,866	1,052,518
207,957	Rural refuse operations	222,808	213,905
<b>3,446,781</b>		<b>3,660,887</b>	<b>3,744,872</b>
	<b>Operating Revenue</b>		
2,018,340	User charges - external	2,251,536	2,106,550
201,099	User charges - internal	204,338	202,767
83,584	Recoveries - waste levy	92,056	75,000
360,457	Recoveries from bag sales	365,367	390,500
<b>2,663,481</b>		<b>2,913,297</b>	<b>2,774,817</b>
	<b>Appropriations</b>		
(10,000)	Transfers from reserves	(7,500)	(40,000)
50,000	Transfers to reserves	140,000	40,000
78,696	Provision for loan repayment	84,034	84,096
(50,000)	Reverse depreciation not rates funded	(50,000)	(70,204)
<b>\$851,996</b>	<b>Rates Requirement</b>	<b>\$914,124</b>	<b>\$983,947</b>

\*The future closure costs of the Nursery Road landfill have been accrued as a liability and as work is done to cover the landfill, the accrued liability is used up, resulting in a credit adjustment against this budget line.

### Variances from Plan – Operating

Waste tonnes transported to Bonny Glen landfill were 3.8% more than what the Plan costs and revenue were based on. This resulted in more income and higher costs of waste disposal. Cost savings were achieved in refuse collection and waste minimisation areas.

The rates surplus achieved by this activity has enabled an extra \$100,000 to be carried forward for use as part of the 2016/17 Annual Plan people development funding.

## SOLID WASTE SERVICES

### Rates Requirement Summary

2014/15 Actual		2015/16 Actual	2015/16 Plan
\$	Activity	\$	\$
396,378	Refuse & recycling collections	405,334	414,071
22,235	Refuse transfer station & landfill	24,624	84,680
248,742	Waste minimisation (recycling & composting)	285,014	292,447
184,641	Rural refuse services	199,152	192,749
<b>\$851,996</b>	<b>Rates Requirement</b>	<b>\$914,124</b>	<b>\$983,947</b>

**SOLID WASTE SERVICES**

**Capital Expenditure Summary**

2014/15 Actual \$		2015/16 Actual \$	2015/16 Plan \$
	<b>Solid Waste Management</b>		
-	Nursery Road land fill capping	0	335,000
-	Transfer Station Roof & upgrades	26,833	200,000
85,237	Special waste	109,207	100,000
<b>85,237</b>		<b>136,040</b>	<b>635,000</b>
	<b>Capital Funding</b>		
(44,437)	Loan funds	(76,468)	(260,000)
(40,800)	External funds	(32,739)	-
-	Transfer from reserves	(26,833)	(375,000)
<b>(85,237)</b>		<b>(136,040)</b>	<b>(635,000)</b>
<b>(\$0)</b>	<b>Rates Requirement</b>	<b>\$0</b>	<b>\$0</b>

**Variances from Plan – Capital**

The provision of \$335,000 that was allowed for capping the Nursery Road landfill was not required. The covering and capping is scheduled for the next 4 years, using cleanfill material deposited at the site.

The recycling building's roller doors needed to be replaced, while the installation of a roof over the transfer station pad was deferred until 2016/17. Special waste storage areas were upgraded with assistance of a grant from the Waste Minimisation Fund.

## COMMUNITY FACILITIES AND ACTIVITIES

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

- contribute to the social, economic, environmental and cultural fabric of the Masterton community, and
- 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 celebrates a highly visible cultural and recreational environment.

**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 contribute to *A Sustainable Healthy Environment, An Active Involved and Caring Community, A Strong Resilient Economy and A Knowledgeable Community*. Examples include:

- We provided support funding for community groups to continue their services, supported an all-weather athletic track, and contributed to the arts community via funding for 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 maintain our parks and reserves, extended our recreational trails, as well as funding for the Masterton Recreation Centre. We also provided funding to Sport Wellington Wairarapa to support the effectiveness of our sports clubs.
- We provided funding support for tourism promotion, funding events that attract visitors to the Masterton district, and the continued operation of a camping ground and the Hood Aerodrome.
- Environmental funding supported Enviroschools 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 are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

### Performance Measures

Performance Measures	Targets 2015/16	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	<p><b>Partially Achieved</b></p> <p>Council provided Community Development grants to 34 applicants from the 37 applications received.</p> <p>There were six large grants of \$4,000 allocated to community projects, welfare and services. The smallest grant was for \$500.</p> <p>As of 30 June 2016, 90% had returned accountability forms with requests sent to the four organisations that were outstanding.</p>
Destination Wairarapa reports tourism promotional activities and visitor numbers	Quarterly Report	<p><b>Achieved</b></p> <p>Destination Wairarapa reported to the Audit &amp; Risk Committee in August 2015, November 2015, February 2016 and May 2016.</p>
The impact of investment into environmental initiatives is reported annually	Annual Report	<p><b>Achieved</b></p> <p>The Environmental Task Group met quarterly and considered reports of progress across a number of environmental initiatives.</p>

Performance Measures	Targets 2015/16	Results Relative to Target
Satisfaction with the natural environment	Maintain satisfaction  Baseline 74%	<b>Achieved</b> Satisfaction with the way the natural environment is being preserved and sustained for future generations was 72%. This is lower than the 2015 result (75%) and the baseline (74%) but is within the margin of error.
Outcomes of investment in economic development are reported annually	Annual Report	<b>Achieved</b> Investments in economic development include being the major funder of Destination Wairarapa, event grants, a grant to Pukaha Mt Bruce, the MyMasterton promotional campaign and the WaiConnect project. MyMasterton was a multi-faceted campaign to convince Aucklanders to consider moving to Masterton. The campaign was a finalist in the LGNZ Excellence Awards in 2016 and real estate reports have estimated at least 20 house sales have been to Aucklanders over the 2015/16 year.
The Aratoi Regional Trust reports against its performance targets on activities and outcomes at Aratoi Museum of Art and History	Aratoi Regional Trust meets its annual performance targets	<b>Achieved</b> All annual performance targets met. The survey of residents reported 94% satisfaction by those who visited Aratoi (target 80%); there was no deviation from planned exhibitions; a balanced budget was achieved; and volunteer hours target was met. Reports to the Audit & Risk Committee were provided in August 2015, November 2015, February 2016 and May 2016.
The Wairarapa Arts, Culture and Heritage Strategy is progressively implemented	Toi Wairarapa reports six-monthly on progress	<b>Not Applicable</b> The Council decided to cease funding Toi Wairarapa from January 2016.

Performance Measures	Targets 2015/16	Results Relative to Target
The impact of other investment into arts, culture and heritage initiatives is reported	Report annually	<b>Achieved</b> In order to support local involvement in arts, culture and heritage the Council invested in a number of events. Examples include the Waitangi Day Festival, Matariki Festival, Kokomai Arts Festival, NZ Festival and 12 Nights of Christmas. The Council also invested in the promotion of arts and cultural events, in order to boost the visibility of the range of different arts & cultural opportunities available in our community.
Sport Wellington Wairarapa reports six monthly against its performance targets on its support for involvement in sport	Sport Wellington Wairarapa meets its annual performance targets	<b>Achieved</b> Annual performance targets were met. Membership trends and reports on numbers of targeted sports were received; 3 volunteer plans were developed; and advice provided on sport and recreation trends. Reports to the Audit & Risk Committee were provided in August 2015 and February 2016.

#### COMMUNITY SURVEY – PERFORMANCE RATING

Community Assistance	2010/11	2011/12	2013/14	2014/15	2015/16
Very satisfied/fairly satisfied	65%	66%	61%	68%	67%
Not very satisfied	7%	4%	6%	4%	7%
Don't know/NA	28%	29%	33%	28%	26%

#### COMMUNITY SURVEY – PERFORMANCE RATING

Aratoi	2010/11	2011/12	2013/14	2014/15	2015/16
Very satisfied/fairly satisfied	73%	73%	72%	76%	72%
Not very satisfied	10%	6%	9%	8%	7%
Don't know/NA	17%	21%	19%	16%	21%



COMMUNITY FACILITIES / ACTIVITIES

**Community Development**

**Cost of Service Statement**

2014/15 Actual \$		2015/16 Actual \$	2015/16 Plan \$
	<b>Operating Costs</b>		
606,285	Community development (incl grants)	816,080	763,229
	<b>Operating Revenue</b>		
27,435	Government grants - specific programmes	22,905	400
	<b>Appropriations</b>		
(103,445)	Transfers from reserves	(181,350)	(189,000)
115,000	Transfers to reserves (funding c/fwd)	3,500	-
<b>\$590,405</b>	<b>Rates Requirement</b>	<b>\$615,324</b>	<b>\$573,829</b>

**Variances from Plan**

Community development costs included covering the costs for an unexpected Government grant for youth initiatives; additional staffing; and administrative resource costs following the restructure of the Community Facilities and Activities function.

## Arts & Culture

### Cost of Service Statement

2014/15 Actual		2015/16 Actual	2015/16 Plan
\$	Operating Costs	\$	\$
383,418	Arts & culture expenditure	386,255	376,295
	<b>Operating Revenue</b>		
22,346	Creative NZ grants	22,346	22,000
	<b>Appropriations</b>		
(10,000)	Transfers from reserves	-	-
<b>\$351,072</b>	<b>Rates Requirement</b>	<b>\$363,909</b>	<b>\$354,295</b>

## Economic Development & Promotion

### Cost of Service Statement

2014/15 Actual		2015/16 Actual	2015/16 Plan
\$	Operating Costs	\$	\$
823,671	Economic development & promotion	828,826	770,993
40,000	Regional amenities contribution	40,000	40,000
56,621	CBD Amenities (including security cameras)	72,323	67,039
<b>920,292</b>		<b>941,149</b>	<b>878,032</b>
	<b>Operating Revenue</b>		
61,699	Events grants & other recoveries	27,765	14,500
	<b>Appropriations</b>		
(180,800)	Transfers from reserves	(100,000)	(100,000)
105,900	Transfers to reserves	15,000	-
12,498	Loan repayments	13,289	13,289
-	Depreciation not rates funded	(15,000)	(8,474)
<b>\$796,191</b>	<b>Rates Requirement</b>	<b>\$826,673</b>	<b>\$768,347</b>

### Variances from Plan

In the Economic Development area, expenditure on the 'My Masterton' promotional campaign to attract new residents to Masterton, exceeded the value planned. Also, the investment in the WaiConnect project to attract greater Government investment in the broadband infrastructure of the Wairarapa (cost shared with Carterton and South Wairarapa) was not originally budgeted for in the Plan.

## 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 are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

### Performance Measures

Performance Measures	Targets 2015/16	Results Relative to Target
Resident satisfaction with library services	<p>Within 10% of peer group satisfaction</p> <p>Peer Group baseline 89%</p>	<p><b>Achieved</b></p> <p>Satisfaction with the Library service and Archive was 85% (83% in 2015). This is 'on par' with the 2016 peer group average (85%) and 4% lower than the baseline peer group (89%) which is within the margin of error.</p>
<p>The library collection is constantly updated and appropriately sized for the Masterton District:</p> <p>i) New books and other items added to the collection annually</p> <p>ii) The number of resources - books, DVDs etc. - in the collection (national average 3.3 per resident)</p>	<p>10% of collection less than one year old</p> <p>2.7 per person</p>	<p><b>Achieved</b></p> <p>14% of new items added in the 2015/2016 financial year less than one year old.</p> <p><b>Achieved</b></p> <p>3.0 items per person met including items held in basement stack and electronic items.</p>

Performance Measures	Targets 2015/16	Results Relative to Target
Participants are satisfied with children’s summer reading and maths; seniors and te reo Māori programmes	Maintain satisfaction	<p><b>Achieved</b></p> <p><b>Summer Reading Programme</b> 100% of respondents were fairly or very satisfied (2015:100%). Demand for the programme was maintained with increased completion rates.</p> <p><b>Maths is Fun</b> 100% of respondents were very satisfied with Maths is Fun (2015:100%).</p> <p><b>Winter Warmers</b> 100% of respondents were very satisfied (2015:100%). Demand for the programme was maintained with increased completion rates.</p> <p><b>Senior’s Celebrate</b> Attendance numbers continue to vary according to topic of session. Approximately 50 Seniors attend regularly (2015:50).</p> <p><b>Preschool Programmes</b> Average attendance: 25 pre-schoolers per weekly programme (2015:25). Attendance fluctuate as children start school and other activities.</p> <p><b>Te Reo Programmes</b> A Te Reo Preschool is run and places are held on the Summer Reading Programme, but a survey was not undertaken on either this year.</p>
Archived material is available to the public from the Archives 20 hours a week.	20 hours per week	<p><b>Achieved</b> The Archive has remained open for 20 hours per week throughout the year.</p>
The number of items available online increases each year i) History articles published in local media	750 items added each year available online	<p><b>Achieved</b> Over 18,660 items available on Picture Wairarapa.  1,861 digitised items added in 2015/16.  There were 71,003 records on the Archive database as at 30 June 2016, and 83,482 authorities.</p>
	6+ articles per year	<p><b>Achieved</b> 15 Feature Articles published</p>

## COMMUNITY SURVEY – PERFORMANCE RATING

Library Services	2010/11	2011/12	2013/14	2014/15*	2015/16
Very satisfied/fairly satisfied	82%	87%	85%	83%	85%
Not very satisfied	2%	1%	1%	0%	1%
Don't know/NA	16%	12%	15%	16%	14%

\*Does not add to 100% due to rounding

## COMMUNITY FACILITIES / ACTIVITIES

### Library & Archive

#### Cost of Service Statement

2014/15		2015/16	
Actual	Operating Costs	Actual	Plan
\$		\$	\$
1,171,584	Operating costs - Library	1,202,140	1,174,571
279,840	Operating costs - Archive	297,925	296,060
142,978	Depreciation - books	181,803	143,559
126,556	Depreciation - bldg, furniture & equipment	121,857	113,417
<b>1,720,958</b>		<b>1,803,725</b>	<b>1,727,607</b>
<b>Operating Revenue</b>			
30,521	Grants & donations	24,389	27,650
75,833	User charges & other recoveries	90,242	91,600
<b>106,354</b>		<b>114,631</b>	<b>119,250</b>
<b>Appropriations</b>			
(31,079)	Transfers from reserves	(5,000)	(10,000)
-	Transfers to reserves	-	-
(15,000)	Reverse depreciation	(65,000)	(20,000)
<b>\$1,568,525</b>	<b>Rates Requirement</b>	<b>\$1,619,094</b>	<b>\$1,578,358</b>

#### Analysis of Rates Requirement

1,287,133	Library	1,338,712	1,294,114
281,393	Archive	280,382	284,244
<b>\$1,568,525</b>		<b>\$1,619,094</b>	<b>\$1,578,358</b>

### Variations from Plan

Depreciation of library books and the library building both were more than planned, while some costs associated with the processing of new books that were expected to be capitalised, have been expensed. The capital expenditure report shows that below-planned result.

## PROPERTY

The Council owns, maintains and manages a range of properties within the Masterton 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 are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

### Performance Measures

Performance Measures	Targets 2015/16	Results Relative to Target												
<p>Public buildings are safe and clean for public use:</p> <p>i) Monthly inspections of Municipal Building and public toilets meet cleanliness and safety standards.</p>	95% compliance	<p><b>Achieved</b> 95% compliance achieved.</p> <p>No complaints received on cleanliness or safety standards.</p>												
<p>ii) Town Hall facilities are operational for all bookings.</p>	100%	<p><b>Not Achieved</b> The Town Hall facilities were closed in June 2016 following a report which identified the building as earthquake prone. All confirmed bookings were relocated to other facilities in the district.</p>												
<p>iii) % occupancy of Mawley Park Camping ground.</p>	5% increase on previous year	<p><b>Achieved</b> 6.3% increase in average occupancy. 2015/16 occupancy (prior year in brackets)</p> <table> <tr> <td>Tents</td> <td>12.6%</td> <td>(8.7%)</td> </tr> <tr> <td>Cabins</td> <td>49.6%</td> <td>(46.1%)</td> </tr> <tr> <td>Ensuites</td> <td>64.4%</td> <td>(59.4%)</td> </tr> <tr> <td>Powered sites</td> <td>30.0%</td> <td>(24.7%)</td> </tr> </table> <p>Overall average 39.1% (32.8%) i.e. 6.3% increase Mawley Park revenue increased 18% over prior year.</p>	Tents	12.6%	(8.7%)	Cabins	49.6%	(46.1%)	Ensuites	64.4%	(59.4%)	Powered sites	30.0%	(24.7%)
Tents	12.6%	(8.7%)												
Cabins	49.6%	(46.1%)												
Ensuites	64.4%	(59.4%)												
Powered sites	30.0%	(24.7%)												

Performance Measures	Targets 2015/16	Results Relative to Target
All elderly units are fully occupied, averaged over all complexes, excluding refurbishment periods.	Minimum annual occupancy 95%	<b>Achieved</b> 97.3% occupancy (95.5% in 2014/15) achieved on 76 pensioner units (excluding refurbishment periods on 15 units).  Rental revenue was 98.7% of planned revenue.

## COMMUNITY FACILITIES / ACTIVITIES

### Property

#### Cost of Service Statement

2014/15		2015/16		2015/16
Actual		Actual		Plan
\$	Operating Costs	\$	\$	\$
344,733	District Building	398,591		366,557
239,946	Housing for the Elderly	274,287		294,947
570,886	Other Property	1,010,370		716,147
371,920	Mawley Park campground	379,057		335,358
783,270	Depreciation	805,074		775,808
<b>2,310,755</b>		<b>2,867,379</b>		<b>2,488,818</b>
	<b>Operating Revenue</b>			
36,488	Rental revenue - Halls & Dist. Bldg	33,169		47,350
374,595	Rental revenue - Housing for the Elderly	395,643		401,200
164,209	Rental revenue - Other Property	161,450		179,300
0	Forestry harvest (proceeds)	315,172		180,000
312,893	Mawley Park campground	371,226		319,250
35,004	Internal recoveries - ex roadside forestry	50,004		50,000
187,248	Internal recoveries - office rental	183,708		179,700
<b>1,110,437</b>		<b>1,510,371</b>		<b>1,356,800</b>
	<b>Appropriations</b>			
(40,000)	Transfers from reserves	(276,092)		(10,000)
-	Transfers to reserves	110,560		-
74,888	Provisions for loan repayments	47,879		47,878
(327,446)	Depreciation not rates funded	(295,000)		(296,217)
<b>\$907,760</b>	<b>Rates Requirement</b>	<b>\$944,354</b>		<b>\$873,679</b>

#### Variances from Plan – Property

District Building – costs included earthquake assessments and rent of additional office accommodation, neither of which were planned.

Other Property – costs that were higher than planned include the unplanned costs of operating and demolishing the Riversdale Beach toilets (\$52,870), and the grant to the Riversdale Surf Club to incorporate new public toilets in their new building (\$250,000) which was planned as capital expenditure but is now included as operating expenditure.



Mawley Holiday Park's revenue was better than planned by 16.3%, while its operating costs were also ahead of plan. Council's rates input into the holiday park was \$92,037 which was less than last year and close to planned.

The proceeds from a planned forest harvest were better than planned and \$110,000 of the net harvest revenue has been transferred to General Capital Reserves.

## PARKS, RESERVES AND SPORTSFIELDS

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 are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

### Performance Measures

Performance Measures	Targets 2015/16	Results Relative to Target
Percentage of residents satisfied with parks and reserves	Maintain satisfaction  Baseline 89%	<b>Achieved</b> Satisfaction with parks and reserves was 86%. This is lower than the 2015 result (88%) and the baseline (89%) but within the margin of error.
Percentage of households who have visited a park in the past year	Maintain satisfaction  Baseline 93%	<b>Achieved</b> In the 2016 survey 92% of residents reported that they has visited a park or reserve in the past 12 months. This is 1% lower than 2015 (93%) and the baseline (93%) but within the margin of error.
Percentage of users/ visitors satisfied with the service	Maintain satisfaction  Baseline 89%	<b>Achieved</b> Of the 92% of residents who reported visiting a park or reserve in the past 12 months, 86% were satisfied with the facilities. This is 3% lower than the baseline achieved in 2013/14 (89%). Result is within the margin of error.
Council owned sports facilities meet the standard agreed with sports codes (measured by seasonal survey)	70%	<b>Not Achieved</b> No survey was conducted in 2015/16.
Number of sports field closures per season.	Less than 5% closures per season.	<b>Achieved</b> There were five ground closures in the past 12 months equating to 1.4% closures for the season.

Performance Measures	Targets 2015/16	Results Relative to Target
All playgrounds meet safety standards	100%	<b>Achieved</b> 100% of playgrounds meet safety standards. The flying fox was closed for a period to address safety concerns. The Tinui slide was closed for replacement.
Percentage of customer service requests completed within specified deadlines	95%	<b>Not Achieved</b> A total of 417 jobs received and 94% reported as completed within the specified timeframes.

#### COMMUNITY SURVEY – PERFORMANCE RATING

Parks and Sportsfields (Users)	2010/11	2011/12	2013/14	2014/15	2015/16
Very satisfied/fairly satisfied	87%	83%	89%	88%	86%
Not very satisfied	12%	16%	9%	10%	12%
Don't know	1%	2%	2%	2%	2%

#### COMMUNITY FACILITIES / ACTIVITIES

##### Parks, Reserves & Sportsfields

##### Cost of Service Statement

2014/15		2015/16	
Actual		Actual	Plan
\$	Operating Costs	\$	\$
1,351,773	Parks & Reserves maintenance	1,465,542	1,480,313
535,018	Sportsfields maintenance	464,979	464,890
422,280	Depreciation	471,709	410,407
<b>2,309,071</b>		<b>2,402,230</b>	<b>2,355,609</b>
	<b>Operating Revenue</b>		
47,742	Miscellaneous parks revenue	52,862	30,900
42,462	Sportsground rentals	25,662	39,340
30,004	Internal Recoveries	0	-
<b>120,208</b>		<b>78,523</b>	<b>70,240</b>
	<b>Appropriations</b>		
(170,000)	Transfers from reserves - project funding	(173,303)	(150,000)
21,591	Transfer to reserves	15,000	-
66,182	Provisions for loan repayments	80,133	71,343
(50,000)	Depreciation not rates funded	(102,000)	(45,143)
<b>\$2,056,637</b>	<b>Rates Requirement</b>	<b>\$2,143,537</b>	<b>\$2,161,569</b>

#### Variations from Plan

Overall, the Parks, Reserves and Sportsfields rates requirement has come in 0.8% less than planned. Depreciation costs are higher than planned following the revaluation of buildings as at 30 June 2015, but that additional depreciation has not been funded into reserves.

## MASTERTON RECREATION CENTRE

The Council owns and maintains the Masterton 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 Measures	Targets 2015/16	Results Relative to Target
Percentage of residents satisfied with the service	Maintain satisfaction levels  Baseline 66%	<b>Achieved</b> Satisfaction with swimming pools at the Masterton Recreation Centre was 75%. This is 4% higher than 2015 (71%) and 9% higher than the baseline (66%).
Percentage of households that have used the facility in the last 12 months	60%	<b>Not Achieved</b> In the 2016 survey, 57% of residents reported using/visiting the swimming pools at the Masterton Recreation Centre in the past 12 months. This is 1% less than 2015 (58%).
Percentage of users satisfied with the facility	Maintain baseline  Baseline 87%	<b>Achieved</b> Of the 57% of residents reported using/visiting the swimming pools at the Masterton Recreation Centre, 86% reported satisfaction with these facilities. This is 1% lower than the baseline (87%) but within the margin of error.
Temperature and water treatment within specification and agreed standards  Standards: Disinfection 85% Microbial 99% Chemical balance 90%	85% average of test results within agreed range	<b>Achieved</b> Temperature and water treatment within specification and agreed standards: Disinfection 87% Microbial 99% Chemical balance 99%

### COMMUNITY SURVEY – PERFORMANCE RATING

Swimming Pools	2010/11	2011/12	2013/14	2014/15*	2015/16
Very satisfied/fairly satisfied	67%	69%	66%	71%	75%
Not very satisfied	14%	10%	9%	9%	9%
	19%	21%	25%	19%	16%

\*Does not add to 100% due to rounding

COMMUNITY FACILITIES / ACTIVITIES

**Recreation Centre**

**Cost of Service Statement**

2014/15		2015/16	2015/16
Actual		Actual	Plan
\$	Operating Costs	\$	\$
1,034,853	Recreation centre operating costs*	954,589	1,015,829
432,675	Depreciation	492,716	447,460
<b>1,467,527</b>		<b>1,447,305</b>	<b>1,463,288</b>
	<b>Operating Revenue</b>		
56,270	Miscellaneous facility revenue	51,759	48,600
	<b>Appropriations</b>		
	Transfers to reserves	5,000	-
41,831	Loan repayments	19,243	19,243
(200,000)	Depreciation not rates funded	(225,000)	(189,243)
<b>\$1,253,088</b>	<b>Rates Requirement</b>	<b>\$1,194,788</b>	<b>\$1,244,688</b>

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

**Variance from Plan**

Savings have been made on electricity and water heating costs.

## CEMETERIES

The Council owns and operates two urban and several small rural cemeteries.

### Performance Measures

Performance Measures	Targets 2015/16	Results Relative to Target
Percentage of residents satisfied with the service	Maintain satisfaction  Baseline 56%	<b>Achieved</b> Satisfaction with cemeteries in the Masterton district was 64%. This is a 3% decrease compared to 2015 (67%), but within the margin of error, and an 8% increase compared to the baseline (56%).
Satisfaction amongst those who have visited a cemetery	80%	<b>Achieved</b> Satisfaction amongst those who has visited a cemetery was 79%. This is 1% lower than the baseline and within the margin of error.
Accurate online access to burial records	100% of burials loaded by 15 <sup>th</sup> of the following month.  Historical errors corrected within 30 days of being reported	<b>Partially Achieved</b> New records are loaded before the 15 <sup>th</sup> of each month for the burials undertaken the previous month, hence some take more than 30 days to load on the system.  Any reported historical errors are corrected within 24 hours of them being reported.

### CEMETERIES SURVEY – PERFORMANCE RATING

Cemeteries	2010/11	2011/12	2013/14	2014/15	2015/16
Very satisfied/fairly satisfied	59%	60%	56%	67%	64%
Not very satisfied	9%	10%	11%	7%	9%
Don't know	32%	31%	33%	26%	27%

COMMUNITY FACILITIES / ACTIVITIES

**Cemeteries**

**Cost of Service Statement**

2014/15		2015/16	2015/16
Actual		Actual	Plan
\$		\$	\$
	<b>Operating Costs</b>		
136,960	Cemeteries operating and maintenance	130,073	153,310
3,411	Depreciation	3,711	3,051
<b>140,371</b>		<b>133,784</b>	<b>156,361</b>
	<b>Operating Revenue</b>		
79,013	Burial fees and sale of plots	75,718	83,700
<b>79,013</b>		<b>75,718</b>	<b>83,700</b>
	<b>Appropriations</b>		
-	Transfers from reserves	-	-
30,000	Transfers to reserves	10,000	-
<b>\$91,358</b>	<b>Rates Requirement</b>	<b>\$68,066</b>	<b>\$72,661</b>



## 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 Measures	Targets 2015/16	Results Relative to Target
Safe availability of runways, approaches and open spaces:	100% requirements met	<b>Achieved</b> Runways were safe and available at all times. Main runway inspections were completed as per schedule. Approach clearances were checked.
Compliance with inspection schedule		<b>Not Achieved</b> One incident notified to CAA by operator with investigation by the Hood Safety Officer.
Incidents of non-availability notified to users	All occasions	<b>Achieved</b> There were no cases of non-availability in 2015/16.
Annual usage levels	Usage is no less than previous year	<b>Achieved</b> 7,821 aircraft movements recorded. This is 2,591 more than the previous year.

### COMMUNITY FACILITIES / ACTIVITIES

#### Masterton Airport (Hood Aerodrome)

##### Cost of Service Statement

2014/15 Actual \$		2015/16 Actual \$	2015/16 Plan \$
	<b>Operating Costs</b>		
250,692	Airport operation & maintenance	196,871	239,087
75,761	Depreciation	76,723	75,870
<b>326,453</b>		<b>273,594</b>	<b>314,957</b>
	<b>Operating Revenue</b>		
204,147	Leases and other revenue	192,515	215,500
	Internal recoveries	12,000	0
<b>204,147</b>		<b>204,515</b>	<b>215,500</b>
	<b>Appropriations</b>		
(30,000)	Transfers from reserves	(7,500)	(10,000)
-	Transfers to reserves	-	-
74,476	Provision for loan repayments	79,196	79,196
(28,000)	Reverse depreciation not rates funded	(25,000)	(30,000)
<b>\$138,783</b>	<b>Rates Requirement</b>	<b>\$115,776</b>	<b>\$138,653</b>

**COMMUNITY FACILITIES / ACTIVITIES**

**Rates Requirement Summary**

<b>2014/15</b>		<b>2015/16</b>	<b>2015/16</b>
<b>Actual</b>		<b>Actual</b>	<b>Plan</b>
<b>\$</b>	<b>Activity</b>	<b>\$</b>	<b>\$</b>
2,056,637	Parks, reserves & sportsfields	2,143,537	2,161,569
1,253,088	Recreation Centre	1,194,788	1,244,688
91,358	Cemeteries	68,066	72,661
307,720	District building	367,571	317,088
(0)	Housing for the elderly	34,486	27,819
99,590	Other rental properties	68,949	45,281
283,607	Public conveniences	329,293	281,883
86,099	Rural halls	89,942	99,613
15,022	Forestry	(34,522)	7,151
115,721	Mawley Holiday Park	88,635	94,843
138,783	Airport	115,776	138,653
1,287,133	Library	1,338,712	1,294,114
281,393	Archives	280,382	284,244
590,405	Community Development	615,324	573,829
351,072	Arts and Culture	363,909	354,295
796,191	Economic Development and Promotion	826,673	768,347
<b>\$7,753,820</b>	<b>Rates Requirement</b>	<b>\$7,891,521</b>	<b>\$7,766,079</b>

**COMMUNITY FACILITIES / ACTIVITIES**
**Capital Expenditure Summary**

2014/15		2015/16	
\$	Actual	\$	Actual
			2015/16
			\$ Plan
110,291	Parks, Reserves & Sportsfields	9,683	150,000
2,450	Q E Park - rejuvenation project	1,950	40,000
37,030	Recreation trails extended	0	50,000
0	Upgrade facilities - playgrounds	27,461	90,000
139,341	Rural Reserves incl Clarke Memorial	0	0
19,316	McJorrow Park playground	11,259	16,750
9,636	Street tree strategy	4,233	0
3,956	Beach rubbish bins	0	11,000
534,580	Henley Lake improvements	38,788	140,000
0	Sports facilities upgrades	26,313	200,000
0	QE Park grandstand upgrade	10,630	70,000
0	Other reserves upgrades	0	6,000
0	South Park - facilities upgrade	0	320,000
0	Netball facility upgrade	0	
<b>856,600</b>		<b>130,316</b>	<b>1,093,750</b>
	<b>Recreation Centre</b>		
41,696	Pools plant & equipment renewals	63,934	65,000
475,271	Pools heat pump renewal	0	0
-	Outdoor pools renewals	0	35,000
<b>516,967</b>		<b>63,934</b>	<b>100,000</b>
	<b>Cemeteries</b>		
19,649	Cemeteries landscaping	0	10,000
<b>19,649</b>		<b>0</b>	<b>10,000</b>
	<b>District Building</b>		
13,506	Facilities & equipment	23,411	50,000
39,507	Building upgrades & office renovations	0	335,000
201,457	Town Hall stage & emergency generator	0	35,000
<b>254,470</b>		<b>23,411</b>	<b>420,000</b>
	<b>Housing for the Elderly</b>		
33,146	Pensioner housing upgrades	67,017	136,900
<b>33,146</b>		<b>67,017</b>	<b>136,900</b>
	<b>Other Property</b>		
10,155	Public conveniences upgrade	2,384	25,000
13,043	Rental & Other property upgrades	7,117	50,000
-	Riversdale Beach toilets upgrade	0	250,000
7,604	Mawley Park facility upgrades	2,998	35,000
10,971	Kaituna land - survey accretion	0	0
-	Land purchase 44-52 Queen St	264,119	0
5,601	Rural hall upgrades	5,266	15,000
<b>47,374</b>		<b>281,884</b>	<b>375,000</b>
	<b>Airport</b>		
0	Airport upgrades	0	195,000
<b>0</b>		<b>0</b>	<b>195,000</b>
	<b>Economic Development &amp; Promotion</b>		
32,988	CBD security cameras & public WiFi	20,904	20,000
0	Decorative lighting upgrade	0	31,000
93,722	Signage & promotional signs	0	51,000
16,814	Town Square - minor works	0	5,000
33,369	King Street Live - Sound System	0	0
<b>176,893</b>		<b>20,904</b>	<b>107,000</b>
<b>\$1,905,098</b>		<b>\$587,465</b>	<b>\$2,437,650</b>
	<b>Capital Funding</b>		
(1,839,345)	Transfer from reserves	(571,440)	(2,053,650)
(57,555)	Loan funds	(16,025)	(384,000)
(8,198)	External contrib.	-	-
<b>(\$1,905,098)</b>		<b>(\$587,465)</b>	<b>(\$2,437,650)</b>

## COMMUNITY FACILITIES / ACTIVITIES

### Capital Expenditure Summary

2014/15		2015/16	2015/16
Actual		Actual	Plan
\$	Library & Archive	\$	\$
152,157	Book purchases	153,020	175,000
45,126	Computer system upgrades	39,669	62,000
42,207	Carpet renewal	0	0
109,862	Internal refurbishment - shelving etc	7,430	20,000
31,903	Building and furniture upgrades	46,032	29,000
921	Film reader - Archive	0	0
<b>\$382,176</b>		<b>\$246,151</b>	<b>\$286,000</b>
	<b>Capital Funding</b>		
-	Loan funds	-	-
-	Finance lease funding	(2,663)	-
(382,176)	Transfers from reserves	(243,488)	(286,000)
<b>(\$382,176)</b>		<b>(\$246,151)</b>	<b>(286,000)</b>

### Community Facilities Capital Expenditure - Variances from Plan

In the Parks, Reserves & Sportsfields area there have been delays to a number of the capital projects as effective planning and consultation phases have been worked through. The Queen Elizabeth Park rejuvenation project had some design work completed, but did not move to the construction phase.

Recreation trails extensions and a playground equipment upgrade were not able to be implemented by year end.

Sports facility upgrades included the relaying of the Queen Elizabeth Park oval cricket wicket, while the Queen Elizabeth Park grandstand project was delayed due to the scope expanding to include earthquake strengthening and fire protection systems. This resulted in more fundraising required before the project can proceed any further. The netball facility upgrade project moved forward with the formation of a community-led trust for both fundraising and the delivery of the project in 2016/17.

Outdoor pools painting work was delayed until 2016/17. District Building upgrading work was delayed as earthquake status checks were undertaken with results below 33% of code and in need of strengthening work. The Council is awaiting further reporting of the cost of strengthening that is required.

Property renewals were undertaken, but not at the level that was planned, while the Mawley Park playground upgrade was completed in August 2016. The replacement of the Riversdale Beach public toilets has been achieved through a community-led partnership with the Riversdale Beach Surf Lifesaving Club. The Council has transferred the \$250,000 budget over to the Surf Club who will incorporate public toilets in a new facility they build. The payment is for operating costs, not capital expenditure.

The Council took the opportunity to purchase vacant land next to the library in Queen Street in order to protect options for a future expansion of the library. The decorative lighting upgrade was deferred until 2016/17, and a decision was made not to progress stage two of the signage project.

## 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.*

- The Planning and Resource Management department implemented and monitored the Wairarapa Combined District Plan including, any resource consent conditions, encouraged biodiversity, issued resource consents for events to ensure public safety for the 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, 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 that fall under regulatory services were undertaken to educate the community on their rights and responsibilities.

## RESOURCE MANAGEMENT AND PLANNING

Council staff develop and implement policies and manage Council’s 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 are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

### Performance Measures

Performance Measures	Targets 2015/16	Results Relative to Target
Resource consents, LIMs and PIMs processed within the requirements of the Resource Management Act	100%	<b>Not Achieved</b> 97.5% of non-notified consents were processed on time. 2/80 non-notified consents did not meet the required processing timeframes due to external influences.
	100%	<b>Achieved</b> 100% - one notified consent and that was processed within the required timeframe.
	100%	<b>Not Achieved</b> 99% of the 459 LIMS (compared to 353 in the previous year) were processed within required timeframes.
	100%	No PIMs requested
Building Consents checked for planning implications	100%	<b>Achieved</b> 100% - 558 building consents were checked for planning implications.
No loss of agreed protected areas	100%	<b>Achieved</b> 100% - there was no loss of agreed protected areas.
Preparation and implementation of Riversdale Beach Management Plan	Riversdale Beach Management Plan completed and adopted	<b>Partially Achieved</b> The Plan has been prepared but has not been formally adopted.

## Resource Management & Planning

### Cost of Service Statement

2014/15 Actual		2015/16 Actual	2015/16 Plan
\$	Operating Costs	\$	\$
450,065	Resource management & planning	521,798	494,585
146,926	River scheme contributions	145,911	135,550
1,754	Wairarapa District Plan (MDC share)	8,046	22,000
<b>598,745</b>		<b>675,755</b>	<b>652,135</b>
	<b>Operating Revenue</b>		
68,299	User charges - consent fees & recoveries	71,163	72,700
285,464	Reserves & infrastructure contributions	285,578	163,320
41,004	Internal recoveries	41,004	41,000
<b>394,767</b>		<b>397,745</b>	<b>277,020</b>
	<b>Appropriations</b>		
(25,600)	Transfers from reserves	(60,200)	(1,500)
127,000	Transfer to reserves	107,000	107,000
285,464	Transfer to reserves - various contributions	285,578	163,320
<b>\$590,842</b>	<b>Rates Requirement</b>	<b>\$610,389</b>	<b>\$643,935</b>

### Variances from Plan

Operating costs were less than planned but are offset by a refund of \$60,200 of infrastructure contributions following the revision of the contribution requirement. Revenue from reserves and infrastructure contributions has been more than planned. All contributions are charged under the financial contributions regime of the Wairarapa Combined District Plan and are transferred to reserves. Extra river scheme contributions (to GWRC) were required for the Waipoua scheme to effect flood protection and planting measures near Henley Lake.



## 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 Measures	Targets 2015/16	Results Relative to Target
Retain building consent authority accreditation when assessed every two years	Maintain accreditation following satisfactory review (due September 2015)	<b>Achieved</b> Current accreditation valid.
Proportion of building consents processed within 20 working days; (Excludes days when consent is on hold awaiting additional information)	100%	<b>Not Achieved</b> 94% of the 558 building consents were processed on time. 35 consents exceeded the 20 working day processing timeframe.
Proportion of current Code of Compliance Certificates issued within 20 working days	100%	<b>Not Achieved</b> 97% of the 604 code of compliance certificates were issued on time. 19 exceeded the 20 working day processing timeframe.
Proportion of known swimming pools complying with requirements (drained if non-compliant)	100%	<b>Achieved</b> 100% of new pools constructed under building consent were inspected and 100% of requests for inspection of existing pools actioned. If non-compliant, pool is required to be emptied.
Progress on addressing earthquake-risk buildings	75% of earthquake-risk buildings assessed and reports received  Follow-up action reviewed with owner	<b>Not Achieved</b> 64% of identified buildings have had Initial Evaluation Procedure (IEP) reports completed by the owners consulting engineer.  Owners of identified earthquake prone buildings have been written to requesting a full assessment of their buildings.  New legislation currently with Parliament gives Territorial Authorities 2 ½ years to identify priority earthquake prone buildings and 5 years to identify other earthquake prone buildings.
Proportion of Building Warrants of Fitness audited per annum	33%	<b>Achieved</b> 34.7% of the BWOF's received this year have been audited.

## COMMUNITY SURVEY – PERFORMANCE RATING

Inspections and Consents	2010/11	2011/12	2013/14	2014/15*	2015/16
Very satisfied/fairly satisfied	48%	44%	49%	39%	50%
Not very satisfied	9%	10%	9%	8%	9%
Don't know	43%	46%	41%	52%	41%

\*Does not add up to 100% due to rounding

### REGULATORY SERVICES

#### Building Control

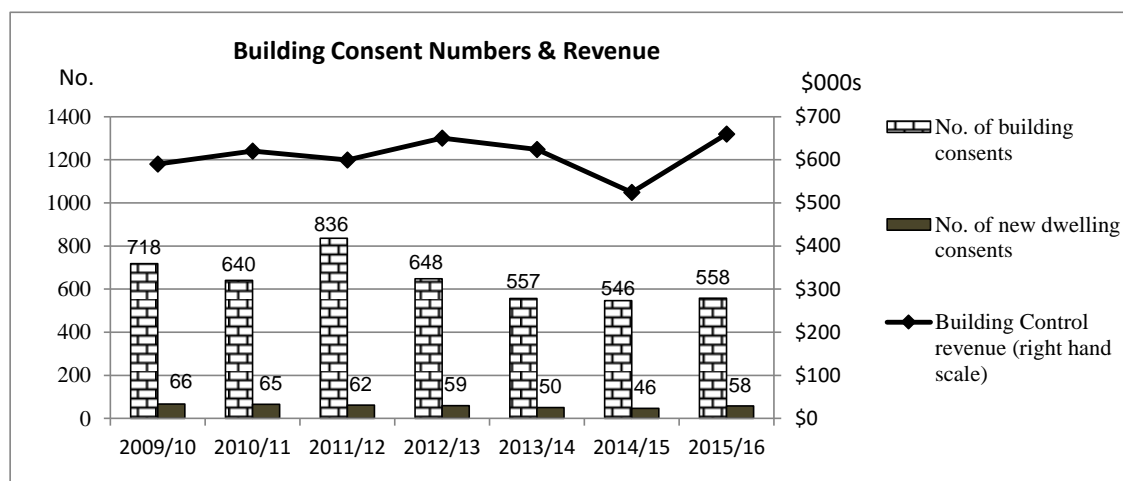
##### Cost of Service Statement

2014/15 Actual		2015/16 Actual	2015/16 Plan
\$	<b>Operating Costs</b>	\$	\$
760,075	Building Control costs	1,011,878	862,979
<b>\$760,075</b>		<b>\$1,011,878</b>	<b>\$862,979</b>
	<b>Operating Revenue</b>		
524,511	Consent fees & charges	660,115	690,826
<b>\$524,511</b>		<b>\$660,115</b>	<b>\$690,826</b>
	<b>Appropriations</b>		
-	Transfers from reserves	-	-
20,000	Transfer to reserves	-	-
<b>\$255,564</b>	<b>Rates Requirement</b>	<b>\$351,763</b>	<b>\$172,153</b>

#### Variances from Plan

Building control revenue improved significantly over the previous year and was within 5% of the planned level. While consent numbers processed were 2% up on the previous year, additional revenue was generated by building WoF compliance processes.

The Building Control activity costs were 18% above the planned level as the department invested in training and additional support to ensure the IANZ accreditation was maintained.



## 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, enforcing bylaws and regulatory requirements, and patrolling and enforcing parking restrictions.

### Performance Measures

Performance Measures	Targets 2015/16	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%	<p><b>Not Achieved</b> 97.5% of annual inspections were completed – 5/208 premises were not inspected. 175 food premises inspections and an additional 18 re-inspections were carried out.</p> <p>76 health licence inspections were carried out and another 3 re-inspections were required. No enforcement action necessary. 6 premises were not inspected.</p>
% of alcohol licences inspected for compliance with statutory requirements annually	50% of alcohol licences inspected	<p><b>Not Achieved</b> 45% of alcohol licences were inspected (33 out of 74 licences inspected).</p> <p>38 inspections/controlled purchase operations were carried out and an additional 3 inspections were carried out at special events.</p>
Proportion of i) noise and other urgent complaints responded to within one hour	90%	<p><b>Achieved</b> 96% of the 618 noise complaints received (595/618) were responded to within one hour.</p> <p>92% of other urgent complaints received (255/276) were responded to within 1 hour.</p>
ii) other 'general' complaints responded to within five working days of notification	100%	<p><b>Not Achieved</b> 78.4% of non-urgent complaints received (382/487) were responded to within 5 working days.</p>

Performance Measures	Targets 2015/16	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	<b>Achieved</b> 121 Masterton urban water samples were tested and confirmed compliant with the latest (2008) drinking water standards.
Monitoring of compliance with environmental consent conditions for resource consents	100% compliant	<b>Achieved</b> 16 consents/sub-consents monitored in accordance with the consent conditions.
Proportion of public, school and commercial swimming pools inspected to ensure compliance with public health standards.	90%	<b>Achieved</b> 100% - all 29 sites were visited and the water quality of pools at schools and hotels/motels was tested and educational information was given to operators.
Number of public education programmes undertaken annually	2+ initiatives per year	<b>Not Achieved</b> One initiative completed: in February 2016, a presentation to operators registered under the Bylaw Part 15 – Beauticians, Nail Technicians, Tattooists and Skin Piercers was held regarding disinfection and sterilisation techniques.

#### COMMUNITY SURVEY – PERFORMANCE RATING

Inspections and Consents	2010/11	2011/12	2013/14	2014/15	2015/16
Very satisfied/fairly satisfied	48%	44%	49%	39%	50%
Not very satisfied	9%	10%	9%	8%	9%
Don't know/NA	43%	43%	41%	52%	41%

\*Does not add up to 100% due to rounding

#### REGULATORY SERVICES

#### Environmental Health & Licensing

##### Cost of Service Statement

2014/15 Actual		2015/16 Actual	2015/16 Plan
\$	<b>Operating Costs</b>	\$	\$
<b>622,084</b>	Environmental health & licensing costs	<b>609,176</b>	<b>680,165</b>
	<b>Operating Revenue</b>		
144,233	License fees & charges	130,722	132,845
188,377	Internal recoveries	179,095	185,066
<b>332,610</b>		<b>309,817</b>	<b>317,911</b>
	<b>Appropriations</b>		
-	Transfer to/(from) reserves - project funding	-	-
<b>\$289,474</b>	<b>Rates Requirement</b>	<b>\$299,359</b>	<b>\$362,254</b>

#### Variations from Plan

Cost savings were achieved for this activity, specifically in testing costs and noise control costs.

### **Alcohol Act & Alcohol Licensing**

The figures reported below are included within the activity Environmental Health & Licensing Cost of Service Statement (as reported on the previous page). Separate disclosure below is per the requirements of Sale and Supply of Alcohol (Fees) Regulations 2013 s19 (1).

2014/15		2015/16	2015/16
Actual		Actual	Plan
\$	Operating Costs	\$	\$
26,195	District Licensing Committee costs	2,795	20,000
110,741	Inspector Operations	122,936	110,143
6,362	Alcohol Act enforcement activities	5,274	6,500
<b>143,298</b>	<b>Total Alcohol licensing costs</b>	<b>131,005</b>	<b>136,643</b>
	<b>Operating Revenue</b>		
84,628	Alcohol Act Licensing fees & charges	79,194	82,890
<b>\$58,670</b>	<b>Rates Requirement</b>	<b>\$51,811</b>	<b>\$53,753</b>

### REGULATORY SERVICES

#### **Bylaw Control / General Inspection**

##### Cost of Service Statement

2014/15		2015/16	2015/16
Actual		Actual	Plan
\$	Operating Costs	\$	\$
<b>253,792</b>	General inspection (includes pool vehicles)	<b>242,602</b>	<b>257,781</b>
	<b>Operating Revenue</b>		
12,894	Miscellaneous recoveries	10,794	10,100
181,050	Internal recoveries	185,738	175,700
<b>193,944</b>		<b>196,532</b>	<b>185,800</b>
	<b>Appropriations</b>		
-	Transfers from reserves - project funding	-	-
<b>\$59,848</b>	<b>Rates Requirement</b>	<b>\$46,070</b>	<b>\$71,981</b>

### REGULATORY SERVICES

#### **Parking Control**

##### Cost of Service Statement

2014/15		2015/16	2015/16
Actual		Actual	Plan
\$	Operating Costs	\$	\$
145,621	Parking control costs	149,570	151,685
18,511	Depreciation - meters	20,262	17,900
<b>164,133</b>		<b>169,832</b>	<b>169,585</b>
	<b>Operating Revenue</b>		
<b>242,088</b>	Parking meters and fines	<b>223,589</b>	<b>245,500</b>
	<b>Appropriations</b>		
6,885	Provision for loan repayments	7,354	7,354
<b>(\$71,070)</b>	<b>Rates Requirement</b>	<b>(\$46,403)</b>	<b>(\$68,561)</b>

### **Variances from Plan**

Parking Control revenue fell below what was planned due to an extended period between July and September 2015 when the CBD footpath upgrade work meant no meters were operational in some side streets of the CBD.

## 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, and educating dog owners and the general public about dog and animal control.

### Performance Measures

Performance Measures	Targets 2015/16	Results Relative to Target
Customer satisfaction with animal control services	Maintain satisfaction  Baseline 69%	<b>Achieved</b> Satisfaction with dog control services was 70%. This is 2% lower than 2015 (72%) but within the margin of error; and 'on par' with the baseline measure (69%).
Proportion of urgent complaints responded to within one hour (dog attacking people or animals)	100 %	<b>Not Achieved</b> Total received: 135 Responded to = 100% Responded in Time = 114 (84.44%)
Proportion of non-urgent complaints responded to within 24 hours of notification (barking dogs or wandering animals)	100 %	<b>Not Achieved</b> Total complaints received: 1,419 Responded to = 100% Responded in Time = 1,309 (92.25%)
Undertake public education, school and community visits to promote safe behaviour around dogs and/or responsible dog ownership	6+ Visits	<b>Not Achieved</b> In 2015/16, 2 Primary School visits were undertaken and one public education event at Te Awhina Cameron Community House.

### COMMUNITY SURVEY – PERFORMANCE RATING

Animal Control	2010/11	2011/12	2013/14	2014/15	2015/16
Very satisfied/fairly satisfied	75%	71%	69%	72%	70%
Not very satisfied	19%	24%	22%	20%	23%
Don't know/NA	6%	5%	9%	8%	7%

## Animal Control

### Cost of Service Statement

2014/15 Actual		2015/16 Actual	2015/16 Plan
\$		\$	\$
	<b>Operating Costs</b>		
343,610	Dog control & pound	380,393	370,795 *
	<b>Operating Revenue</b>		
320,022	Dog registration fees	319,044	336,450 *
	<b>Appropriations</b>		
-	Transfers from reserves	(605)	-
	Depreciation not rates funded	(3,000)	(1,112)
<b>\$23,588</b>	<b>Rates Requirement</b>	<b>57,744</b>	<b>33,233</b>

\*Internal transfers included in Plan in error, Plan numbers restated here.

### Variations from Plan

The Animal Control operating costs ran slightly above the planned level during the year, while income was below what was planned after increasing the provision for doubtful debts.

## 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 are 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 have been 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, CE 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 has been in place since 1 July 2012 and in 2015/16 undertook the following:

- Implemented the next generation Wellington Region CDEM Group Plan and associated plans (CDEM Business Plan, WREMO Annual Plan);
- refined the 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 co-ordination 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 co-ordinators and other key agencies.



## REGULATORY SERVICES

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

2014/15		2015/16	2015/16
Actual		Actual	Plan
\$	Operating Costs	\$	\$
70,519	Emergency management costs	72,866	84,425
92,360	WREMO CD/EM costs (MDC Share)	92,360	120,143
91,949	Rural fire costs (incl recoverable costs)	240,431	47,464
225,800	Wairarapa Rural Fire Authority (MDC share)	233,200	228,100
<b>480,628</b>		<b>638,857</b>	<b>480,132</b>
	<b>Operating Revenue</b>		
66,463	Rural fire & CD/EM recoveries	174,004	27,059
	<b>Appropriations</b>		
	Transfers from reserves	(40,000)	-
5,000	Transfers to reserves	30,000	5,000
<b>\$419,165</b>	<b>Rates Requirement</b>	<b>\$454,853</b>	<b>\$458,073</b>

## REGULATORY SERVICES

**Rates Requirement Summary**

2014/15		2015/16	2015/16
Actual	Activity	Actual	Plan
\$		\$	\$
443,915	Resource Management & Planning	464,477	508,385
146,926	River Scheme Contributions	145,911	135,550
255,564	Building Control	351,763	172,153
289,474	Environmental Health & Licensing	299,359	362,254
59,848	Bylaw Control & General Inspection	46,070	71,981
(71,070)	Parking Control	(46,403)	(68,561)
270,040	Rural Fire Control	283,663	274,564
23,588	Animal Control	57,744	33,233
149,125	Emergency Management	171,190	183,509
<b>\$1,567,410</b>	<b>Rates Requirement</b>	<b>\$1,773,775</b>	<b>\$1,673,068</b>

## REGULATORY SERVICES

**Capital Expenditure Summary**

2014/15		2015/16	2015/16
Actual	Capital Expenditure	Actual	Plan
\$		\$	\$
98,620	Fleet vehicle replacements	82,948	92,000
10,032	Rural Fire & EM/CD	7,464	40,000
14,346	Environmental Health equipment	8,016	8,000
-	Animal Control Equipment	0	1,500
6,583	Parking meters	2,165	0
-	Building Control Equipment	14,144	14,000
<b>\$129,581</b>		<b>\$114,737</b>	<b>\$155,500</b>
	<b>Capital Funding</b>		
(129,581)	Transfer from reserves	(114,737)	(155,500)
-	Loan Funding	-	-
<b>(\$129,581)</b>		<b>(\$114,737)</b>	<b>(\$155,500)</b>

## 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 were 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 and further opportunities for export and exchanges are being followed up.

The performance indicators, targets and results reported below are designed to give an indication of how the Council is progressing towards achieving the community outcomes listed.

### Performance Measures

Performance Measures	Targets 2015/16	Results Relative to Target
Key documents and projects are consulted on and adopted following consideration of submissions		
i) Adoption of Annual Plan	By 30 June each year	<b>Achieved</b> The Annual Plan was adopted on 22 June 2016.
ii) Adoption of Annual Report	By 30 October 2015	<b>Achieved</b> The 2014/15 Annual Report was adopted on 22 October 2015.
iii) New or revised policies incorporate concepts of sustainable development and are consulted on in accordance with the Significance and Engagement Policy.		<b>Achieved</b> The Wairarapa TAB Board Venue Policy and Wairarapa Gambling Venue Policy were both reviewed and consulted on in accordance with the Significance and Engagement Policy.

Performance Measures	Targets 2015/16	Results Relative to Target
<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>Baseline 48%</p> <p>100% compliance</p>	<p><b>Achieved</b> Satisfaction with the way Council involves the public in the decisions it makes was 48%. This is 6% lower than the results from the 2015 survey (54%) but is 'on par' with the baseline of 48%.</p> <p><b>Achieved</b> A range of communication methods were employed in 2015/15 to communicate to households and ratepayers including the production of the Annual Report 2014/15 summary, draft Annual Plan 2016/17 report, the draft Annual Plan 2016/17 consultation document was distributed to every household. The Mayor and CE have also contributed towards opinion pieces via local print media.</p>
<p>The Iwi Governance Forum meets regularly on Marae in the District.</p>	<p>At least four times annually</p>	<p><b>Not Achieved</b> In the 2015/16 financial year, the Iwi Governance Forum met three times - October 2015, February 2016 and April 2016.</p>
<p>i) Council provides opportunities for Māori to be involved in decision making</p>	<p>Report on Māori involvement in decision making/consultation processes</p>	<p><b>Achieved</b> The report on Māori involvement in decision making is included in this annual report. An additional report was submitted and resulted in Council agreeing to appoint two Iwi representatives to the Policy and Finance Committee and the Audit and Risk Committee.</p>

Performance Measures	Targets 2015/16	Results Relative to Target
ii) Report on implementation of the Memoranda of Partnership with Rangitāne o Wairarapa and Ngāti Kahungunu ki Wairarapa	Three-year implementation plan agreed with each iwi	<b>Not Achieved</b> Work with both Iwi has continued through the Iwi Governance Group but no formal implementation plan has been developed.
iii) Iwi advice is sought on relevant resource management issues	Iwi advice reported	<b>Achieved</b> No planning issues required advice from Iwi.
Report on impact of collaborative activities with other local authorities	Report Annually	<b>Achieved</b> The report on collaborative and shared services initiatives that the three Wairarapa Councils have worked together on is included in this Annual Report.

## Governance

### Cost of Service Statement

2014/15 Actual \$	Operating Costs	2015/16 Actual \$	2015/16 Plan \$
363,817	Mayor & Councillors' remuneration	374,909	374,600
111,873	Reporting & consultation	106,771	102,000
33,531	Wairarapa governance study (MDC share)	4,820	25,000
477	Election costs (net)	34,785	0
414,407	Operating expenses	400,303	407,247
<b>924,105</b>		<b>921,587</b>	<b>908,847</b>
	<b>Operating Revenue</b>		
378,500	Internal allocation of governance costs (per Funding Policy 40% internal)	376,439	370,739
<b>378,500</b>		<b>376,439</b>	<b>370,739</b>
	<b>Appropriations</b>		
-	Transfers from reserves	(19,875)	-
18,000	Transfers to reserves	18,000	18,000
<b>\$563,605</b>	<b>Rates Requirement</b>	<b>\$543,273</b>	<b>\$556,108</b>

### Variances from Plan

All election costs were planned for 2016/17, but some costs were incurred during the 2015/16 year. Some of those costs can be offset by less spent on the governance study, while recoveries from other entities involved in the elections will happen in 2016/17.

## INTERNAL FUNCTIONS

**Roading Advisory Services****Cost of Service Statement**

2014/15 Actual		2015/16 Actual	2015/16 Plan
\$	<b>Operating Costs</b>	\$	\$
505,739	Professional staff & operating costs	554,994	505,026
3,517	Depreciation	4,173	2,202
<b>509,256</b>		<b>559,167</b>	<b>507,228</b>
	<b>Operating Revenue</b>		
287,599	Prof. services - subsidised roading	410,734	352,228
181,843	Prof. services - non-subsidised roading	94,763	86,500
10,558	Prof. services - other Council activities	9,503	8,500
58,153	External revenue	48,541	65,000
<b>538,153</b>		<b>563,541</b>	<b>512,228</b>
	<b>Appropriations</b>		
-	Transfer to reserves	-	5,000
<b>(\$28,897)</b>	<b>Rates Requirement</b>	<b>(\$4,374)</b>	<b>\$0</b>

## INTERNAL FUNCTIONS

**Asset & Project Management****Cost of Service Statement**

2014/15 Actual		2015/16 Actual	2015/16 Plan
\$	<b>Operating Costs</b>	\$	\$
647,281	Professional staff & operating costs	714,854	718,902
	<b>Operating Revenue</b>		
644,679	Internal charges	707,545	718,902
2,602	External recoveries	7,309	-
<b>647,281</b>		<b>714,854</b>	<b>718,902</b>
	<b>Appropriations</b>		
-	Transfer to reserves	-	-
<b>\$0</b>	<b>Rates Requirement</b>	<b>\$0</b>	<b>\$0</b>

**Variances from Plan**

The Roothing Advisory function continued to provide professional engineering services to Carterton District Council during the year and the external revenue reported above reflects this. In general, all engineering and project management support functions are charged out to the asset and operational areas.

## INTERNAL FUNCTIONS

## Corporate Services

## Cost of Service Statement

2014/15 Actual		2015/16 Actual	2015/16 Plan
\$		\$	\$
	<b>Operating Costs</b>		
1,687,916	Management & administration	1,890,931	1,993,878
1,397,594	Financial management	1,193,023	1,239,613
405,851	Information systems	455,277	443,944
<b>3,491,361</b>		<b>3,539,231</b>	<b>3,677,435</b>
	<b>Operating Revenue</b>		
217,059	Miscellaneous revenue & recoveries	219,256	184,104
898,736	Interest revenue (external)	802,101	766,000
260,595	Interest revenue (on internal loans)	204,818	211,401
47,768	Other Internal recoveries	19,561	39,100
2,829,445	Support services allocated internally	2,963,550	3,123,829
<b>4,253,602</b>		<b>4,209,286</b>	<b>4,324,434</b>
	<b>Appropriations</b>		
(75,000)	Transfer (from) reserves	(53,051)	(53,000)
837,241	Transfer to reserves - interest	723,106	700,000
<b>\$0</b>	<b>Rates Requirement</b>	<b>\$0</b>	<b>\$0</b>

## INTERNAL FUNCTIONS

## Capital Expenditure Summary

2014/15 Actual		2015/16 Actual	2015/16 Plan
\$		\$	\$
	<b>Roading Advisory Services</b>		
3,495	Survey Equipment	9,894	-
	<b>Asset Management</b>		
67,591	Asset management system & equipment	6,888	-
	<b>Corporate Services</b>		
63,078	Computer equipment & software upgrades	91,034	89,000
-	Website Upgrade	7,000	40,000
-	Records management system	6,500	70,000
<b>134,164</b>		<b>121,316</b>	<b>199,000</b>
	<b>Capital Funding</b>		
(134,164)	Transfer from reserves	(121,316)	(199,000)

## Variances from Plan

Corporate operating costs were 3.8% less than planned, achieved through efficiencies and some costs borne directly by operational areas following a mid-year review of how administration services are delivered. Interest revenue was more than planned as funds were invested to best advantage. As a consequence, more interest has been transferred to reserves.

The total of \$2.96 million of corporate costs were allocated across the organisation. This was 5.1% less than planned and represents 7.7% of the organisation's operating expenditure (last year 7.6%).

## Reporting as required by the: Local Government (Financial Reporting and Prudence) Regulations 2014

### LOCAL GOVERNMENT ACT 2002 - Financial Disclosures

The Local Government Act 2002 sets out a number of disclosure requirements for Councils over and above the generally accepted accounting practice (GAAP) information. Some of these disclosures were in place last year, while several new disclosures have been added in recent legislative changes and additions to the Local Government (Financial Reporting and Prudence) Regulations 2014.

### Network Assets

Schedule 6 of the Regulations requires the Council to add to the information currently disclosed under GAAP, to enable separate disclosure for each of the five network infrastructures (water supply; sewerage; stormwater; roads and footpaths; and flood protection and control works). In addition, water supply and sewerage are to be separated between treatment plant and facilities and other assets. Also, any asset additions are to be split between assets constructed by the Council and those transferred to (or vested in) the Council.

Most of the detail required to comply with these regulations can be found in Notes 12 and 13 to the Financial Statements. Additional information on the replacement values of network assets is disclosed below.

#### Optimised Replacement Value of network assets is as follows:

as at 30 June 2016	\$ millions	Optimised Replacement Values	Optimised Depreciated Replacement Values
Roads & footpaths (includes bridges & culverts, excludes land)		522.3	419.9
Water treatment plant & facilities - Masterton		19.3	9.0
Water reticulation (including rural supplies)		62.1	27.0
Sewerage treatment plant & facilities - Masterton		33.9	31.5
Sewerage reticulation - Masterton		88.1	26.9
Sewerage systems - rural*		10.0	8.6
Stormwater assets		25.9	14.9
Flood protection & control works		5.4	4.1
		<u>\$ 767.0</u>	<u>\$ 541.8</u>

Notes: excludes land values associated with the assets.

Infrastructural assets were revalued as at 30 June 2014

\* Rural sewerage systems at Riversdale Beach, Castlepoint and Tinui have not been split into treatment and reticulation components, but the value split is estimated at 29/71 (treatment/retic).

### Rating Base Information

The Local Government Act (Amendment No.3) includes a clause 30A in Schedule 10. The information below satisfies the disclosure requirements of that clause and adds comparative information for the current year, value of rates income and average rates.

30 June 2016

Number of rating units within the District as at 30 June 2016	12,240
Capital Value of rating units as at 30 June 2016	\$4,685.3 million
Land Value of rating units as at 30 June 2016	\$2,472.1 million
Rates income for 2016/17 (per 2016-17 Annual Plan)	\$27,396,178 (excl GST & capital contribution rates)
Average rates income per rating unit	\$2,238 (excl GST)

30 June 2015

Number of rating units within the District as at 30 June 2015	12,197
Capital Value of rating units as at 30 June 2015	\$4,640.8 million
Land Value of rating units as at 30 June 2015	\$2,458.4 million
Rates income for 2015/16 (per 2015-25)	\$26,061,822 (excl GST & capital contribution rates)
Average rates income per rating unit	\$2,137 (excl GST)

## Insurance information

Local Government Act (Amendment No.3) clause 31A in Schedule 10 requires disclosure of information relating to the insurance of assets.

The cost of the Canterbury earthquakes has highlighted the importance of good risk management and the part insurance and/or risk financing plays when it comes to rebuilding public assets. In many instances, Councils can provide services in the future only through the continuing use of their assets. Public entities have had to think carefully about how they are managing their risks and how they are using the insurance and risk finance options available to them.

Set out below is detail of the Council's insurance of assets, under the prescribed three headings.

### Insurance of Assets - for the year ending 30 June 2016

Asset values from Statement of Financial Position	Carrying value 1 July 2015	All values in \$000's
Property, plant and equipment	88,244	
Infrastructural assets	632,325	
Forestry	549	
Investment properties	2,087	
	<u>723,205</u>	
Less:		
Land component of operational assets	47,357	
Land under roads & road formation	339,358	
	<u>386,715</u>	
<b>Net Non-Financial Assets (excluding land)</b>	<b>\$ 336,490</b>	
<b>Insurance Arrangements 2015/16</b>		
Material damage cover for buildings, plant, contents	\$ 103,888	Cover spread over 3 insurers, \$5k excess, covers 226 buildings, of which 44 are insured for indemnity value only, the balance for full reinstatement value, contents cover totals \$4.5 million, earthquake claims are limited to \$75 million annual aggregate (shared with CDC & SWDC).
Motor vehicle insurance cover - value estimate	\$ 554	Insured for market value, carrying value assumed here.
Forestry (standing timber) cover	\$ 492	Cover for trees declared value for fire, windstorm value deductible of 1.5% of declared value
<b>Risk Sharing Arrangements</b>		
Cover for infrastructural assets as a member of LAPP (generally underground assets)	\$ 211,437	This is the replacement value (ORV) of assets listed on the LAPP Fund schedule for 2015/16. LAPP cover equated to 40% i.e. \$84,575k, with a deductible of \$592k. LAPP factor up the ORV for additional costs of recovery and had reinsurance to cover up to \$100m through the course of 2015/16. The Government's disaster recovery plan commits to paying 60% of the costs of recovering from a disaster, with a deductible for Masterton DC of \$338k.
Cover for roading assets (subsidised)	\$ 242,791	This is the replacement value of all roading assets that would be subject to NZTA subsidies, including bridges and culverts, but excluding land and formation value. The NZTA subsidy on flood and other roading network damage is 54%, but a sliding scale would see that increase depending on the severity of the event. Council's share of the recovery costs on these assets would be met from existing budgets, the flood damage fund, bridge depreciation funds, general capital funds and raising new debt (if required).
<b>Assets Self-insured</b>		
Airport runway & taxiways	\$ 3,617	Masterton airport's runway and taxiways are not covered by insurance. The risk of damage is low and it is expected that in the event of an earthquake causing damage, the cost of repair would be done from Council's general reserves (currently \$4m).
Non-subsidised roading (footpaths, CBD paving, street furniture, berms and street trees)	\$ 25,072	This is the replacement value of roading assets which are not subject to NZTA subsidy. The risk of damage to these assets is low and other than depreciation funds held, no specific insurance cover is provided for.

The Council has no insurances relating to financial or intangible assets



**Benchmarks - per LG (Financial Reporting and Prudence) Regulations 2014**

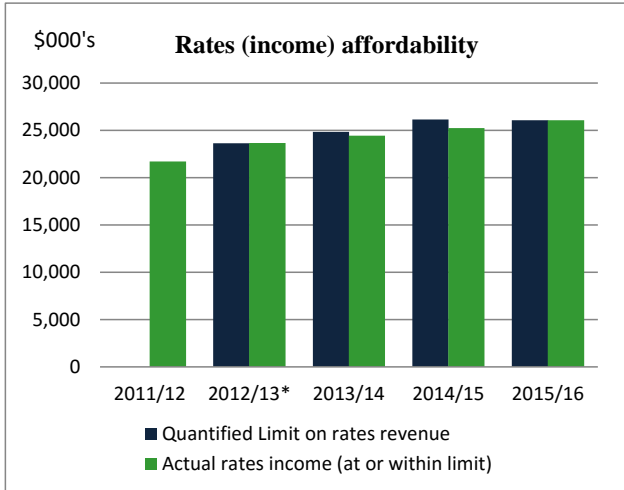
**Rates affordability benchmarks**

The Council meets this benchmark if: 1. The actual rates revenue equals or is less than each quantified limit on rates; and 2. Actual rates increases equal or are less than each quantified limit on rates increases.

Note: prior to 2012, there were no specified limits on rates income or increases in the 2009-19 LTCCP.

**Rates (income) affordability**

This graph compares the Council’s actual revenue from rates, with the rates revenue limit forecast in the Long-Term Plan

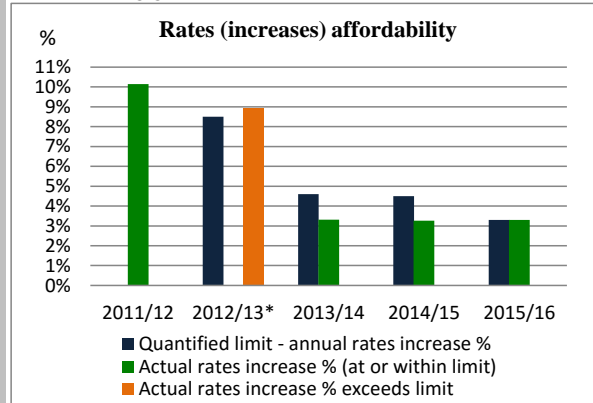


\* 2015/16 rates were 0.06% above planned - this is considered to be 'at the limit'.

The rates income signalled in the 2012 LTP for 2013/14 and 2014/15 were modified in subsequent Annual Plans.

**Rates (increases) affordability**

This graph compares the Council’s actual rates increases with a quantified limit on rates increases included in the 2012 & 2015 financial strategy and LTP. The limit is that rates increases will be within the LGCI increase, plus 1% and excluding growth.



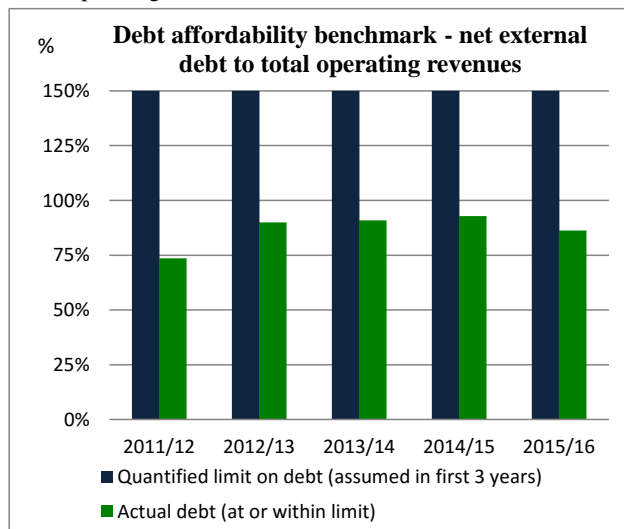
\* In the 2012-22 LTP, the first year was specifically noted as being an exception - the rates increase would exceed the limit.

The rates increases from 2009 to 2012 were well signalled in the 2009-19 LTP and were largely driven by the urban sewerage treatment upgrade project.

**Debt affordability benchmarks**

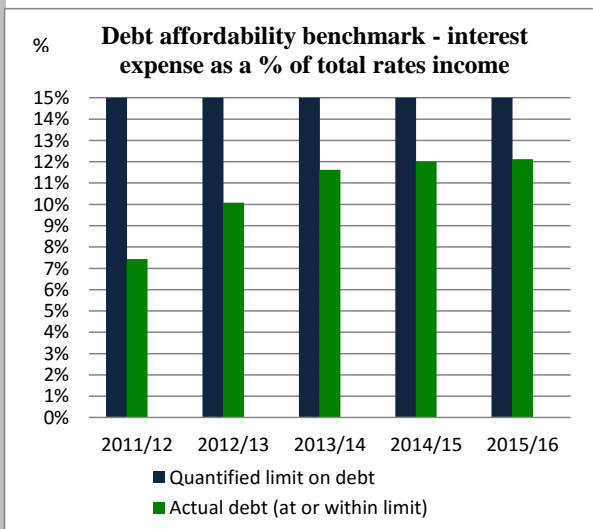
The Council meets the debt affordability benchmarks if its actual borrowing and borrowing costs are within the Council’s quantified limits for borrowing, as set in the LTP.

The graph below compares the Council’s actual borrowing with the quantified limit: Net External Debt(1) not to exceed 150% of Total Operating Revenues(2).



(1) Net External Debt is defined as gross external debt (aggregate borrowings of the council, including any capitalised finance leases and financial guarantees provided to third parties) less any financial assets (excluding trade and other receivables).

The graph below compares the Council’s actual borrowing cost with the quantified limit: Interest expense on external debt not to exceed 15% of total rates income.



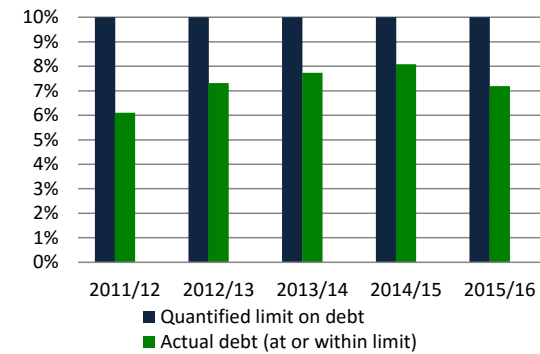
(2) Operating Revenue is as per the Statement of Comprehensive Revenue & Expense - all earnings including financial contributions, but excluding vested assets.

### Debt affordability benchmarks (continued)

The graph to the right compares the Council's actual borrowing cost with the quantified limit: Interest expense on external debt not to exceed 10% of total operating revenues (1).

(1) Operating revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue but excluding vested assets.

**Debt affordability benchmark - interest expense as a % of total operating revenues**



### Balanced budget benchmark

The graph below shows the Council's operating revenue as a proportion of operating expenses. The Council meets this benchmark if its revenue equals or is greater than its operating expenses.

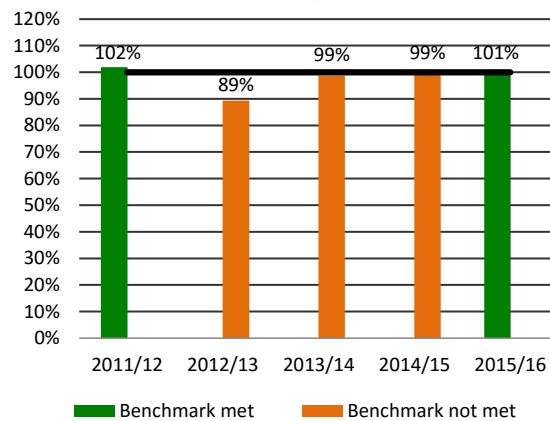
As per the regulations, Operating Revenue definition excludes financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment. Operating Expenses excludes losses on derivative financial instruments and any losses on revaluation of property, plant, or equipment.

Notes:

In 2011/12 the revenue includes capital contributions and a central government subsidy for the Riversdale Beach sewerage scheme.

In 2012/13 the Council wrote down \$3.9m in asset value on the urban wastewater treatment plant oxidation ponds, resulting in an unplanned accounting deficit. The ponds were replaced as part of an upgrade based on a 2009 resource consent for the plant. The plant upgrade has been loan funded. Without the asset value write down the result would have been 99%.

**Balanced Budget Benchmark**



### Essential services benchmark

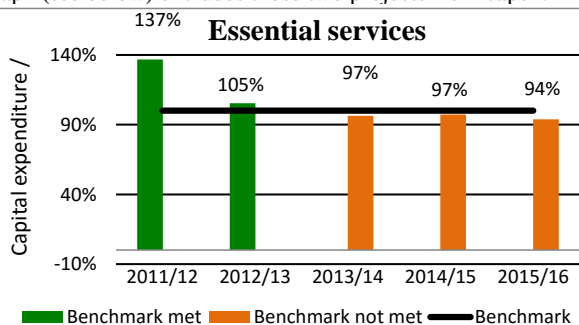
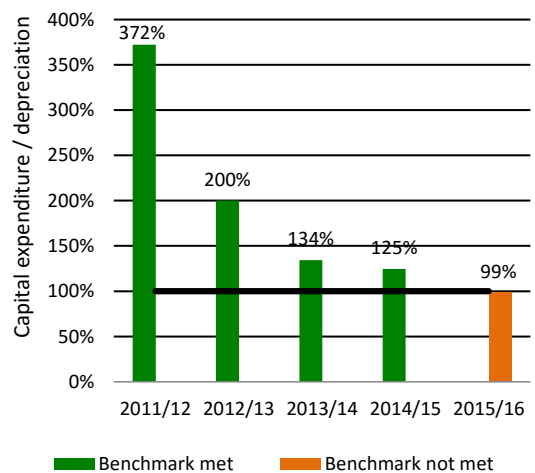
The graph below to the right shows the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on those network services.

Notes:

Essential services are: roads and footpaths, water supplies, sewerage systems and stormwater systems.

Capital expenditure on the Homebush wastewater plant and the Riversdale Beach sewerage scheme have significantly influenced the result in the graph on the right. The alternate graph (see below) excludes those two projects from capex.

**Essential services**



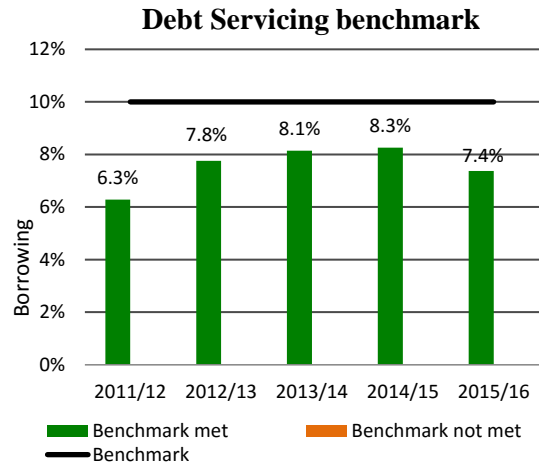
### Debt servicing benchmark

The graph on the right shows the Council's borrowing costs as a proportion of operating revenue, as required by the regulations. The benchmark to stay within is 10%.

This measure differs from the Council's debt affordability benchmark as Operating Revenue definition excludes financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment.

Notes:

The cost of debt servicing has increased over the last five years in line with the Council's investment in the upgrade of the Homebush wastewater treatment and disposal facility and the Riversdale Beach sewerage scheme.



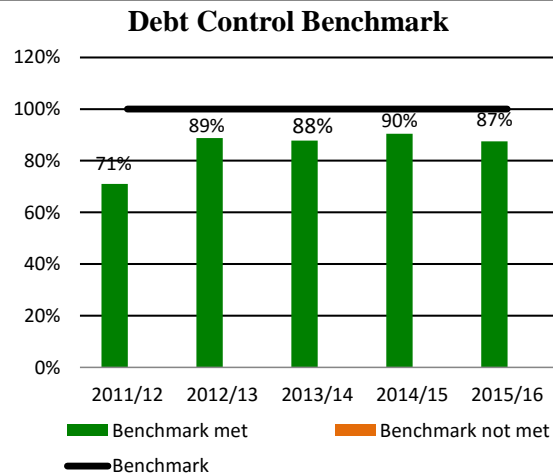
### Debt control benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt

In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

Notes:

As the Homebush project proceeded, some delays resulted in later drawing of debt that was planned. This saw actual debt being well below the planned level in 2011 and 2012.

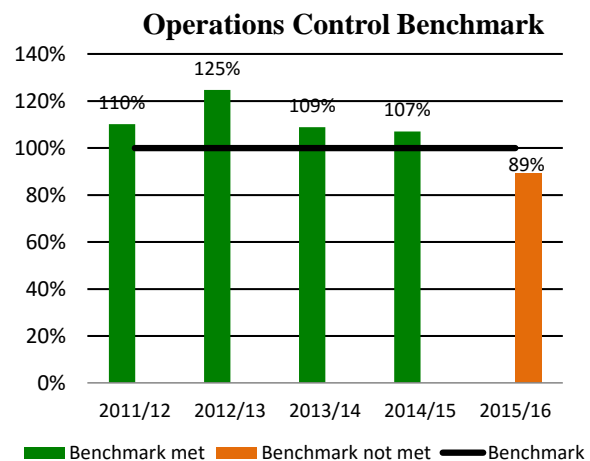


### Operations control benchmark

The graph below shows the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The Council meets the benchmark when actual net cash flow from operations equals or is greater than its planned net cash flow from operations.

Notes:

The Council's cashflow from operation's has been consistently better than planned over the last 4 years, however as at 30 June 2016 the Council had a receivable from NZTA of some \$1.3m which was adjusted off the operational revenue, impacting operational cashflows negatively.



## 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 (LTP). Set out below and on the following 10 pages are the funding impact statements in the required format. Both Plan, LTP and prior year comparatives are shown where required.

### FUNDING IMPACT STATEMENT

As required by the Local Government (Financial Reporting & Prudence) Regulations 2014

<b>COUNCIL</b>	<b>2014-15 Annual Plan \$000s</b>	<b>2014-15 Actual \$000s</b>	<b>2015-16 Annual Plan \$000s</b>	<b>2015-16 Actual \$000s</b>
<b>Sources of Operating Funding</b>				
General rates, uniform charges, rates penalties*	200 *	187 *	190	186
Targeted rates (excluding water by meter)*	25,154 *	25,289 *	25,962	26,052
Subsidies and grants (for operating)	2,333	2,208	2,358	2,068
Fees & charges (incl metered water)	6,316	6,109	6,723	6,927
Interest & dividends	817	977	778	820
Other receipts (incl petrol tax & fines)	297	281	265	272
<b>Total operating funding (A)</b>	<b>35,116</b>	<b>35,050</b>	<b>36,275</b>	<b>36,323</b>
*Disclosure of the General and Targeted Rates from 2014/15 financial statements are restated to align with definitions within the Local Government (Rating) Act 2002				
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	24,187	23,548	24,785	24,597
Finance costs	3,168	3,057	3,182	2,847
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>27,356</b>	<b>26,605</b>	<b>27,968</b>	<b>27,444</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>7,761</b>	<b>8,444</b>	<b>8,308</b>	<b>8,880</b>
<b>Sources of Capital Funding</b>				
Subsidies & grants for capital expenditure	2,459	1,917	2,434	2,235
Development & financial contributions	694	426	378	416
Increase /(decrease) in debt	1,637	1,702	1,660	(1,979)
Gross proceeds from sale of assets	-	21	-	408
Lump sum contributions	-	851	-	583
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>4,790</b>	<b>4,916</b>	<b>4,472</b>	<b>1,663</b>
<b>Application of Capital Funding</b>				
Capital expenditure:				
- to meet additional demand	-	818	-	556
- to improve level of service	4,284	3,388	2,608	1,823
- to replace existing assets	10,357	9,205	10,935	7,257
Increase/(decrease) in reserves	(2,372)	(298)	(1,041)	2,640
Increase/(decrease) in investments	285	248	278	(1,734)
<b>Total application of capital funding (D)</b>	<b>12,554</b>	<b>13,361</b>	<b>12,780</b>	<b>10,542</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(7,764)</b>	<b>(8,445)</b>	<b>(8,308)</b>	<b>(8,880)</b>
Funding balance (A-B)+(C-D)	0	0	0	0

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

## FUNDING IMPACT STATEMENT

	2014-15 Annual Plan \$000s	2014-15 Actual \$000s	2015-16 Annual Plan \$000s	2015-16 Actual \$000s
<b>Reconciliation</b>				
<b>- between FIS &amp; Financial Statements</b>				
Operating Revenue - per FIS	35,117	35,050	36,275	36,323
Capital Funding (revenue)- per FIS	3,153	3,194	2,812	3,234
	<u>38,270</u>	<u>38,244</u>	<u>39,088</u>	<u>39,557</u>
Other Gains	399	399	399	563
	<u>38,270</u>	<u>38,643</u>	<u>39,088</u>	<u>40,120</u>
Operating Revenue - per Stmt of Comp. Rev. & Exp.	38,270	38,644	39,109	40,120
Less Other Gains/ (Losses) on Sale of Assets	-	-	(21)	(563)
	<u>38,270</u>	<u>38,644</u>	<u>39,088</u>	<u>39,557</u>
	-	-	-	-
Operating Expenditure - per FIS	27,355	26,605	27,968	27,444
Add depreciation	10,738	10,721	10,834	10,898
	<u>38,093</u>	<u>37,326</u>	<u>38,802</u>	<u>38,342</u>
Other Losses	0	3,259	0	3,155
Operating Expenditure - per Stmt of Comp. Rev. & Exp.	<u>38,093</u>	<u>40,585</u>	<u>38,802</u>	<u>41,497</u>
	-	-	-	-
Capital Expenditure - per FIS	14,641	13,411	13,543	9,637
Capital Expenditure - per Cost of Service Statements	<u>14,641</u>	<u>13,411</u>	<u>13,543</u>	<u>9,637</u>
	-	-	-	-
Transfer to/(from) Reserves - per COSS	(6,511)	(4,486)	(5,635)	(2,553)
Depreciation transferred to reserves - per COSS	4,118	4,168	4,595	4,784
Proceeds from sale of assets - tsf to reserves	20	21	-	408
	<u>(2,372)</u>	<u>(298)</u>	<u>(1,041)</u>	<u>2,640</u>
Increase/(Decrease) in Reserves - per FIS	<u>(2,372)</u>	<u>(298)</u>	<u>(1,041)</u>	<u>2,640</u>
	-	-	-	-

## DEPRECIATION by Group

	2014-15 Annual Plan \$000s	2014-15 Actual \$000s	2015-16 Annual Plan \$000s	2015-16 Actual \$000s
<b>Groups of Activities</b>				
Roading	4,793	4,581	4,725	4,500
Water Services	1,346	1,258	1,214	1,288
Sewerage Services	2,129	2,327	2,395	2,354
Stormwater	257	274	274	275
Solid Waste Services	84	85	85	96
Community Facilities/Activities	1,900	1,987	2,007 *	2,198
Regulatory Services	106	94	79	106
Governance	17	35	1 *	1
Internal Functions	107	81	54	81
	<u>10,738</u>	<u>\$10,721</u>	<u>\$10,834</u>	<u>\$10,898</u>

\* Depreciation has been restated in the 2015-16 Annual Plan to match the activities where the cost occurs.

## FUNDING IMPACT STATEMENT

As required by the Local Government (Financial Reporting and Prudence) Regulations 2014

### ROADING

	LTP 2014/15 \$000s	LTP 2015/16 \$000s	Actual 2015/16 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties *	-	-	-
Targeted rates	5,731 *	5,426	5,426
Subsidies and grants (for operating)	2,058	2,163	1,859
Fees & charges	64	190	68
Internal charges & overheads recovered	-	-	-
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	162	170	177
<b>Total operating funding (A)</b>	<b>8,015</b>	<b>7,949</b>	<b>7,529</b>
*Disclosure of the General and Targeted Rates from 2014/15 financial statements are restated to align with definitions within the Local Government (Rating) Act 2002			
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	4,623	4,609	3,832
Finance costs	31	13	10
Internal charges and overheads applied	1,171	941	1,178
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>5,825</b>	<b>5,563</b>	<b>5,020</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>2,190</b>	<b>2,386</b>	<b>2,509</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	1,990	2,434	2,202
Development & financial contributions	107	99	121
Increase /(decrease) in debt	108	267	(105)
Gross proceeds from sale of assets	-	-	10
Lump sum contributions	-	-	295
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>2,204</b>	<b>2,800</b>	<b>2,523</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	295
- to improve level of service	764	1,276	940
- to replace existing assets	3,705	4,180	3,618
Increase/(decrease) in reserves	(1,197) *	(269) *	364 *
Increase/(decrease) in investments	1,122	-	(185)
<b>Total application of capital funding (D)</b>	<b>4,394</b>	<b>5,186</b>	<b>5,032</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(2,190)</b>	<b>(2,386)</b>	<b>(2,509)</b>
Funding balance (A-B)+(C-D)	-	-	-

\* 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 and Prudence) Regulations 2014

### WATER SERVICES

	LTP 2014/15 \$000s	LTP 2015/16 \$000s	Actual 2015/16 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates (excl water by meter)	3,232	3,055	3,058
Subsidies and grants (for operating)	-	-	-
Fees & charges (incl metered water)	288	307	340
Internal charges & overheads recovered	-	79	79
Interest & dividends	10	10	10
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<b>3,530</b>	<b>3,452</b>	<b>3,487</b>
*Disclosure of the General and Targeted Rates from 2014/15 financial statements are restated to align with definitions within the Local Government (Rating) Act 2002			
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	1,466	1,428	1,388
Finance costs	178	156	137
Internal charges and overheads applied	498	534	524
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>2,142</b>	<b>2,117</b>	<b>2,049</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>1,388</b>	<b>1,335</b>	<b>1,438</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	4	4	9
Increase /(decrease) in debt	(74)	1,603	(255)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	66
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(70)</b>	<b>1,607</b>	<b>(180)</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	53
- to improve level of service	-	-	11
- to replace existing assets	1,278	2,604	552
Increase/(decrease) in reserves	(1,078) *	338 *	632 *
Increase/(decrease) in investments	1,118	-	11
<b>Total application of capital funding (D)</b>	<b>1,318</b>	<b>2,942</b>	<b>1,259</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(1,388)</b>	<b>(1,334)</b>	<b>(1,439)</b>
Funding balance (A-B)+(C-D)	-	-	-

\* 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 and Prudence) Regulations 2014

### SEWERAGE SERVICES

	LTP 2014/15 \$000s	LTP 2015/16 \$000s	Actual 2015/16 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	6,441	6,774	6,821
Subsidies and grants (for operating)	-	-	-
Fees & charges	627	478	394
Internal charges & overheads recovered	4	5	9
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<b>7,071</b>	<b>7,257</b>	<b>7,223</b>
*Disclosure of the General and Targeted Rates from 2014/15 financial statements are restated to align with definitions within the Local Government (Rating) Act 2002			
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	1,297	1,231	1,307
Finance costs	2,866	2,732	2,435
Internal charges and overheads applied	715	1,046	928
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>4,878</b>	<b>5,009</b>	<b>4,670</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>2,193</b>	<b>2,249</b>	<b>2,554</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	112	-
Increase /(decrease) in debt	(558)	(677)	(1,283)
Gross proceeds from sale of assets	-	-	51
Lump sum contributions	-	-	147
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(558)</b>	<b>(565)</b>	<b>(1,084)</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	134
- to improve level of service	162	150	425
- to replace existing assets	1,731	1,470	2,315
Increase/(decrease) in reserves	(1,238) *	63 *	82 *
Increase/(decrease) in investments	980	-	(1,486)
<b>Total application of capital funding (D)</b>	<b>1,635</b>	<b>1,683</b>	<b>1,469</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(2,193)</b>	<b>(2,249)</b>	<b>(2,554)</b>
Funding balance (A-B)+(C-D)	-	-	-

\* 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 and Prudence) Regulations 2014

### STORMWATER SERVICES

	LTP 2014/15 \$000s	LTP 2015/16 \$000s	Actual 2015/16 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	- *	-	-
Targeted rates	431 *	475	474
Subsidies and grants (for operating)	-	-	-
Fees & charges	-	-	-
Internal charges & overheads recovered	-	-	-
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<b>431</b>	<b>475</b>	<b>474</b>
*Disclosure of the General and Targeted Rates from 2014/15 financial statements are restated to align with definitions within the Local Government (Rating) Act 2002			
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	127	116	59
Finance costs	70	56	49
Internal charges and overheads applied	115	165	162
Other operating funding applications	-	-	0
<b>Total applications of operating funding (B)</b>	<b>312</b>	<b>337</b>	<b>271</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>119</b>	<b>139</b>	<b>203</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase /(decrease) in debt	(103)	(132)	(132)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	75
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(103)</b>	<b>(132)</b>	<b>(58)</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	75
- to improve level of service	-	-	-
- to replace existing assets	130	150	14
Increase/(decrease) in reserves	(235) *	(144) *	52 *
Increase/(decrease) in investments	121	-	4
<b>Total application of capital funding (D)</b>	<b>16</b>	<b>6</b>	<b>145</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(119)</b>	<b>(139)</b>	<b>(203)</b>
Funding balance (A-B)+(C-D)	-	-	-

\* 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 and Prudence) Regulations 2014

### SOLID WASTE SERVICES

	LTP 2014/15 \$000s	LTP 2015/16 \$000s	Actual 2015/16 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	- *	-	-
Targeted rates	1,332 *	984	1,067
Subsidies and grants (for operating)	70	115	92
Fees & charges	2,153	2,457	2,617
Internal charges & overheads recovered	167	203	204
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<b>3,722</b>	<b>3,759</b>	<b>3,980</b>
*Disclosure of the General and Targeted Rates from 2014/15 financial statements are restated to align with definitions within the Local Government (Rating) Act 2002			
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	2,906	3,051	2,955
Finance costs	109	84	87
Internal charges and overheads applied	613	524	523
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>3,628</b>	<b>3,660</b>	<b>3,565</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>94</b>	<b>99</b>	<b>415</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	33
Development & financial contributions	-	-	-
Increase /(decrease) in debt	209	176	(56)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>209</b>	<b>176</b>	<b>(24)</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	270	300	136
- to replace existing assets	-	335	-
Increase/(decrease) in reserves	(10) *	(360)	151 *
Increase/(decrease) in investments	43	-	104
<b>Total application of capital funding (D)</b>	<b>303</b>	<b>275</b>	<b>391</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(94)</b>	<b>(99)</b>	<b>(415)</b>
Funding balance (A-B)+(C-D)	-	-	-

\* 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 and Prudence) Regulations 2014

### COMMUNITY FACILITIES / ACTIVITIES

	LTP 2014/15 \$000s	LTP 2015/16 \$000s	Actual 2015/16 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	- *	-	-
Targeted rates	7,305 *	7,766	7,611
Subsidies and grants (for operating)	54	73	97
Fees & charges	1,673	1,565	1,765
Internal charges & overheads recovered	230	294	246
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	25	-	-
<b>Total operating funding (A)</b>	<u>9,287</u>	<u>9,698</u>	<u>9,719</u>
*Disclosure of the General and Targeted Rates from 2014/15 financial statements are restated to align with definitions within the Local Government (Rating) Act 2002			
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	6,542	7,041	7,206
Finance costs	278	142	128
Internal charges and overheads applied	1,194	1,335	1,540
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<u>8,014</u>	<u>8,517</u>	<u>8,873</u>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<u>1,273</u>	<u>1,180</u>	<u>846</u>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase/(decrease) in debt	695	153	(139)
Gross proceeds from sale of assets	-	-	325
Lump sum contributions	-	-	-
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<u>695</u>	<u>153</u>	<u>186</u>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	1,343	842	288
- to replace existing assets	754	1,882	546
Increase/(decrease) in reserves	(1,533) *	(1,391)	368 *
Increase/(decrease) in investments	1,403	-	(169)
<b>Total application of capital funding (D)</b>	<u>1,967</u>	<u>1,333</u>	<u>1,032</u>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<u>(1,272)</u>	<u>(1,180)</u>	<u>(846)</u>
Funding balance (A-B)+(C-D)	<u>-</u>	<u>-</u>	<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 and Prudence) Regulations 2014

### REGULATORY SERVICES

	LTP 2014/15 \$000s	LTP 2015/16 \$000s	Actual 2015/16 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	- *	-	-
Targeted rates	1,618 *	1,673	1,741
Subsidies and grants (for operating)	-	-	-
Fees & charges	1,386	1,419	1,494
Internal charges & overheads recovered	409	448	406
Interest & dividends	2	2	1
Other receipts (incl petrol tax & fines)	67	95	95
<b>Total operating funding (A)</b>	<b>3,482</b>	<b>3,636</b>	<b>3,736</b>
*Disclosure of the General and Targeted Rates from 2014/15 financial statements are restated to align with definitions within the Local Government (Rating) Act 2002			
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	2,389	2,484	2,831
Finance costs	4	-	0
Internal charges and overheads applied	875	956	791
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>3,268</b>	<b>3,440</b>	<b>3,622</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>214</b>	<b>196</b>	<b>114</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	245	163	286
Increase /(decrease) in debt	(6)	(7)	(8)
Gross proceeds from sale of assets	-	-	22
Lump sum contributions	-	-	-
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>239</b>	<b>156</b>	<b>299</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	-	-	2
- to replace existing assets	72	156	113
Increase/(decrease) in reserves	275 *	196 *	332 *
Increase/(decrease) in investments	107	-	(33)
<b>Total application of capital funding (D)</b>	<b>454</b>	<b>352</b>	<b>414</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(215)</b>	<b>(196)</b>	<b>(114)</b>
Funding balance (A-B)+(C-D)	-	-	-

\* 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 and Prudence) Regulations 2014

### GOVERNANCE

	LTP 2014/15 \$000s	LTP 2015/16 \$000s	Actual 2015/16 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	- *	-	-
Targeted rates (excluding water by meter)	537 *	556	556
Subsidies and grants (for operating)	-	-	-
Fees & charges	-	-	-
Internal charges & overheads recovered	346	371	376
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	883	927	932
*Disclosure of the General and Targeted Rates from 2014/15 financial statements are restated to align with definitions within the Local Government (Rating) Act 2002			
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	597	636	640
Finance costs	-	-	-
Internal charges and overheads applied	286	272	281
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	883	908	921
<b>Surplus/(Deficit) of operating funding (A-B)</b>	-	19	11
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase /(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	-	-	-
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	-	-	-
- to replace existing assets	-	-	-
Increase/(decrease) in reserves	-	19	29
Increase/(decrease) in investments	-	-	(17)
<b>Total application of capital funding (D)</b>	-	19	12
<b>Surplus / (deficit) of capital funding (C-D)</b>	-	(19)	(12)
<b>Funding balance (A-B)+(C-D)</b>	-	-	-

## FUNDING IMPACT STATEMENT

As required by the Local Government (Financial Reporting and Prudence) Regulations 2014

### INTERNAL FUNCTIONS

	LTP 2014/15 \$000s	LTP 2015/16 \$000s	Actual 2015/16 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	-	-	-
Subsidies and grants (for operating)	-	8	19
Fees & charges	176	247	249
Internal charges & overheads recovered	4,085	4,535	4,410
Interest & dividends	789	766	809
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<b>5,050</b>	<b>5,556</b>	<b>5,488</b>
*Disclosure of the General and Targeted Rates from 2014/15 financial statements are restated to align with definitions within the Local Government (Rating) Act 2002			
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	3,944	4,470	4,380
Finance costs	-	-	-
Internal charges and overheads applied	262	380	353
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>4,206</b>	<b>4,850</b>	<b>4,732</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>844</b>	<b>706</b>	<b>755</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase /(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	-	40	20
- to replace existing assets	151	159	101
Increase/(decrease) in reserves	584	507	630
Increase/(decrease) in investments	110	-	4
<b>Total application of capital funding (D)</b>	<b>845</b>	<b>706</b>	<b>755</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(845)</b>	<b>(706)</b>	<b>(755)</b>
<b>Funding balance (A-B)+(C-D)</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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 Māori thereby contributing to the spirit of partnership envisaged by the Treaty of Waitangi.

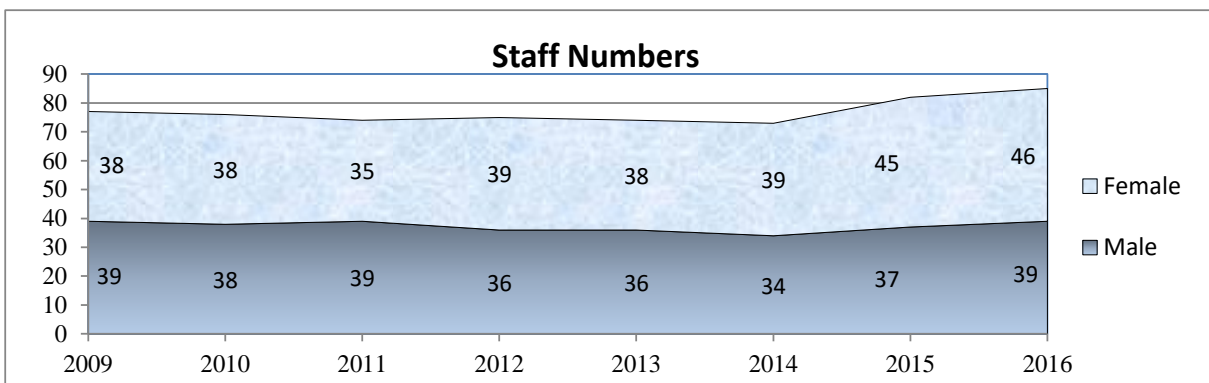
The Council believes that the organisation will benefit from a diverse workforce. It is committed to recognising and valuing the different skills, talents, experiences and perspectives of its employees. The Council's EEO Policy, aims to provide a culturally sensitive, safe and healthy working environment 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

*An EEO database of all Council employees is maintained and up-to-date as part of the payroll and human resources 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.

<b>Staff Analysis</b>	30 June 2013		30 June 2014		30 June 2015		30 June 2016	
	F/T	P/T	F/T	P/T	F/T	P/T	F/T	P/T
<b>Male</b>								
Māori	0	1	0	1	0	1	2	0
European	32	2	29	3	30	4	30	5
Other	1	0	1	0	2	0	2	0
<b>Female</b>								
Māori	1	1	1	1	3	0	2	0
European	23	12	26	12	28	12	31	11
Other	<u>1</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>1</u>
	58	16	59	14	65	17	68	17



**2015/16**

**FINANCIAL STATEMENTS**

**&**

**NOTES TO THE ACCOUNTS**





MASTERTON DISTRICT COUNCIL

**STATEMENT OF FINANCIAL POSITION as at 30 June 2016**

\$		Notes	\$	\$
30 June 2015			30 June 2016	Plan
<b>CURRENT ASSETS</b>				
4,321,805	Cash & cash equivalents	10	3,618,732	3,204,570
5,559,510	Other financial assets	11	5,269,587	3,535,821
209,279	Inventories	8	214,763	239,600
2,323,667	Debtors and other receivables	9	3,388,263	3,599,969
<u>12,414,261</u>	Total Current Assets		<u>12,491,345</u>	<u>10,579,960</u>
<b>NON-CURRENT ASSETS</b>				
88,244,311	Property, equipment & other assets	12,13	86,977,516	85,765,332
632,325,089	Infrastructural assets	12,13	631,711,954	634,998,758
4,285,331	Intangible assets	14	4,105,410	3,910,705
549,203	Forestry assets	15	450,429	310,483
2,087,000	Investment property	16	2,087,000	2,053,000
0	Derivative financial instruments	22	0	224,185
	Other financial assets	11		
940,730	- Investments in CCO's & other similar entities		1,064,027	1,087,695
8,338,350	- Investments in other entities		9,302,605	10,062,114
<u>736,770,014</u>	Total Non-current Assets		<u>735,698,941</u>	<u>738,412,272</u>
<b><u>\$749,184,275</u></b>	<b>TOTAL ASSETS</b>		<b><u>\$748,190,286</u></b>	<b><u>\$748,992,232</u></b>
<b>CURRENT LIABILITIES</b>				
5,325,013	Creditors & other payables	20	5,119,956	6,502,405
22,896	Derivative financial instruments	22	7,752	0
855,139	Employee benefits	21	1,020,727	764,074
75,472	Provisions (current)	23	66,038	49,529
1,972,132	Financial liabilities - current portion	24	3,000,000	2,046,685
<u>8,250,652</u>	Total Current Liabilities		<u>9,214,473</u>	<u>9,362,693</u>
<b>NON-CURRENT LIABILITIES</b>				
52,321,958	Financial liabilities	24	49,314,993	53,774,509
2,821,875	Derivative financial instruments	22	5,249,429	786,616
93,859	Employee benefits	21	69,812	94,840
215,011	Provisions & other liabilities	23	172,124	215,010
<u>55,452,703</u>	Total Non-current Liabilities		<u>54,806,358</u>	<u>54,870,975</u>
<b><u>\$685,480,920</u></b>	<b>NET ASSETS</b>		<b><u>\$684,169,455</u></b>	<b><u>\$684,758,564</u></b>
<b>PUBLIC EQUITY</b>				
428,474,415	Retained earnings (ratepayers' equity)	25	424,668,575	431,714,747
237,763,905	Revaluation reserves	25	237,618,599	234,668,137
19,242,600	Special funds & restricted reserves	28	21,882,281	18,375,680
<u>\$685,480,920</u>	TOTAL PUBLIC EQUITY		<u>\$684,169,455</u>	<u>\$684,758,564</u>

*The accompanying notes form part of these financial statements.*

**MASTERTON DISTRICT COUNCIL**

<b>STATEMENT OF COMPREHENSIVE REVENUE &amp; EXPENSE</b>				
<b>For the Year Ended 30 June 2016</b>				
\$ Actual 2014/15		Note	\$ Actual 2015/16	\$ Plan 2015/16
<b>REVENUE</b>				
25,231,679	Rates Revenue	3	26,076,735	26,061,822
244,528	Rural sewerage scheme capital rates	3 & 4	160,818	89,678
425,853	Financial Contributions		416,132	377,820
4,124,472	Subsidies and grants	4	4,302,269	4,792,299 *1
968,556	Finance Revenue	5	819,687	777,800
6,431,159	Other Operating Revenue	4	7,224,684	6,988,160 *1
818,178	Assets vested from developments/subdivisions	4	556,340	-
399,397	Other Gains	4a	563,321	-
<b>38,643,822</b>	<b>Total Operating Revenue</b>		<b>40,119,986</b>	<b>39,087,579 *2</b>
<b>EXPENDITURE</b>				
6,454,617	Personnel Costs	6	6,806,137	6,636,358
17,093,410	Other Expenses	7	17,790,752	18,148,943
3,057,221	Finance Costs	5	2,846,958	3,182,379
10,720,987	Depreciation & amortisation	12, 13, 14	10,898,320	10,834,328
3,258,602	Other Losses	4a	3,155,070	-
<b>40,584,837</b>	<b>Total Operating Expenditure</b>		<b>41,497,237</b>	<b>38,802,008</b>
(\$1,941,015)	<b>Surplus/(Deficit) before tax</b>		(\$1,377,252)	\$285,571
-	Income tax expense		-	-
<b>\$ (1,941,015)</b>	<b>SURPLUS/(DEFICIT) AFTER TAX</b>		<b>\$ (1,377,252)</b>	<b>\$285,571</b>
<b>Other Comprehensive Revenue &amp; Expense</b>				
3,610,769	Gain/(Loss) on Land and Buildings revaluations	13, 25		21,047
(26,415)	Change in value of financial assets at fair value through comprehensive revenue & expense	25	65,786	-
<b>3,584,354</b>			<b>65,786</b>	<b>21,047</b>
<b>\$1,643,339</b>	<b>TOTAL COMPREHENSIVE REVENUE &amp; EXPENSE</b>		<b>\$ (1,311,466)</b>	<b>\$306,618</b>

<b>STATEMENT OF CHANGES IN EQUITY</b>						
<b>For the Year Ended 30 June 2016</b>						
	\$	\$	\$	\$	\$	\$
	Revaluations (Note 25)	Special Funds & Reserves (Note 28)	Ratepayers' Equity (Note 25)	Total 2015/16	Plan 2015/16	Total 2014/15
<b>Opening Balance</b>						
1 July 2015	237,763,905	19,242,600	428,474,415	<b>\$685,480,920</b>	684,451,946	683,837,581
Comprehensive revenue & expense for the year	65,786		(1,377,252)	<b>(1,311,466)</b>	306,618	1,643,339
Tsf disposals revaltns	(211,092)		211,092	0		
Transfers from Reserves		(4,849,789)	4,849,789	0		
Transfers to Reserves		2,297,123	(2,297,123)	0		
Tsf proceeds on sale of assets		408,173	(408,173)	0		
Tsf depreciation to reserves		4,784,173	(4,784,173)	0		
<b>Closing Balance</b>	<b>237,618,599</b>	<b>21,882,281</b>	<b>424,668,575</b>	<b>\$684,169,455</b>	<b>684,758,564</b>	<b>685,480,920</b>

\*1 The plan for subsidies & grants has been adjusted to reflect more than just roading subsidies.

\*2 Other operating revenue in the plan included the revaluation adjustment of \$21,047 which should have been below the line

*The accompanying notes form part of these financial statements.*

**MASTERTON DISTRICT COUNCIL**

**STATEMENT OF CASHFLOWS for the Year Ending 30 June 2016**

Last Year <u>2014/15</u>		\$ <i>Notes</i>	Actual <u>2015/16</u>	Plan <u>2015/16</u>
	<b>Cash Flows from Operating Activities:</b>			
	Cash was provided from:			
25,227,836	Rates (M.D.C. only)		26,064,747	26,036,133
244,528	Rural sewerage scheme capital rates		160,818	89,678
425,853	Financial Contributions		416,132	377,820
5,248,998	Subsidies and grants		3,418,015	4,792,299
966,450	Interest received		781,263	767,800
7,951	Dividends received		7,387	10,000
<u>6,731,046</u>	Receipts from other revenue		<u>7,337,825</u>	<u>6,728,995</u>
38,852,662			38,186,187	38,802,725
	Cash was applied to:			
(17,894,760)	Payments to suppliers		(17,875,457)	(17,182,014)
(6,390,847)	Payments to employees		(6,664,596)	(6,636,358)
(3,037,457)	Interest paid		(2,880,766)	(3,182,379)
<u>290,096</u>	Goods and services tax (paid)/received (net)		<u>(245,048)</u>	-
(27,032,968)			(27,665,867)	(27,000,751)
<b>11,819,694</b>	<b>Net Cash from Operating Activities</b>	<u>29</u>	<b>10,520,320</b>	<b>11,801,974</b>
	<b>Cash Flows from Investing Activities:</b>			
	Cash was provided from:			
8,074	Receipts from sale of property, plant and equipment		82,836	-
-	Receipts from sale of forestry		544,408	180,000
<u>2,356,546</u>	Receipts from sale of investments		<u>2,335,735</u>	<u>1,060,803</u>
2,364,620			2,962,979	1,240,803
	Cash was applied to:			
(12,421,538)	Purchase of property, plant and equipment		(9,275,265)	(13,542,650)
(174,702)	Purchase of intangible assets		(129,613)	-
<u>(2,189,586)</u>	Acquisition of investments		<u>(2,802,397)</u>	<u>(92,236)</u>
(14,785,826)			(12,207,275)	(13,634,886)
<b>(12,421,206)</b>	<b>Net Cash from Investing Activities</b>		<b>(9,244,296)</b>	<b>(12,394,083)</b>
	<b>Cash Flows from Financing Activities:</b>			
	Cash was provided from:			
<u>3,600,000</u>	Proceeds from new financial liabilities		<u>2,661</u>	<u>3,655,100</u>
3,600,000			2,661	3,655,100
	Cash was applied to:			
(2,101,742)	Repayment of term liabilities		(1,966,290)	(1,963,546)
<u>(20,254)</u>	Repayment of finance lease liabilities		<u>(15,468)</u>	-
(2,121,996)			(1,981,758)	(1,963,546)
<b>1,478,004</b>	<b>Net Cash from Financing Activities</b>		<b>(1,979,097)</b>	<b>1,691,554</b>
<b>876,492</b>	<b>Net Increase/(Decrease) in Cash and cash equivalents</b>		<b>(703,073)</b>	<b>\$1,099,445</b>
<u>3,445,313</u>	Cash and cash equivalents at beginning of the year		<u>4,321,805</u>	<u>5,640,946</u>
<b><u>\$ 4,321,805</u></b>	<b>Cash and cash equivalents at the end of the year</b>	<u>10</u>	<b><u>\$ 3,618,732</u></b>	<b><u>\$ 6,740,391</u></b>

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 \$2,661 (2015: 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 2016**

#### **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 Masterton District Council provides local infrastructure, local public services and performs regulatory functions to the community. The Council's primary objective 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 (PBE) for financial reporting purposes.

The financial statements of MDC are for the year ended 30 June 2016. The financial statements were authorised for issue by the Council on 26 October 2016.

#### **Basis of Preparation**

##### **Statement of compliance**

The financial statements of MDC have been prepared on the going concern basis and 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).

The financial statements have been prepared in accordance with Tier 1 Public Sector Entity (PBE) accounting standards. These financial statements comply with PBE Standards.

##### **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 financial year as a consequence of changes in accounting standards.

##### **Standards, amendments and interpretations issued that not yet effective and not early adopted**

Masterton District Council expects there will be minimal or no change to these accounting policies in applying any currently updated or proposed accounting standards.

## 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 arising from late payment penalties are recognised as revenue when rates become overdue.

Rates remissions are recognised as a reduction of rates revenue when the Council applies the remission to the rates accounts of those properties which qualify for the remissions, as per the remissions policy.

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.

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Revenue from the providing of services (e.g. building consent fees) 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 revenue is recognised using the effective interest method.

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

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met (e.g. as the funds are spent for the nominated purpose).

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 revenue is shown separately on the Statement of Comprehensive Revenue and Expense. Those contributions that are required as a nominal contribution towards specific future work, are recognised as revenue and held as part of special funds (equity).

### **Classification of Revenue**

Revenue may be derived from either exchange or non-exchange transactions.

Assets and revenues arising from exchange and non-exchange transactions are recognised in accordance with the requirements of PBE IPSAS 9 while revenue from exchange transactions in accordance with PBE IPSAS 23.

- **Revenue from exchange transactions**  
Revenue from exchange transactions arises where the Council provides goods or services to another entity or individual and directly receives approximately equal value in a willing arm's length transaction (primarily in the form of cash in exchange).
- **Revenue from non-exchange transactions**  
Revenue from non-exchange transaction arises when the Council receives value from another party without giving approximately equal value directly in exchange for the value received.
- **Approximately equal value**  
Approximately equal value is considered to reflect a fair or market value, which is normally commensurate with an arm's length commercial transaction between a willing buyer and willing seller. Some goods or services that Council provides (e.g. the sale of goods at market rates) are defined as being exchange transactions. Only a few services provided by Council operate on a full user pays, cost recovery or breakeven basis and these are considered to be exchange transactions unless they are provided at less than active and open market prices.

Most of the services that Council provides for a fee are subsidised by rates and therefore do not constitute an approximately equal exchange. Accordingly most of Council's revenue is categorised as non-exchange.

Due to the volume of transactions, classifying revenue as exchange or non-exchange is on a broad category basis where the deciding factor is the nature of the main proportion of transactions within any revenue stream.

### **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 revenue & expense 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.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

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 Revenue & Expense.

## 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 revenue. 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 Revenue & Expense.

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 Revenue & Expense. Financial assets in this category include the investment funds managed by ANZ Investments 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 Revenue & Expense.

*Financial assets at fair value through other comprehensive revenue* 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 revenue 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 revenue 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.

### **Carbon Credits**

Council has classified carbon credits in its investment portfolio. Purchased carbon credits are recognised at cost on acquisition. Free carbon credits received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

### **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 <sup>nd</sup> coat/1 <sup>st</sup> coat	17 and 40 years	(5.9% & 2.5%)
Road metal (unsealed)	3 years	(33%)
Pavement(base course) 50% depreciated	40 years	(2.5%)
Pavement (sub base) 15% 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%)
<b>Water system</b>		
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%)
<b>Sewerage system</b>		
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%)
<b>Drainage network</b>		
Pipes	70 to 90 years	(1.1% to 1.4%)
Stopbanks & seawall	100 years	(1%)
<b>Airport runway</b>		
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 Jones Lang LaSalle Ltd, and the valuation is effective as at 30 June 2015.

#### *Restricted land and buildings*

Some land owned by the Council has reserve status while other land has obligations to prior owners if sold. Reserve status can be revoked and land with prior obligations is not of any significant value. On that basis the Council has not identified any of its land and buildings assets as restricted.

#### *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 revenue & expense. 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 2014. 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 the previous 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 Library Manager and are not subject to an independent review because books are purchased at current market prices and these are used to determine fair value. The last valuation was performed in June 2016.

#### *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 revenue. 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. The 30 June 2016 valuation has been performed by Stuart Orme of Woodnet 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**

The Council holds a small number of investment properties for strategic purposes that 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. There are properties, not defined as investment properties, where rental returns are earned. These properties which are leased to third parties under operating leases, and are owned primarily to meet service delivery objectives.

### **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.

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

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.

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

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, alternative leave owing but not taken for working on statutory holidays 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 4.6%, 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 one employee who belongs 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 one employee, 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 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 2016.

#### *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 constructed a new plant between 2010 and 2015. Over the past 13 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 December 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.

<b>RATES REQUIREMENT SUMMARY</b>				
<b>2014/15</b>		<b>2015/16</b>	<b>2015/16</b>	
<b>Actual</b>		<b>Actual</b>	<b>Plan</b>	<b>Variance</b>
	<b>Groups &amp; Activities</b>			
	<b>Roading</b>			
\$		\$	\$	\$
3,951,511	Subsidised Roothing	3,957,308	4,150,017	192,709
1,513,517	Non-subsidised Roothing	1,476,131	1,276,478	(199,653)
	<b>Water Services</b>			
2,887,209	Urban Water Supply	2,888,787	2,960,900	72,113
130,918	Rural Water Supplies & Races	85,025	94,288	9,263
	<b>Sewerage Services</b>			
5,890,599	Urban Sewerage System	6,405,273	6,462,051	56,778
456,167	Rural Sewerage Schemes*	407,931	312,300	(95,632)
	<b>Stormwater Services</b>			
427,641	Urban Stormwater System	447,019	475,265	28,245
	<b>Solid Waste Services</b>			
603,255	Solid Waste Services	629,110	691,500	62,390
248,742	Waste Minimisation Services	285,014	292,447	7,433
	<b>Community Facilities/Activities</b>			
2,056,637	Parks, Reserves & Sportsfields	2,143,537	2,161,569	18,032
1,253,088	Recreation Centre	1,194,788	1,244,688	49,900
91,358	Cemeteries	68,066	72,661	4,595
1,568,525	Library & Archive	1,619,094	1,578,357	(40,737)
792,039	Property	855,719	778,836	(76,884)
1,737,668	Community Services (incl Econ Dev)	1,805,906	1,696,471	(109,435)
138,783	Airport	115,776	138,653	22,877
115,721	Mawley Park	88,635	94,843	6,208
	<b>Regulatory Services</b>			
590,842	Resource Management & Planning	610,389	643,935	33,546
255,564	Building Control	351,763	172,153	(179,610)
289,474	Environmental Health	299,359	362,254	62,895
59,848	Bylaw Control/General Inspection	46,070	71,981	25,911
(71,070)	Parking	(46,403)	(68,561)	(22,158)
23,588	Animal Control	57,744	33,233	(24,511)
419,165	Emergency Management & Rural Fire	454,853	458,072	3,219
	<b>Governance</b>			
563,605	Representation	543,273	556,108	12,835
(28,897)	<b>Internal Functions</b>	(4,374)	0	4,374
<b>25,965,497</b>	<b>Total Rates Requirement</b>	<b>26,785,795</b>	<b>26,710,500</b>	<b>(75,295)</b>
	<b>Rates Revenue</b>			
<b>25,713,764</b>	Masterton District rates levied	<b>26,576,471</b>	26,525,822	50,649
<b>244,528</b>	Rural Sewerage capital contributions*	<b>160,818</b>	89,678	71,140
<b>364,125</b>	Rates penalties	<b>387,427</b>	190,000	197,427
<b>(303,292)</b>	Rates remissions	<b>(338,163)</b>	(95,000)	(243,163)
<b>(41,080)</b>	Discounts (on prompt payment)	-	-	-
<b>25,978,045</b>	<b>Rates Revenue (incl Council properties)</b>	<b>26,786,553</b>	<b>26,710,500</b>	<b>76,053</b>
<b>12,548</b>	<b>Net Rates Surplus/(Deficit)</b>	<b>758</b>	<b>(0)</b>	<b>758</b>

\*Rural sewerage net cost is offset by capital contributions

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.

## Notes to the Accounts

Note 2

<b>COST OF SERVICES SUMMARY</b>			<b>Actual Net</b>	<b>Plan Net</b>	
for the 2015/16 Year			<b>Operating Cost</b>	<b>Operating Cost</b>	<b>Capital Expenditure</b>
	<b>Operating Revenue</b>	<b>Operating Expenditure</b>			
<b>Roading</b>					
Subsidised Roading	1,858,871	8,343,756	6,484,885	6,929,681	4,146,528
Non-subsidised Roading	365,789	1,176,294	810,505	736,595	706,746
<b>Water Services</b>					
Urban Water supply	244,027	3,060,299	2,816,272	2,823,493	565,517
Rural Water Supplies & Races	194,412	276,102	81,690	107,672	49,907
<b>Sewerage Services</b>					
Urban Sewerage System	393,643	6,497,603	6,103,960	6,372,527	2,826,608
Rural Sewerage Schemes	8,733	526,312	517,579	436,735	46,751
<b>Stormwater Services</b>					
Urban Stormwater System	-	545,813	545,813	610,264	88,925
<b>Solid Waste Services</b>					
Solid Waste Management	2,559,964	2,643,021	83,057	233,537	136,040
Waste Minimisation Services	353,333	1,017,866	664,533	736,518	
<b>Community Facilities/Activities</b>					
Parks, Reserves & Sportsfields	78,523	2,402,230	2,323,707	2,285,369	130,316
Recreation Centre	51,759	1,447,305	1,395,545	1,414,688	63,934
Cemeteries	75,718	133,784	58,066	72,661	-
Library & Archive	114,631	1,803,725	1,689,094	1,608,357	246,151
Property	1,139,146	2,406,417	1,267,271	1,115,910	369,313
Community Services	73,016	2,143,484	2,070,468	1,980,656	20,904
Airport	204,515	273,594	69,079	99,457	-
Mawley Park	371,226	460,962	89,736	16,108	2,998
<b>Regulatory Services</b>					
Resource Management & Planning	397,745	675,755	278,010	375,115	
Building Control	660,115	1,011,878	351,763	172,153	14,144
Environmental Health	309,817	609,176	299,359	362,254	8,016
Bylaw Control/General Inspection	196,532	242,602	46,071	71,981	82,948
Parking	223,589	169,832	(53,757)	(75,915)	2,165
Animal Control	319,044	380,393	61,349	34,345	
Emergency Mgmt & Rural Fire	174,004	638,857	464,854	453,073	7,464
<b>Governance</b>					
Representation	376,439	921,587	545,148	538,108	
<b>Internal Functions</b>	5,487,683	4,813,252	(674,431)	(651,998)	121,316
<b>External funding of capital expend.*</b>	2,817,572		(2,817,572)	(2,434,413)	
<b>Eliminate internal recoveries**</b>	(5,730,732)	(6,279,732)			
	<b>13,319,112</b>	<b>38,342,167</b>	<b>25,572,055</b>	<b>26,424,930</b>	<b>9,636,691</b>
* Includes NZTA subsidy for roading renewals					
** Includes rates paid for council properties					
			Capital expenditure	9,636,691	13,542,650
			Add loan principal repayments	2,279,137	2,272,940
			Less loan funds applied to capex	(2,032,611)	(3,655,100)
			Less finance lease funds applied	(2,663)	-
			Transfers to reserves	2,297,123	1,227,320
			Transfers from reserves	(4,849,789)	(6,862,750)
				<b>32,899,942</b>	<b>32,949,990</b>
			Depreciation not funded from rates	(6,114,147)	(6,239,490)
			<b>Rates Requirement</b>	<b>\$26,785,795</b>	<b>\$26,710,500</b>

## Notes to the Accounts

Note 3

RATES REVENUE		Notes	\$	\$	\$
			Actual	Plan	Last Year
			2015/16	2015/16	2014/15
excluding metered water supply rates					
	Gross MDC Rates Levied		26,576,471	26,525,822	25,713,764
less	Rates levied on Council properties		(549,000)	(559,000)	(514,677)
plus	Rates Penalties		387,427	190,000	364,125
less	Rates Remissions	30	(338,163)	(95,000)	(303,292)
less	Discounts on prompt payment		-	-	(28,241)
			26,076,735	26,061,822	25,231,679
Rural Sewerage capital contributions			160,818	89,678	244,528
<b>Total Revenue From Rates</b>			<b>\$26,237,553</b>	<b>\$26,151,500</b>	<b>\$25,476,207</b>

## Notes to the Accounts

Note 4

SUBSIDIES AND GRANTS		Actual	Plan	Last Year
		2015/16	2015/16	2014/15
	Roading subsidies NZTA	4,054,033	4,597,049	3,827,847
	Other Government grants	170,357	153,100	173,931
	Other grants	77,879	42,150	122,694
<b>Total Subsidies and Grants</b>		<b>\$4,302,269</b>	<b>\$4,792,299</b>	<b>\$4,124,472</b>
OTHER REVENUE				
	Regulatory fee revenue	1,362,319	1,427,940	1,249,249
	Rental revenue	885,991	950,090	870,699
	Solid waste user charges	2,616,903	2,457,050	2,378,797
	Other user charges and recoveries	1,881,469	1,701,180	1,464,406
	Metered water & sewer rates charged in CDC area	206,333	186,900	187,376
	Infringements and fines	94,817	95,000	104,806
	Local authority petrol tax	176,851	170,000	175,826
	Sub total	7,224,684	6,988,160	6,431,159
	Revenue recognised from vested assets	556,340	-	818,178
<b>Total Other Revenue</b>		<b>\$7,781,024</b>	<b>\$6,988,160</b>	<b>\$7,249,337</b>

There are no unfulfilled conditions or other contingencies attached to government grants recognised.

Annual Rates Revenue - per LGFA Guarantee and Indemnity Deed	Actual	Last Year
Rates revenue per Note 3 (includes rural sewerage capital contributions)	26,237,553	25,476,207
Targeted water supply rates (metered water)	164,827	148,586
Rates levied in Carterton District for sewerage	41,506	38,790
	<b>\$26,443,886</b>	<b>\$25,663,583</b>

## Notes to the Accounts

Note 4a

OTHER GAINS/(LOSSES)		\$ Actual	\$ Plan	\$ Last Year
		2015/16	2015/16	2014/15
<b>Gains</b>	Forestry asset revaluation gain	226,562	21,047	89,767
	Property, plant and equipment gains on disposal	17,732	-	12,508
	Library books revaluation gain	25,956	-	-
	Carbon credits (on forestry) value gain	58,395	-	24,953
	Investment property revaluation gains	-	-	34,000
	Total non-financial instrument gains	328,645	21,047	161,228
	Gain on valuation of financial assets (fair value thru surplus/deficit)	234,676	-	238,169
	Gain on mark-to-market valuation of cash flow hedges *	-	-	-
<b>Total Gains</b>		<b>563,321</b>	<b>21,047</b>	<b>399,397</b>
<b>Losses</b>	Forestry asset revaluation loss	-	-	-
	Carbon credits revaluation loss on forestry	-	-	-
	Property, plant and equipment losses on disposal	(742,660)	-	(972,645)
	Library books revaluation loss	-	-	(3,617)
	Investment property revaluation losses	-	-	-
	Total non-financial instrument losses	(742,660)	-	(976,262)
	Loss on valuation of financial assets (fair value thru surplus/deficit)	-	-	-
	Loss on mark-to-market valuation of cash flow hedges *	(2,412,410)	-	(2,282,340)
<b>Total Losses</b>		<b>(3,155,070)</b>	<b>-</b>	<b>(3,258,602)</b>

\* 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 PBE IPSAS 29.

## Notes to the Accounts

## Note 4b

<b>REVENUE ANALYSIS - Exchange &amp; Non-exchange</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>Actual</b>	<b>Plan</b>	<b>Last Year</b>
	<b>2015/16</b>	<b>2015/16</b>	<b>2014/15</b>
<b>Exchange Revenue</b>			
Finance revenue	819,687	777,800	976,507
Rental revenue	885,991	950,090	870,699
Solid waste user charges	2,616,903	2,457,050	2,378,797
Other user charges and recoveries	1,881,469	1,701,180	1,456,455
Metered water & sewer rates charged in CDC area	206,333	186,900	187,376
<b>Total Exchange Revenue</b>	<b>\$6,410,384</b>	<b>\$6,073,020</b>	<b>\$5,869,834</b>
<b>Non-Exchange Revenue</b>			
Rates revenue	26,237,553	26,151,500	25,476,207
Financial contributions	416,132	377,820	425,853
Subsidies and grants	4,302,269	4,792,299	4,124,472
Regulatory fee revenue	1,362,319	1,427,940	1,249,249
Infringements and fines	94,817	95,000	104,806
Local authority petrol tax	176,851	170,000	175,826
Assets vested from developments/subdivisions	556,340	-	818,178
Other gains	563,321	-	399,397
<b>Total Non-Exchange Revenue</b>	<b>\$33,709,602</b>	<b>\$33,014,559</b>	<b>\$32,773,988</b>
<b>Total Revenue</b>	<b>\$40,119,986</b>	<b>\$39,087,579</b>	<b>\$38,643,822</b>
<b>Explanation of the Analysis</b>			
Revenue may be derived from either exchange or non-exchange transactions.			
<b>Revenue from exchange transactions</b>			
This revenue arises where the Council provides goods or services to another entity or individual and directly receives approximately equal value in a willing arm's length transaction (primarily in the form of cash in exchange).			
<b>Revenue from non-exchange transactions</b>			
This revenue arises when the Council receives value from another party without giving approximately equal value directly in exchange for the value received.			
<b>Approximately equal value</b>			
Approximately equal value is considered to reflect a fair or market value, which is normally commensurate with an arms length commercial transaction between a willing buyer and willing seller. Some goods or services that Council provides (e.g. the sale of goods at market rates) are defined as being exchange transactions. Only a few services provided by Council operate on a full user pays, cost recovery or breakeven basis and these are considered to be exchange transactions unless they are provided at less than active and open market prices. Most of the services that Council provides for a fee are subsidised by rates and therefore do not constitute an approximately equal exchange. Accordingly most of Council's revenue is categorised as non-exchange.			
<b>Broad category basis</b>			
Due to the volume of transactions, classifying revenue as exchange or non-exchange is on a broad category basis where the deciding factor is the nature of the main proportion of transactions within any revenue stream.			

## Notes to the Accounts

## Note 5

<b>FINANCE REVENUE &amp; FINANCE COSTS</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Finance revenue</b>	<b>Actual</b>	<b>Plan</b>	<b>Last Year</b>
	<b>2015/16</b>	<b>2015/16</b>	<b>2014/15</b>
Interest Revenue on:			
- financial assets held/invested by MDC	462,978	377,800	598,965
- financial assets managed by ANZ Investments Ltd	356,709	400,000	369,591
<b>Total finance revenue</b>	<b>819,687</b>	<b>777,800</b>	<b>968,556</b>
<b>Finance costs</b>			
Interest expense:			
- on bank borrowings	199,831	670,379	569,306
- on LGFA bonds	2,408,101	2,500,000	2,242,709
- on Secure Floating Note (FRN)	224,550		228,111
- on finance leases	1,577	2,000	2,124
Discount unwind on provisions (Note 23)	12,900	10,000	14,971
<b>Total finance costs</b>	<b>2,846,958</b>	<b>3,182,379</b>	<b>3,057,221</b>
<b>Net Finance Costs/(Revenue)</b>	<b>\$2,027,271</b>	<b>\$2,404,579</b>	<b>\$2,088,665</b>

## Notes to the Accounts

## Note 6

PERSONNEL COSTS	Actual	Plan	Last Year
	2015/16	2015/16	2014/15
Salaries & wages	5,882,564	5,886,506	5,677,346
Mayor & Councillors' honorariums	364,446	362,600	345,998
Medical insurance (incl FBT)	181,771	156,111	152,191
Superannuation - employer contributions	235,817	231,141	209,433
Incr/(Decr) in employee benefits liability	141,541	-	69,649
<b>Total Personnel costs</b>	<b>\$6,806,137</b>	<b>\$6,636,358</b>	<b>\$6,454,617</b>

## Notes to the Accounts

## Note 7

OTHER EXPENSES	Actual	Plan	Last Year
	2015/16	2015/16	2014/15
Fees to principal auditor:			
- for annual report	105,701	107,000	103,783
- for LTP/projects	6,600	5,001	66,000
Donations	6,663	9,000	11,631
Grants - funding community development	566,205	478,400	543,777
Grants - funding arts & culture	307,350	307,000	306,146
Grants - funding economic development	418,884	445,999	487,166
ACC levies	12,923	38,966	33,581
Inventories (change in value)	(5,483)	-	(2,680)
Impairment of receivables	9,022	1,700	12,741
Election costs (net of recoveries)	34,785	0	477
Civic entertainment costs	7,590	14,000	12,024
Ceremonies & presentations	4,422	7,000	6,878
Other operating expenses	16,316,090	16,734,877	15,511,886
<b>Total other expenses</b>	<b>\$17,790,752</b>	<b>\$18,148,943</b>	<b>\$17,093,410</b>

## Notes to the Accounts

## Note 7a

COST OF SERVICE STMT RECONCILIATION - Note 2 to Other Notes		
Revenue	Actual	Plan
	2015/16	2015/16
Financial Contributions	416,132	377,820
Subsidies and grants (per note 4)	4,302,269	4,792,299
Other Revenue (per Note 4)	7,781,024	6,988,160
Finance Revenue (per Note 5)	819,687	777,800
Total Operating Revenue (per Note 2)	13,319,112	12,936,079
<b>Expenditure</b>		
Personnel Costs (per Note 6)	6,806,137	6,636,358
Other Expenses (per Note 7)	17,790,752	18,148,943
Finance Costs (per Note 5)	2,846,958	3,182,379
Depreciation (per Notes 12,13,14)	10,898,320	10,834,328
Total Operating Expenditure (per Note 2)	\$38,342,167	\$38,802,008
Add back MDC rates on Council properties (net of discount)	549,000	559,000
<b>Net Operating Cost</b>	<b>\$25,572,055</b>	<b>\$26,424,930</b>

## Notes to the Accounts

## Note 8

INVENTORIES		\$
30 June 2015		30 June 2016
	Held for distribution inventory:	
81,009	Water & sewer reticulation spares	80,920
6,025	Street furniture & pavers	5,773
58,553	Water treatment chemicals	51,896
22,342	Pre-paid envelopes	26,053
	Commercial inventory:	
15,970	Rubbish bags & bins	12,747
0	Baleage - ex Homebush	16,575
25,380	Miscellaneous items	20,799
<b>\$209,279</b>	<b>Total Stock</b>	<b>\$214,763</b>

DEBTORS & OTHER RECEIVABLES		\$
30 June 2015		30 June 2016
577,620	Rates receivables	591,406
413,134	Roading subsidies receivable	1,297,388
1,273,277	Sundry debtors & receivables	1,366,586
46,179	GST receivable	193,193
160,115	Prepayments	124,257
<b>2,470,325</b>		<b>3,572,831</b>
(146,658)	- less provision for doubtful debts	(184,568)
<b>\$2,323,667</b>	<b>Total Debtors &amp; Other Receivables</b>	<b>\$3,388,263</b>
<i>Total receivables comprise:</i>		
943,772	Receivables from exchange transaction	1,118,305
1,379,895	Receivables from non-exchange transaction	2,269,958

*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 rates. Ratepayers can apply for payment plan options to allow them to catchup. The value of those debts is not considered significant enough to calculate discounted values.

*Exchange & Non-Exchange*

Receivables from exchange transactions includes outstanding amounts for commercial sales, fees & charges that have not been subsidised by rates.

Receivables from non-exchange transactions includes outstanding amounts for rates, grants, infringements & fees and charges that are partly subsidised by rates.

The status of receivables as at 30 June 2015 and 2016 are detailed below:

30 June 2015		30 June 2016
1,655,252	Not past due	2,678,299
300,816	Past due 1-60 days	312,093
115,720	Past due 61-120 days	176,757
398,537	Past due > 120 days	405,682
<b>\$2,470,325</b>	<b>Total</b>	<b>\$3,572,831</b>

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 2015		30 June 2016
47,670	Individual impairment	56,372
98,988	Collective impairment	128,196
<b>\$146,658</b>	<b>Total provision for impairment</b>	<b>\$184,568</b>

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 2015		30 June 2016
0	Past due 1-60 days	0
609	Past due 61-120 days	302
47,061	Past due > 120 days	56,071
<b>\$47,670</b>	<b>Total individual impairment</b>	<b>\$56,372</b>

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

30 June 2015		30 June 2016
130,144	At 1 July	146,658
28,302	Additional provisions made during the year	45,996
(7,397)	Provisions reversed during the year	(8,086)
(4,391)	Receivables written off during the year	-
<b>\$146,658</b>	<b>As At 30 June</b>	<b>\$184,568</b>

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

**CASH & CASH EQUIVALENTS**

\$

**30 June 2015****30 June 2016**

641,805	Cash at bank and in hand	1,118,732
3,680,000	Short term deposits of 3 months or less (from acquisition)	2,500,000

**\$4,321,805****Total cash and cash equivalents****\$3,618,732**

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 \$209,840 (2015 = \$209,546).

**OTHER FINANCIAL ASSETS**

\$

\$

**30 June 2015****Current***Notes***30 June 2016**

3,515,735	Short term deposits - maturities > 3 but less than 12 mths	*2	3,515,118
1,012,102	Corporate bonds & Borrower Notes (LGFA)	*4	509,323
1,031,673	Investments held by fund manager	*3	1,245,146
<b>\$5,559,510</b>	<b>Total Current Portion of Financial Assets</b>		<b>\$5,269,587</b>

**Non-current****Investments in CCO's & other similar entities**

252,676	Shares (NZLGFA & NZLGIC )	*1	285,756
688,054	Borrower notes (NZ LGFA)	*5	778,271
<b>\$940,730</b>			<b>\$1,064,027</b>

**Investments in other entities**

21,147	Shares (Airtel)	*1	21,147
2,338,013	Corporate bonds	*4	1,861,856
32,130	NZ Units - Carbon Credits on forestry	*7	90,525
0	Long term deposits - maturities > than 12 mths	*8	1,000,000
5,947,060	NZ fixed interest investments held by fund manager		6,329,077
<b>\$8,338,350</b>			<b>\$9,302,605</b>

\$9,279,080	Total Non-Current Portion of Financial Assets	\$10,366,632
\$14,838,590	Total Other Financial Assets	\$15,636,220

**Internal loans/investments**

\$4,448,249	Balance at 30 June (also see Note 24)	*6	\$6,168,013
<b>\$23,608,644</b>	<b>Total Funds On Hand or Invested (including Cash &amp; Internal)</b>		<b>\$25,422,964</b>

**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 revenue & expense' and consist of: 127,230 New Zealand Local Government Insurance Corporation Ltd fully paid ordinary \$1.00 shares valued at \$ 1.46 each, 13,300 Airtel Ltd shares valued at \$1.59 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 three financial institutions, as per the Council's investment policy and are valued as 'held to maturity'.
- \*3 ANZ Investments are contracted to actively manage a portfolio of fixed interest investments 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 revenue & expense'.
- \*5 The Council holds \$778,271 of borrower notes issued by NZ LGFA (incl accrued interest), valued at 'fair value through comprehensive revenue & expense'. 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 5,100 NZU carbon credits, based on it's forestry area. These have been re valued at the estimated carbon price at 30 June 2016 of \$17.75 per NZU.
- \*8 Two bank deposits have maturity dates which range from 2 to 3 years.



<b>PROPERTY PLANT &amp; EQUIPMENT</b>												
<b>2016</b>	Original Cost/ Valuation 30-Jun-15	Accum. Depreciation 30-Jun-15	Carrying Amount 30-Jun-15	Current Year Additions	Vested Assets *3	Current Year Disposals *1	Current Year Transfers/ Adjustments *2	Current Year Depreciation	Current Year Revaluation	Original Cost/ Valuation 30-Jun-16	Accum. Depreciation 30-Jun-16	Carrying Amount 30-Jun-16
<b>Operational Assets</b>												
Land	47,357,001	-	47,357,001	264,119		(81,812)				47,539,309	-	47,539,309
Buildings	37,433,680	-	37,433,680	479,876		(60,937)	24,300	(1,820,729)	-	37,876,918	(1,820,730)	36,056,189
Plant & vehicles	3,526,790	(1,929,850)	1,596,940	188,456		(9,551)		(243,382)		3,649,469	(2,117,006)	1,532,462
Equipment & furniture	4,496,609	(3,146,784)	1,349,825	296,824		(1,963)		(290,619)		4,759,006	(3,404,942)	1,354,064
Office equip (finance lease)	46,496	(35,984)	10,512	2,663		-		(5,480)		49,159	(41,464)	7,695
Library books	472,053	-	472,053	153,020		(16,410)		(165,393)	25,956	469,227	-	469,227
Work in progress	24,300	-	24,300	18,571			(24,300)			18,571	-	18,571
<b>Total operational assets</b>	<b>93,356,929</b>	<b>(5,112,618)</b>	<b>88,244,311</b>	<b>1,403,528</b>		<b>(170,671)</b>	<b>-</b>	<b>(2,525,604)</b>	<b>25,956</b>	<b>94,361,659</b>	<b>(7,384,142)</b>	<b>86,977,516</b>
<b>Infrastructural Assets</b>												
Land (under roads)	85,040,939	-	85,040,939	0	116,100	(5,851)		-		85,151,188	-	85,151,188
Roading network	424,663,929	(4,561,003)	420,102,926	4,145,027	179,266	(189,140)	135,365	(4,480,030)		428,934,447	(9,041,033)	419,893,414
Water treatment plant - Masterton	9,627,490	(395,788)	9,231,702	180,556		(22,313)		(419,111)		9,785,733	(814,899)	8,970,833
Water reticulation (incl rural supplies)	28,357,492	(755,432)	27,602,060	176,886	52,623	(23,146)	-	(765,620)		28,563,855	(1,521,052)	27,042,803
Sewerage treatment plant - Masterton	32,515,740	(578,218)	31,937,522	191,792		-	-	(580,487)		32,707,532	(1,158,706)	31,548,827
Sewerage reticulation - Masterton	27,041,437	(1,171,802)	25,869,636	2,134,558	133,772	(333,690)	250,271	(1,183,634)		29,226,348	(2,355,436)	26,870,912
Sewerage systems - rural *4	8,998,859	(225,335)	8,773,524	46,751		(20,629)		(226,827)		9,024,981	(452,162)	8,572,819
Stormwater assets	15,303,957	(282,691)	15,021,266	44,687	74,579	-		(284,858)		15,423,223	(567,549)	14,855,674
Flood protection & control works	4,235,000	(59,169)	4,175,831	14,347		(14,997)		(58,247)		4,234,349	(117,416)	4,116,934
Other infrastructure	4,195,000	(75,114)	4,119,886					(75,114)		4,195,000	(150,227)	4,044,773
Work in progress	449,797	-	449,797	623,349		-	(429,369)			643,776	-	643,776
<b>Total infrastructural assets</b>	<b>640,429,641</b>	<b>(8,104,552)</b>	<b>632,325,089</b>	<b>7,557,953</b>	<b>556,340</b>	<b>(609,767)</b>	<b>(43,733)</b>	<b>(8,073,927)</b>	<b>-</b>	<b>647,890,433</b>	<b>(16,178,479)</b>	<b>631,711,954</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>\$ 733,786,570</b>	<b>(\$13,217,170)</b>	<b>\$ 720,569,400</b>	<b>\$ 8,961,481</b>	<b>\$ 556,340</b>	<b>(\$780,438)</b>	<b>(\$43,733)</b>	<b>(\$10,599,531)</b>	<b>\$ 25,956</b>	<b>\$ 742,252,091</b>	<b>(\$23,562,621)</b>	<b>\$ 718,689,470</b>

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 at fair value as determined by market based evidence as at 30 June 2015. For buildings this largely involved the Optimised Depreciated Replacement Cost methodology.

The valuation undertaken by Jones Lang LaSalle, registered valuers.

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

Infrastructural assets (at fair value determined on an Optimised Depreciated Replacement Cost) were revalued as at 30 June 2014 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.

There have been no events or changes in circumstances over the year that have required any adjustments for impairment.

\*1 Disposals are reported net of accumulated depreciation.

\*2 In the Transfers & Adjustments column \$453,669 was transferred out of work in progress as detailed below:

In operational, the QE Park oval cricket wicket was finished.

In infrastructural assets, Manawa (Black Swamp) bridge, Jetty Rd roading work, two sewerage main replacement projects and Homebush land exchange were completed.

\*3 Vested Assets include roading, water, sewer & stormwater assets transferred to the Council from completion of the Stage One of a subdivision off Solway Crescent.

\*4 Rural sewerage systems at Riversdale Beach, Castlepoint and Tinui have not been split into treatment and reticulation components, but the value split is estimated at 29%/71% (treatment/retic).

## PROPERTY PLANT &amp; EQUIPMENT

2015

	Original Cost/ Valuation 30-Jun-14	Accum. Depreciation 30-Jun-14	Carrying Amount 30-Jun-14	Current Year Additions	Vested Assets *3	Current Year Disposals *1	Current Year Transfers/ Adjustments *2	Current Year Depreciation	Current Year Revaluation	Original Cost/ Valuation 30-Jun-15	Accum. Depreciation 30-Jun-15	Carrying Amount 30-Jun-15
<b>Operational Assets</b>												
Land	47,527,380	-	47,527,380	32,509					(202,888)	47,357,001	-	47,357,001
Buildings	37,396,064	(3,263,495)	34,132,569	1,180,983		(49,892)	49,892	(1,693,529)	3,813,657	37,433,680	-	37,433,680
Plant & vehicles	2,843,906	(1,777,584)	1,066,322	718,350		(5)	26,600	(214,327)		3,526,790	(1,929,850)	1,596,940
Equipment & furniture	4,056,324	(2,926,642)	1,129,682	489,123		(6,667)	5,335	(267,648)		4,496,609	(3,146,784)	1,349,825
Office equip (finance lease)	46,496	(26,657)	19,839	0		-		(9,327)		46,496	(35,984)	10,512
Library books	482,234	-	482,234	152,157		(15,742)		(142,979)	(3,617)	472,053	-	472,053
Work in progress	81,827	-	81,827	24,300			(81,827)			24,300	-	24,300
<b>Total operational assets</b>	<b>92,434,231</b>	<b>(7,994,378)</b>	<b>84,439,853</b>	<b>2,597,422</b>		<b>(72,306)</b>	<b>0</b>	<b>(2,327,810)</b>	<b>3,607,152</b>	<b>93,356,929</b>	<b>(5,112,618)</b>	<b>88,244,311</b>
<b>Infrastructural Assets</b>												
Land (under roads)	84,951,000		84,951,000	0	89,939					85,040,939	-	85,040,939
Roading network	420,886,000		420,886,000	3,653,160	382,073	(257,304)		(4,561,003)		424,663,929	(4,561,003)	420,102,926
Water treatment plant & facilities - Masterton	8,254,000		8,254,000	430,572		(1,170)	944,088	(395,788)		9,627,490	(395,788)	9,231,702
Water reticulation (incl rural supplies)	27,466,000		27,466,000	1,069,998	93,161	(291,827)	20,160	(755,432)		28,357,492	(755,432)	27,602,060
Sewerage treatment plant - Masterton	30,510,000		30,510,000	2,005,740		-	-	(578,218)		32,515,740	(578,218)	31,937,522
Sewerage reticulation - Masterton	24,905,000		24,905,000	2,089,089	156,035	(317,203)	208,516	(1,171,802)		27,041,437	(1,171,802)	25,869,636
Sewerage systems - rural *4	8,966,000		8,966,000	34,992		(2,133)		(225,335)		8,998,859	(225,335)	8,773,524
Stormwater assets	15,083,000		15,083,000	167,672	96,970	(43,685)		(282,691)		15,303,957	(282,691)	15,021,266
Flood protection & control works	4,235,000		4,235,000					(59,169)		4,235,000	(59,169)	4,175,831
Other infrastructure	4,195,000		4,195,000					(75,114)		4,195,000	(75,114)	4,119,886
Work in progress	1,271,898	-	1,271,898	359,427		(8,764)	(1,172,764)			449,797	-	449,797
<b>Total infrastructural assets</b>	<b>630,722,898</b>	<b>-</b>	<b>630,722,898</b>	<b>9,810,650</b>	<b>818,178</b>	<b>(922,086)</b>	<b>(0)</b>	<b>(8,104,552)</b>	<b>-</b>	<b>640,429,641</b>	<b>(8,104,552)</b>	<b>632,325,089</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>\$ 723,157,129</b>	<b>(\$7,994,378)</b>	<b>\$ 715,162,751</b>	<b>\$ 12,408,071</b>	<b>\$ 818,178</b>	<b>(\$994,392)</b>	<b>\$ 0</b>	<b>(\$10,432,362)</b>	<b>\$ 3,607,152</b>	<b>\$ 733,786,570</b>	<b>(\$13,217,170)</b>	<b>\$ 720,569,400</b>

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 at fair value as determined by market based evidence as at 30 June 2015. For buildings this largely involved the Optimised Depreciated Replacement Cost methodology.

The valuation undertaken by Jones Lang LaSalle, registered valuers.

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

Infrastructural assets (at fair value determined on an Optimised Depreciated Replacement Cost) were revalued as at 30 June 2014 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.

There have been no events or changes in circumstances over the year that have required any adjustments for impairment.

\*1 Disposals are reported net of accumulated depreciation.

\*2 In the Transfers & Adjustments column \$1,254,591 was transferred out of work in progress as detailed below:

In operational, a heat pump at the Genesis Recreation Centre was fully commissioned, McJorow Playground was finished and initial design costs for Riversdale Toilets written off as not to be Council owned.

In infrastructural assets, the Water Filter, roading median work, one rural water upgrade and two sewerage main replacement projects were completed.

\*3 Vested Assets include roading, water, sewer & stormwater assets transferred to the Council from completion of the Casel Mews & Totara Estate Subdivisions.

\*4 Rural sewerage systems at Riversdale Beach, Castlepoint and Tinui have not been split into treatment and reticulation components, but the value split is estimated at 29/71 (treatment/retic).

## Notes to the Accounts

## Note 14

INTANGIBLE ASSETS	\$		\$	\$		\$
	2015	2015	2015	2016	2016	2016
	Computer Software	Resource Consents	Total	Computer Software	Resource Consents	Total
Opening Original Cost	885,546	6,486,533	7,372,079	965,360	6,587,155	7,552,514
Opening Accum. Amortisation	(818,231)	(2,162,576)	(2,980,807)	(852,753)	(2,414,431)	(3,267,184)
Carrying Amount (start of year)	67,315	4,323,957	4,391,272	112,607	4,172,724	4,285,330
Additions	84,129	100,622	184,751	25,993	79,377	105,371
Disposals (net BV)	(2,067)	-	(2,067)	(1)	(1)	(2)
Amortisation Change	(36,770)	(251,855)	(288,625)	(46,508)	(252,281)	(298,789)
Closing Original Cost	965,360	6,587,155	7,552,515	947,312	6,655,346	7,602,659
Closing Accum. Amortisation	(852,753)	(2,414,431)	(3,267,184)	(855,221)	(2,655,528)	(3,510,749)
Carrying Amount (end of year)	112,607	4,172,724	\$ 4,285,331	92,091	3,999,819	\$ 4,091,910
Work in progress	-	-	\$ -	13,500	-	\$ 13,500
	112,607	4,172,724	\$ 4,285,331	105,591	3,999,819	\$ 4,105,410

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.

## Notes to the Accounts

## Note 15

FORESTRY ASSETS	Actual 2016	Actual 2015
Opening balance 1 July	549,203	459,436
Gains/(losses) arising from changes in fair value	226,562	89,767
Decreases due to harvest	(325,336)	
Balance at 30 June	\$ 450,429	\$ 549,203

There are no restrictions over the title of MDC's forestry assets, nor are any assets pledged as security for liabilities. The Council's investments in forestry total 60.2 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 18 separate blocks are recognised, measured and valued. Blocks vary in size from 0.3 ha to 18 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.

Registered valuers Woodnet Ltd (Stuart Orme) have valued the forestry assets as at 30 June 2016, in accordance with PBE IPSAS 27. A discount rate of 8% has been used to discount the present value of expected cash flows on forests greater than 5 years old. A compound rate of 3% has been used on younger stands. Notional land rental costs have been included for freehold land. The forests have been valued on a going concern basis and includes the value of the existing crops on a single rotation basis. Log prices are based on a 12 quarter average for the lower North Island.

The valuation does not include any value in respect of carbon trading opportunities. As Council's forestry assets are and not held for investing purposes, no measures have been taken to manage risks of a decline in log prices.

## Notes to the Accounts

## Note 16

INVESTMENT PROPERTY	Actual 2016	Actual 2015
Opening balance 1 July	2,087,000	2,053,000
Acquisitions / (Disposals)	-	-
Fair value gains/(losses) on valuation		34,000
Balance at 30 June	\$ 2,087,000	\$ 2,087,000

MDC's investment properties are valued at fair value effective 30 June 2016. All investment properties were valued on open market evidence. The valuation was performed by Nigel Fenwick NZIV, of Jones Lang LaSalle.

The fair value of the seven properties has remained the same for the year ended 30th June 2016.

**Further information about the revenue & expenses in relation to investment property as required per IPSAS 16.86 is listed below:**

	2016	2015
Rental Revenue	28,944	19,458
Expenses from investment property generating Revenue	13,652	12,759
Expenses from investment property not generating Revenue	4,496	3,771
Contractual obligations for capital expenditure	-	-
Contractual obligations for operating expenditure	-	-

CAPITAL EXPENDITURE SUMMARY				Source of Funding				
Activity	Project	2015/16 Plan	2015/16 Actual	Rates	Reserves	Other		
<b>Roading</b> <i>(Renewal/New)</i>								
Roading	Roading renewals - rural	R 2,392,200	2,069,622	824,235		1,245,387 *2		
	Roading renewals - urban	R 633,700	587,866	259,084		328,782 *2		
	Bridge renewals	R 720,000	719,684	0	309,464	410,220 *2		
	Urban footpath renewals	R 380,000	217,147		217,147			
	Rural/Urban minor improvements	N 612,000	473,990	263,216		210,774 *2		
	CBD footpaths upgrade	N 270,000	250,169		170,000	80,169 *3		
	Car park seal renewals	R 54,000	-					
	Street Furniture/Flagpoles	R 23,321	23,321	15,712	7,609			
	Streetscape/neighbourhood upgrades	N 383,600	216,109		100,000	116,109 *1&3		
	Railway station streetscape upgrade	N 10,000	-					
<b>Water Services</b>								
Urban Water Tmt.	Water treatment plant equip. renewal	R 125,000	164,888		164,888			
	Water tmt Upper Plain chlorination	N 20,000	11,154		11,154			
	Water treatment - buildings & grounds	R 39,000	8,571		8,571			
	Water tmt filter refurb & renewal	R -	64,869			64,869 *1		
Urban Water Retic.	Water reticulation - mains renewals	R 2,150,000	166,427		166,427			
	Water reticulation - connections	R 200,000	73,812		60,720	13,092 *3		
	Reservoir upgrades	R 45,000	23,174		23,174			
Rural Water	Tinui water supply upgrade	R 5,000	9,397			9,397 *1		
	Opaki water race weir construction	R -	6,048		6,048			
	Wainuioru water supplies upgrades	R 20,000	34,462		34,462			
<b>Sewerage Services</b>								
Urban Sewerage	Homebush sewerage plant upgrade	N 370,000	424,886		27,750	397,136 *1		
	Sewerage reticulation mains renewals	R 1,100,000	2,267,949		1,022,023	1,245,927 *1&3		
	Reticulation - hydraulic modelling	N 150,000	-					
Rural Sewerage	Riversdale sewerage scheme	R -	46,751			46,751 *1		
<b>Stormwater Services</b>								
Stormwater	Stormwater - renewals	R 150,000	14,346		14,346			
<b>Solid Waste Services</b>								
Solid Waste	Special Waste Facilities	N 100,000	109,207			109,207 *1&3		
	Nursery Road land fill capping	R 335,000	-					
	Transfer Station Roof & upgrades	N 200,000	26,833		26,833			
<b>Community Facilities/Activities</b>								
Parks & Reserves	Q. E. Park renewal project	R 150,000	9,683		9,683			
	Playground upgrades	R 50,000	-					
	Street trees additions & replacements	N 16,750	11,259		11,259			
	Henley Lake upgrades	N 11,000	-					
	Recreational trails	N 40,000	1,950		1,950			
	Clarke Memorial power & trees	R 90,000	27,461		27,461			
	Netball facility upgrade	R 320,000	-					
	QE Park grandstand upgrade	R 200,000	26,313		26,313			
	Urban Reserve upgrades	N 70,000	10,630		10,630			
	Sports facilities upgrades	R 140,000	38,788		38,788			
	South Park upgrades	R 6,000	-					
	Beach rubbish bins & signs	R -	4,233		4,233			
Recreation Centre	Outdoor pool upgrades	R 35,000	-					
	Plant & equipment	R 65,000	63,934		63,934			
Cemeteries	Cemetery renovation & extension	R 10,000	-					
Library	Library book purchases	R 175,000	153,020		153,020			
	Computer & equipment upgrades	R 62,000	39,669		37,006	2,663 *5		
	Library building & furniture upgrades	R 29,000	46,032		46,032			
	Library shelving & redecoration	R 20,000	7,430		7,430			
<i>sub totals to carry forward to next page</i>				\$ 11,954,250	\$ 8,451,083	\$ 1,362,248	\$ 2,808,353	\$ 4,280,482

CAPITAL EXPENDITURE SUMMARY		2015/16	2015/16	Source of Funding		
Activity	Project	Plan	Actual	Rates	Reserves	Other
sub totals carried forward		\$ 11,954,250	\$ 8,451,083	\$ 1,362,248	\$ 2,808,353	\$ 4,280,482
District Building	District Building facilities & equip	R 50,000	23,411		23,411	
	Building upgrades	R 335,000	-			
	Backup generator	R 35,000	-			
Elderly Housing	Pensioner housing renewals	R 136,900	67,017		67,017	
Other Property	Public conveniences - misc items	R 25,000	2,384		2,384	
	Public conveniences - Riversdale	N 250,000	-			
	Rental & other property upgrades	R 50,000	7,117		7,117	
	Rural Hall upgrades	R 15,000	5,266		5,266	
	Land purchase 44-52 Queen St	N -	264,119		264,119	
Airport	Airport upgrades incldg. lights	R 195,000	-			
Mawley Park	Mawley Park facility upgrades	R 35,000	2,998		2,998	
Economic Devlpmt	CBD security cameras & public WiFi	R 20,000	20,904		4,880	16,024 *1
	Town Square	N 5,000	-			
	Decorative lighting (upgrade LED)	N 31,000	-			
	Signage & promotional signs	N 51,000	-			*3
<b>Regulatory Services</b>						
Environ. Health	Testing equipment	R 8,000	8,016		8,016	
Rural Fire	Rural fire capital upgrades	R 40,000	7,464		7,464	
Building Control	Building control - equipment	R 14,000	14,144		14,144	
Gen. Inspection	Vehicle replacements	R 92,000	82,948		82,948	
Animal Control	Animal control - equipment	R 1,500	-			
Parking	Parking meter (new)	N -	2,165		2,165	
<b>Internal Functions</b>						
Corporate Serv.	Computer and office equip upgrades	R 89,000	91,034		91,034	
	Website Upgrade	N 40,000	7,000		7,000	
	Document Management system c/fwd	N 70,000	6,500		6,500	
Asset Management	Asset Management system (c/fwd)	N -	6,888		6,888	
Roading Advisory Services		R -	9,894		9,894	
<b>Vested Assets (acquired from subdivision)</b>						
	Solway Crescent subdivision stage I	V -	556,340			556,340 *4
<b>Total Capital Expenditure</b>		<b>\$ 13,542,650</b>	<b>\$ 9,636,691</b>	<b>\$ 1,362,248</b>	<b>\$ 3,421,597</b>	<b>\$ 4,852,846</b>
*1 New External loan funding totals \$0 and internal loans total \$2,032,611						
*2 NZ Transport Agency subsidies on roading capital and renewals expenditure totals \$2,195,162						
*3 External grants & contributions towards asset purchases \$66,070						
*4 Vested assets from subdivision include; Roading \$295,366; Water \$52,623; Sewer \$133,772 & Stormwater \$74,579.						
*5 Finance Lease funding photocopier at Library \$2,663						
<b>Capital Expenditure Analysis</b>		<b>Plan</b>	<b>Actual</b>			
	Asset Renewals	<b>10,842,300</b>	<b>7,257,493</b>			
	New Assets (improve level of service)	<b>2,700,350</b>	<b>1,822,857</b>			
	Vested Assets	-	<b>556,340</b>			
<b>Work in Progress</b>						
Property, plant and equipment in the course of construction by class of asset is detailed below:						
		<b>2016</b>	<b>2015</b>			
		<b>\$000</b>	<b>\$000</b>			
	Water treatment plant & facilities - Masterton	-	-			
	Water reticulation (incl rural supplies)	154	-			
	Sewerage reticulation - Masterton	133	250			
	Sewerage treatment plant - Masterton	-	44			
	Roading network	356	156			
	Buildings	14	24			
	Plant & vehicles	-	-			
	Equipment & furniture	5	-			
	Computer software & systems under development	14	-			
	<b>Total work in progress</b>	<b>676</b>	<b>474</b>			
<b>Commentary on variances from Plan</b>						
There is commentary provided in each of the Cost of Service statements to describe variances from the planned capital expenditure.						

**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 a number of entities where there is a direct relationship between a Councillor or staff member. These are considered related party transactions and are disclosed below.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Council would have adopted in dealing with the party at arm's length in the same circumstances.

As part of the annual plan process and grants funding decisions during the year, the Council may decide on grants to, or funding of organisations to which there is a related party relationship. The agendas at any meetings where these grants are decided always start off with the declaring of any potential conflicts of interest. The intention of this is that these parties do not unfairly influence the decision. For the sake of public information, the detail below clarifies the potentially more significant relationships.

**Related party transactions disclosed:**

Connecting Communities Wairarapa was paid a total of \$314,516 for a range of community development functions they perform on behalf of the Council. Her Worship the Mayor Lyn Patterson was the Council's appointed member of the Connecting Communities Wairarapa board until February 2016.

Wairarapa Community Centre was given a \$10,000 grant for the operation of the Centre & \$10,000 for the Volunteer Centre. Cr. P. Hannon is a member of the Wairarapa Community Centre Board.

Wairarapa Balloon Society Inc. was given a \$12,000 grant towards the annual balloon festival. Cr. J. Hooker & Mr D. Paris (Manager Finance) are office holders of the Society.

The Huri Huri Festival of Cycling was given an event grant of \$10,000, via Promote Communications Ltd, a company jointly owned by Mr S. Rossiter-Stead (Communications & Marketing Advisor) and his wife.

Cr C. Peterson is a trustee of Masterton Lands Trust, who provided the Council with grant funding of \$29,174.

Cr. C. Peterson is a board member of New Pacific Studio, King Street Artworks and Wairarapa Resource Centre. These organisations received grants from the Council of \$4,900, \$4,000 and \$3,500 respectively.

<b>Transactions with key management personnel</b>		<b>\$ 2015/16</b>	<b>\$ 2014/15</b>
<b>Councillors</b>	Remuneration	\$364,446	\$346,000
	Full-time equivalent members	11	11
<b>Senior Management Team, including the Chief Executive</b>	Remuneration	\$1,077,261	\$1,040,099
	Full-time equivalent members	7.2	7.2
	<b>Total key management personnel remuneration</b>	<b>\$1,441,707</b>	<b>\$1,386,099</b>
	<b>Total full-time equivalent personnel</b>	<b>18.2</b>	<b>18.2</b>

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent is taken as the number of Councillors.

**REMUNERATION - Elected Representatives**

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

		<b>\$ 2015/16</b>	<b>\$ 2014/15</b>
Mayor	Lyn Patterson	93,111	88,338
Deputy Mayor	Graham McClymont	31,415	29,832
Councillor & task group chair	Chris Peterson	27,370	25,990
Councillor & committee chair	Jonathan Hooker	29,750	28,250
Councillor & task group chair	David Holmes	29,290	27,820
Councillor & task group chair	Doug Bracewell	27,370	25,990
Councillor & task group chair	Gary Caffell	27,370	25,990
Councillor & task group chair	Phillipa Hannon	27,370	25,990
Councillor	Brent Goodwin	23,800	22,600
Councillor	Simon O'Donoghue	23,800	22,600
Councillor	Mark Harris	23,800	22,600
		<b>\$ 364,446</b>	<b>\$ 346,000</b>

**REMUNERATION - Chief Executive**

The Chief Executive of the Masterton District Council is appointed under section 42 of the LG Act 2002.

	<b>2015/16</b>	<b>2014/15</b>
Dr Pim Borren's total salary paid, including benefits is:	<u>\$235,255</u>	<u>\$213,749</u>

**REMUNERATION - Council employees**

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

	<b>2016</b>		<b>2015</b>
< \$60,000	67	< \$60,000	55
\$60,000- \$79,999	20	\$60,000- \$79,999	24
\$80,000- \$99,999	15	\$80,000- \$99,999	9
\$100,000-\$119,999	5	\$100,000-\$119,999	5
\$120,000-\$239,999	5	\$120,000-\$219,999	6
<b>Total Employees*</b>	<b>112</b>	<b>Total Employees*</b>	<b>99</b>
<b>Total FTEs</b>	<b>85</b>	<b>Total FTEs</b>	<b>82</b>

\*(includes part time & casuals)

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. At balance date the Council employed 68 (2015 = 65) full-time employees, with the balance of staff representing 17 (2015 = 17) full-time equivalent (FTE) employees.

A full-time employee is determined on the basis of a 40 hour working week.

**SEVERANCE PAYMENTS - Council employees**

For the year ended 30 June 2016, the Council made 1 (2014/15 = 3) severance payments to employees totalling \$10,019 (2015 \$106,789).

The term severance payment includes non-monetary benefits but excludes salary, holiday pay, superannuation contributions and any other contractual entitlements to which the employee was entitled.

**CREDITORS & OTHER PAYABLES**

		<b>\$</b>
<b>30 June 2015</b>		<b>30 June 2016</b>
4,240,309	Trade payables	3,899,402
157,694	Deposits & bonds	173,381
107,398	Agency rates collected - Greater Wellington Regional Council	111,023
700,568	Revenue received in advance	844,996
119,044	Community organisations - funds held in trust	91,154
<b>\$5,325,013</b>		<b>\$5,119,956</b>
<b>Exchange &amp; Non-exchange transactions analysis</b>		
<i>Payables and deferred revenue under exchange transactions:</i>		
3,290,451	Trade payables and accrued expenses	3,319,098
944,570	Contract retentions	572,899
4,235,021		3,891,997
<i>Payables and deferred revenue under non-exchange transactions:</i>		
5,303	Grants Payable	7,415
226,442	Bequests & funds held in Trust	202,176
858,247	Payments received in advance (inclgd bonds)	1,018,368
1,089,992		1,227,959
<b>\$5,325,013</b>	<b>Total payables and deferred revenue</b>	<b>\$5,119,956</b>

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.

## Notes to the Accounts

Note 21

<b>EMPLOYEE BENEFIT LIABILITIES</b>			\$
<b>30 June 2015</b>			<b>30 June 2016</b>
695,095	Staff holiday provision		718,455
69,137	Salaries & wages accrued		188,953
31,597	Councillor's honorariums payable		24,969
13,937	Staff sick leave provision		9,690
6,397	Staff alternative leave provision		2,425
132,834	Staff retirement gratuities		146,047
<b>\$948,998</b>		Total Employee Benefit Liabilities	<b>\$1,090,539</b>
855,139	Comprising:	Current	1,020,727
93,859		Non-current	69,812

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 eight staff having their entitlement frozen, except for salary movements. The discounted rate for future payments is 3.95% (last year 4.6%) 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.

## Notes to the Accounts

Note 22

<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>			\$	Actual
<b>30 June 2015</b>			<b>30 June 2016</b>	
-	<b>Assets</b>		-	
	<b>Non-current</b>	Interest rate swaps - fair value hedges		
	<b>Liabilities</b>			
22,896	<b>Current</b>	Interest rate swaps - fair value hedges	7,752	
2,821,875	<b>Non-current</b>	Interest rate swaps - fair value hedges	5,249,429	
<b>\$2,844,771</b>			<b>\$5,257,181</b>	

**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 calculated using a tool known as Hedgebook.

**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	7.3 years	31/10/23	5.800%
3	2,500,000	8.1 years	30/07/24	5.600%
7	1,000,000	3.8 years	30/03/20	4.950%
9	800,000	5.1 years	20/07/21	4.545%
10	1,200,000	2.3 years	23/10/18	3.705%
11	1,000,000	7.3 years	20/10/23	5.515%
12A	1,500,000	2.4 years	22/11/18	4.140%
13	2,000,000	2.7 years	21/03/19	4.090%
14AA	1,000,000	3.5 years	22/12/19	3.640%
14B	2,000,000	3.0 years	22/06/19	3.315%
15A	2,000,000	0.1 years	25/07/16	3.900%
16A	1,000,000	6.3 years	25/10/22	4.600%
16B	1,000,000	4.8 years	23/04/21	4.490%
17	2,000,000	4.2 years	24/08/20	4.660%
19	2,000,000	4.5 years	22/12/20	4.540%
20	2,000,000	3.9 years	22/05/20	4.305%
21	2,000,000	6.0 years	22/06/22	4.570%
22	2,000,000	5.2 years	22/09/21	4.570%
23	2,000,000	5.1 years	26/07/21	4.680%
24	1,000,000	8.2 years	22/08/24	4.550%
26	1,500,000	5.5 years	24/12/21	4.405%
27	3,000,000	4.5 years	24/12/20	4.370%
28	1,000,000	5.9 years	15/05/22	4.840%
29	1,200,000	8.1 years	20/07/24	4.850%
30	2,000,000	7.3 years	20/10/23	4.860%
31	2,000,000	8.8 years	25/04/25	3.980% *1
32	1,200,000	8.1 years	30/07/24	4.860%
33	2,000,000	9.0 years	21/06/25	3.915% *1
34	2,000,000	9.7 years	22/03/26	3.505% *1
35	2,000,000	9.8 years	26/04/26	3.490% *1
	50,400,000			

Movements in the value of the derivative instruments are shown through the Surplus/(Deficit) in the Statement of Comprehensive Revenue & Expenses, as per IPSAS 29 & 30.

\*1 : At year end there were four forward dated swaps due to commence over the next four years.



**PROVISIONS**

30 June 2015		30 June 2016
\$	<b>Landfill Aftercare Provision</b>	\$
308,531	<b>Opening balance</b>	290,483
(20,794)	Amounts used during the year	(66,956)
(12,225)	Adjustments to provision*	1,735
14,971	Discount unwinding (Note 5)	12,900
<b>\$290,483</b>	<b>Closing balance</b>	<b>\$238,162</b>

**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 some imported material. 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 2015/16 were close to the level expected (for monitoring and adding cover material on the site). The capping work is now expected to be done over the next 4 years using cleanfill deposited at the site - hence a reduction in the provision.

**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 2016, NZLGFA had lent \$6.22 billion (2015: \$4.955 billion). 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 provided banks with guarantees on the borrowings of community organisations. Currently there are two guarantees in place, which are listed below. MDC is obligated under these guarantees to pay the overdraft or 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 2016	Amount owing 30 June 2015
Masterton Motorplex Inc.	300,000	268,244	274,867
Wairarapa Multi-Sport Stadium Trust Board	100,000	89,064	87,945
	400,000	357,308	362,812

30 June 2015		30 June 2016
\$	<b>Total Provisions</b>	\$
290,483	Landfill aftercare provision	238,162
0	Financial guarantees provision	0
<b>\$290,483</b>	<b>Closing carrying value - Provisions</b>	<b>\$238,162</b>

75,472	<b>Current</b>	66,038
215,011	<b>Non-current</b>	172,124
<b>\$290,483</b>		<b>\$238,162</b>

<b>FINANCIAL LIABILITIES as at 30 June 2016</b>		\$	\$	\$
		<b>30 June 2015</b>	<b>30 June 2016</b>	<b>Plan 2016</b>
<b>SUMMARY</b>	Secured (bank) loans	9,262,290	296,000	801,400
	Secure Floating Note (FRN)	5,000,000	5,000,000	
	LGFA bonds	40,000,000	47,000,000	55,000,000
	Finance leases	31,797	18,993	19,794
	Internal loans	4,448,251	6,168,013	3,994,000
	Sub total - all financial liabilities	58,742,338	58,483,006	59,815,194
	Less current portion of external liabilities	(1,972,132)	(3,000,000)	(2,046,685)
	Internal loans/investments reversed	(4,448,248)	(6,168,013)	(3,994,000)
	<b>Total non-current financial liabilities</b>	<b>\$52,321,958</b>	<b>\$49,314,993</b>	<b>\$53,774,509</b>
<b>COST OF DEBT SERVICING</b>		<b>Actual</b>		<b>Plan</b>
	Loan repayments (external)	1,981,758		1,963,546
	Interest expense (external)	2,834,058		3,182,379
	<b>Cost of Debt Servicing (external)</b>	<b>4,815,816</b>		<b>5,145,925</b>
	Loan repayments (internal)	312,847		309,393
	Interest expense (internal)	204,818		216,345
	<b>Cost of Debt Servicing (internal)</b>	<b>517,665</b>		<b>525,738</b>
	<b>Treasury Policy Compliance</b>		Policy Limits	
	Net External Debt to Operating Revenues	<b>83.6%</b>	150%	<b>97.0%</b>
	Interest (external) as % of operating revenue	<b>7.2%</b>	10%	<b>8.1%</b>
	Interest (external) as % of total rates revenue	<b>10.9%</b>	15%	<b>12.2%</b>
	Interest (internal & external) as % of total rates revenue	<b>11.7%</b>	20%	<b>13.0%</b>
<b>MOVEMENTS IN TOTAL DEBT</b>		<b>\$ Actual</b>	<b>\$ Plan</b>	
	<b>Opening Balance 1 July 2015</b>	<b>\$58,742,339</b>	<b>\$58,433,033</b>	
	Loan repayments	(2,294,605)	(2,272,939)	
	New borrowing (external, internal & finance leases)	2,035,274	3,655,100	
	<b>Closing Balance 30 June 2016</b>	<b>\$58,483,008</b>	<b>\$59,815,194</b>	
<b>MATURITY ANALYSIS</b>				
The following is a maturity analysis of MDC's borrowings (excluding finance leases & internal borrowings).				
		30 Jun 2015	30 Jun 2016	
	Repayments due in less than one year	1,972,132	2,984,323	Weighted average interest on external loans
	Later than one year, less than five	7,490,662	7,748,061	
	Later than five years	44,799,496	41,563,616	
		<b>\$54,262,290</b>	<b>\$52,296,000</b>	
<b>ANALYSIS OF FINANCE LEASE LIABILITIES</b>		<b>Actual 2015</b>	<b>Actual 2016</b>	
	Payable no later than one year	15,819	16,546	
	Later than one, not later than two years	15,208	3,447	
	Later than two, not later than five years	2,777	0	
	Future financing charges	(2,007)	(1,000)	
		<b>\$31,797</b>	<b>\$18,993</b>	
	Representing lease liabilities - Current	15,819	16,546	
	- Non-current	15,978	2,447	

**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 \$0.3m drawn and \$9.7m 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 2016**

**Debentures:** The Local Government Funding Agency (LGFA) bonds are used to fund capital projects. These 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 \$7.0 million externally during the year. These loan funds were all used to replace existing external debt.

**Internal loans:** \$2.03m in new internal borrowing was used to fund 2015/16 capital projects. Internal interest paid/earned totalled \$204,818 and was charged on the average balance due. The interest rates charged averaged 3.95% for the year to 30 June 2016. 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 2016

Internal Interest \$ 000's		Opening Balance \$ 000's	New Borrowing \$ 000's	Reduction \$ 000's	Closing Balance \$ 000's
9	Roading	151	191	(14)	328
6	Water	115	74	(2)	187
117	Sewerage Services	2,318	1,676	(159)	3,835
0	Stormwater	0	0	-	0
19	Solid Waste	474	76	(27)	523
54	Community Facilities/ Activities	1,390	16	(111)	1,295
<b>205</b>		<b>4,448</b>	<b>2,033</b>	<b>(313)</b>	<b>6,168</b>

**EQUITY****RETAINED EARNINGS**

		\$ 30 June 2016
<b>30 June 2015</b>		
429,866,464	Opening Balance	428,474,415
6,810,880	Transfers From Special Funds & Reserves	4,849,789
(6,512,873)	Transfers (To) Special Funds & Reserves	(7,489,469)
250,959	Revaluation reserve on disposal assets to equity	211,092
(1,941,015)	Surplus/(Deficit) for the year	(1,377,252)
<b>\$428,474,415</b>	Closing Balance	<b>\$424,668,575</b>

			\$	\$	\$	\$
30 June 2015		Notes	Movements due to asset disposals	Revaluation Movements		30 June 2016
31,210,699	Land	*1	(5,271)			31,205,428
19,480,026	Buildings	*2	(41,825)			19,438,201
	Infrastructural Assets	*3				
3,707,655	Land (under roads)		(255)			3,707,400
155,799,748	Roading & footpath assets		(60,218)			155,739,530
12,122,638	Water supply - urban		(13,087)			12,109,551
251,999	Water supplies - rural		(33)			251,967
10,152,239	Sewerage system - urban		(110,474)			10,041,765
(119,245)	Sewerage systems - rural		657			(118,588)
2,352,898	Stormwater assets					2,352,898
1,251,066	Flood Protection & Control Works		(3,678)			1,247,388
1,781,353	Other infrastructure assets		-			1,781,353
(227,171)	Financial assets value change	*4	23,091	65,786		(138,293)
<b>\$ 237,763,905</b>	via comprehensive revenue		<b>(\$211,092)</b>	<b>\$ 65,786</b>		<b>\$ 237,618,599</b>

*Analysis of Movements*

\*1 Revalued portion of Land disposals: - Land Exchange Homebush (\$5,271)

\*2 Revalued portion of Buildings disposals: - Replacement of Turf Memorial Park (\$41,825)

\*3 Revalued portion of infrastructural assets disposed/replaced included the following:

Roading assets: - kerb & channel, footpaths, signs, culverts, bridges

Water assets: - water reticulation mains & connections

Sewerage assets: - sewer reticulation, manholes & connections

Flood Protection & Control Work assets: - Foreshore protection

Stormwater assets: - stormwater reticulation

\*4 Revalued portion of investments maturing included the following: - ANZ Bond \$ 14,212

- Fonterra Bond \$ 8,879

**FINANCIAL INSTRUMENTS****Financial instrument categories**

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

	\$000	\$000
<b>Financial Assets</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
<b>Fair value through profit &amp; loss</b>		
Fund manager - cash and cash equivalents	10	14
Fund manager - current financial assets	1,245	1,032
Fund manager - non-current financial assets	6,329	5,947
	<u>7,584</u>	<u>6,993</u>
<b>Cash Deposits, Receivables &amp; Community Loans</b>		
Debtors and other receivables	3,388	2,324
Cash and cash equivalents	3,609	4,307
Bank deposits - current financial assets	3,515	3,516
Bank deposits - non current financial assets	1,000	0
	<u>11,512</u>	<u>10,147</u>
<b>Fair value through comprehensive revenue &amp; expense</b>		
Derivative financial instrument assets	0	0
Corporate bonds - current	509	0
Corporate bonds - non-current	2,640	4,038
Unlisted shares	307	274
	<u>3,456</u>	<u>4,312</u>

**Financial Liabilities****Fair value through comprehensive revenue & expense**

Derivative financial instrument liabilities	5,257	2,845
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**Financial liabilities at amortised cost**

Trade and other payables	5,120	5,325
Borrowings - secured loans	296	9,262
- LGFA bonds	47,000	40,000
- Secure Floating Note (FRN)	5,000	5,000
	<u>57,416</u>	<u>59,587</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 Funding 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.

## *Note 26a*

### **Interest rate risk**

The weighted average interest rate that the MDC's investments are earning at 30 June 2016 is 4.51% (last year 4.71%) and on MDC's borrowings (as shown in Note 24) weighted average interest rate is 5.1% (last year 5.47%).

### **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 and maximum level of borrowing (55% and 90%) that is to be subject to fixed interest. 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 2016 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 \$188,600 (2015 \$188,400).

If interest rates on **borrowings** at 30 June 2016 had fluctuated by plus or minus 1%, the effect would be to decrease/increase the surplus/(deficit) in future periods by up to \$523,000 (2015 \$542,900) 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 manages 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.

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. One investment fell below the BBB credit rating during the year and was still held at year end. This policy breach was reported to the Council.

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 \$7m from them during 2015/16. There are two cash advance facilities with Westpac and ANZ. The maximum amount that could be drawn down using these facilities during 2015/16 was reduced to \$10m (2015 \$20m). 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 \$0.3m (2015 \$9.3m).

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.

<b>Maximum exposure to credit risk</b>	<b>\$000</b>	<b>\$000</b>	
	<b>30 June 2016</b>	<b>30 June 2015</b>	
Cash at bank and term deposits	8,134	7,838	
Debtors and other receivables	3,388	2,324	
Local authority, LGFA and government stock	5,540	4,674	
Corporate bonds/discounted securities/SOEs	5,184	6,343	
	<u>22,246</u>	<u>21,178</u>	
<b>Credit quality of financial assets</b>			
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:			
<b>Counterparties credit ratings</b>			
Cash at bank and term deposits	AA-	6,859	6,542
	Not Rated	1,275	1,296
		<u>8,134</u>	<u>7,838</u>
Government stock	AA	4,554	3,986
LGFA	AA+	1,434	1,550
Local authority stock	A	208	0
		<u>6,196</u>	<u>5,536</u>
Corporate bonds/discounted securities	AAA	188	186
	AA	0	0
	A- to AA-	2,126	3,103
	A1 & A1+	932	980
	BB+ to BBB+	1,282	1,209
		<u>4,528</u>	<u>5,479</u>
<b>Counterparties without credit ratings</b>			
Debtors and other receivables		3,388	2,324
		<u>3,388</u>	<u>2,324</u>
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.			

#### *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 next 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 below 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.

**Note 26a**

<b>Contractual maturity analysis of financial liabilities</b>	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	1 -5 years \$000	More than 5 years \$000
<b>As at 30 June 2015</b>					
Creditors and other payables	5,325	5,325	5,325		
Net settled derivative liabilities*	2,845	11,716	1,977	6,764	2,975
Committed cash advances	9,262	9,601	271	9,330	
Secured loans	5,000	5,000	16	4,984	
Debenture stock & LGFA bonds	40,000	43,640	728	27,912	15,000
Finance leases	32	32	16	16	
	<b>62,464</b>	<b>75,314</b>	<b>8,333</b>	<b>49,006</b>	<b>17,975</b>
<b>As at 30 June 2016</b>					
Creditors and other payables	5,120	5,120	5,120		
Net settled derivative liabilities*	5,257	11,902	1,940	6,852	3,110
Committed cash advances	296	318	11	307	
Secure Floating Note (FRN)	5,000	5,039	36	5,003	
LGFA bonds	47,000	49,325	3,647	33,371	12,308
Finance leases	19	19	16	3	
	<b>62,692</b>	<b>71,724</b>	<b>10,770</b>	<b>45,536</b>	<b>15,417</b>

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

## FAIR VALUE HIERACHY DISCLOSURES

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:

<b>Fair Value Hierarchy</b>	<b>Total</b>	<b>Valuation technique</b>		
<b>as at 30 June 2015</b>		Quoted market price \$000	Observable inputs \$000	Significant non-observable inputs \$000
<b>Financial Assets</b>	<b>\$000</b>			
Derivatives	0	0	0	0
Local Authority stock	688	0	688	0
Shares	274	0	0	274
Corporate bonds & disc. securities	6,343	6,343	0	0
Government Bonds	3,986	3,986	0	0
	<b>11,291</b>	<b>10,329</b>	<b>688</b>	<b>274</b>
<b>Financial Liabilities</b>				
Derivatives	2,845		2,845	
<b>as at 30 June 2016</b>				
<b>Financial Assets</b>				
Derivatives	0		0	0
Local Authority stock & LGFA	1,642	0	1,642	0
Shares	307	0	0	307
Corporate bonds & disc. securities	4,528	4,528	0	0
Government Bonds	4,554	4,554	0	0
	<b>11,031</b>	<b>9,082</b>	<b>1,642</b>	<b>307</b>
<b>Financial Liabilities</b>				
Derivatives	5,257		5,257	

There were no transfers between the different levels of the fair value heirachy.

## SENSITIVITY ANALYSIS

**Note 26c**

The table below illustrates the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on the Council's financial instrument exposures at balance date.

Sensitivity Analysis	2016 000's				2015 \$000's			
	-100bps		+100bps		-100bps		+100bps	
	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity
<b>Interest Rate Risk</b>								
<b>Financial Assets</b>								
Cash & cash equivalents	-36		36		-43		43	
Other financial assets <sup>1</sup>	396	0	-396	0	267	0	-267	\$0
Other financial assets <sup>2</sup>		243		-243	-34	212	34	-212
Derivatives <sup>3</sup>	0				0	0	29	
<b>Financial Liabilities</b>								
Term Debt	523		-523		543		-543	
Derivatives <sup>3</sup>	-2,577		2,391		-2,166		1,997	
<b>Total Sensitivity</b>	<b>-1,694</b>	<b>243</b>	<b>1,508</b>	<b>-243</b>	<b>-1,433</b>	<b>212</b>	<b>1,293</b>	<b>-212</b>
<b>Foreign Exchange Risk</b>	Minimal - foreign exchange transactions are limited to some library book purchases.							
<b>Equity Price Risk</b>	Nil - there are no listed shares within financial assets.							
	1. Financial assets whose fair value change is shown through Surplus/(Deficit)							
	2. Financial assets whose fair value change is shown through Comprehensive Revenue & Expense							
	3. Derivatives (interest rate swaps) fair value change is shown through Surplus/(Deficit) (not hedge accounted)							

## Notes to the Accounts

**Note 27**

### 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**

### **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. Forestry sale proceeds are added to this reserve. Funds 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 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 and Castlepoint seawall.

### **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 i.e. 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, Masterton 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, e.g. Wairarapa Combined District Plan project.

<b>MOVEMENTS IN SPECIAL FUNDS &amp; RESERVES - 2015/16</b>					
	<b>Opening Balance</b>	<b>Transfers Out</b>	<b>Transfers In</b>	<b>Closing Balance</b>	<b>Plan</b>
Plant & Equipment Funds	1,595,894	(305,728)	393,741	1,683,907	1,519,624
General Capital Funds	3,389,110	(523,999)	514,330	3,379,441	2,981,347
Investment Interest Fund	50,707	(501,125)	557,082	106,664	47,082
Reserves & Development Funds	912,736	(53,057)	115,569	975,248	748,597
Building Depreciation Funds	5,538,447	(741,143)	1,568,785	6,366,089	5,150,951
Roading, Bridges & Flood Damage	4,345,504	(704,220)	1,164,809	4,806,093	4,239,854
Urban Infrastructural Depreciation	1,826,138	(1,523,891)	2,335,793	2,638,039	2,498,558
Miscellaneous Funds	1,584,064	(496,626)	839,360	1,926,800	1,189,667
<b>Total</b>	<b>\$19,242,600</b>	<b>(\$4,849,789)</b>	<b>\$7,489,469</b>	<b>\$21,882,281</b>	<b>\$18,375,680</b>
				<b>Actual</b>	<b>Plan</b>
<b>Analysis of Transfers 'OUT' of Funds &amp; Reserves</b>				<b>2015/16</b>	<b>2015/16</b>
Funding of Capital Expenditure from special funds & reserves				3,421,597	5,839,250
Funding of Operating Expenditure from special funds & reserves				1,428,192	1,023,500
				<b>4,849,789</b>	<b>6,862,750</b>
<b>Analysis of Transfers 'IN' to Funds &amp; Reserves</b>					
Reserves & Development Contributions received				108,048	93,320
Infrastructure & Roading Contributions received				308,084	173,000
Carry forward funding for on-going project commitments				1,157,886	212,000
Interest earned and retained in special funds				166,023	170,561
Interest earned and allocated to Investment Interest fund				557,082	529,439
			Sub Total	2,297,123	1,178,320
Depreciation funded into asset replacement reserves funds				4,784,173	4,594,838
<b>Total of Transfers into funds from Operations</b>				<b>7,081,296</b>	<b>5,773,158</b>
Proceeds from sale of plant & equipment assets				21,804	49,000
Proceeds from sale of land & building assets (including forestry harvested)				386,369	0
<b>Total Transfers into funds from Asset Sales</b>				<b>408,173</b>	<b>49,000</b>
				<b>7,489,469</b>	<b>5,822,158</b>

**Explanation of variances from Plan:**

The balance of Special Funds & Reserves, at \$21.88 million, is \$3.5 million or 19% more than planned.

**Plant & Equipment Funds** - 10.8% more than Plan

Not all planned spending on some IT projects took place during the year.

**General Capital Funds** - 13.35% more than Plan

The proceeds from harvest of the Blairlogie forestry block were better than expected, while a land purchase unplanned (Queen St) was funded from this fund, and netball funding allowed for was not drawn.

**Investment Interest Fund** - \$59,000 more than Plan

More interest was received than planned

**Reserves & Development Funds** - 30.3% more than Plan

Use of this fund was less than Planned as some parks, reserves and recreation projects were not progressed

**Building Depreciation Funds** - 23.6% more than Plan, \$1.2 million

\$242k more depreciation has been funded while several projects expected to be funded were delayed. These include sports facility upgrades and the planned upgrade of the District Building

**Infrastructural Assets Funds**

Roading funds are 13% more than planned, some \$566k, due largely to unspent flood damage funding c/fwd.

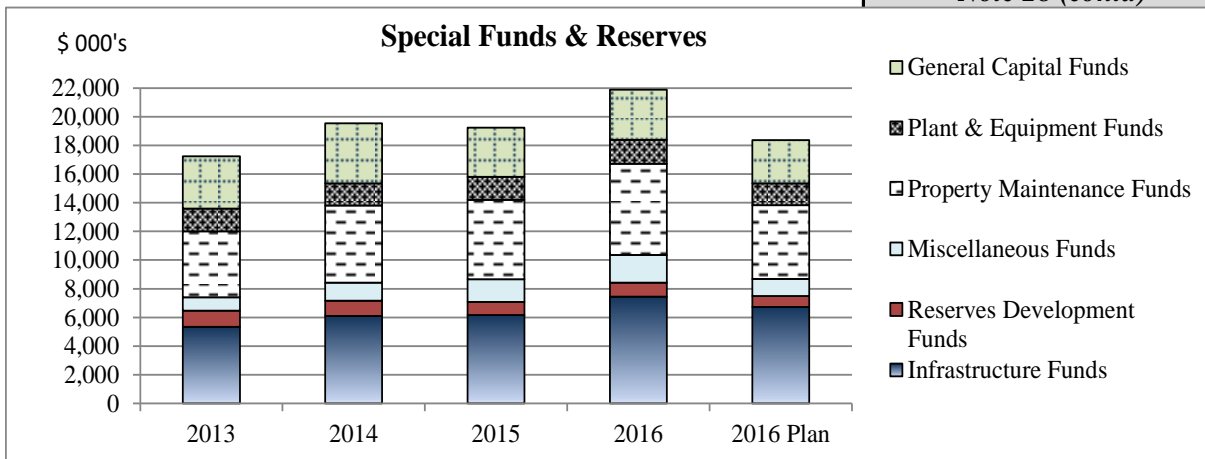
The Flood Damage fund has a balance of \$700k. Not all footpath renewal work was completed.

Urban infrastructure fund is 5.6% more than planned. Some \$1.5m of was applied to capital renewals and more infrastructure contributions were received than planned

**Miscellaneous Funds**

These funds have ended the year \$737k above the planned level due to carrying forward surplus funding.

**Note 28 (contd)**



**Notes to the Accounts**

**Note 29**

\$ 2014/15	<b>RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	\$ 2015/16
<b>(\$1,941,015)</b>	<b>Operating Surplus / (Deficit)</b>	<b>(\$1,377,252)</b>
	- Add (less) non-cash items	
10,720,987	Depreciation and amortisation	10,898,320
(818,178)	Vested asset gains	(556,340)
(89,767)	(Gains)/losses in fair value of biological assets (forestry)	(226,562)
(34,000)	(Gains)/losses in fair value of investment property	-
(21,336)	Other non-cash items	(84,351)
	- Add (less) items classified as investing or financing	
960,137	(Gains)/losses on disposal of property, plant & equipment	724,929
2,044,171	(Gains)/losses on change in fair value of financial assets/liabilities	2,177,734
	- Add (less) movements in working capital items	
1,832,460	Receivables & current assets	(1,070,080)
(964,872)	Accounts payable	270,405
69,649	Payroll & accrued leave liabilities	141,541
61,458	Other current liabilities	(378,025)
<b>\$ 11,819,694</b>	<b>Net Cash Inflow from Operating Activities</b>	<b>\$ 10,520,320</b>

**RATING POLICIES REPORT****RATES REMISSIONS**

	2015/16		2014/15	
	No.	\$	No.	\$
The cost of the Council's Rates Remission Policy is summarised below.				
Rates remissions were given on:				
Community halls, volunteer & charitable groups	61	76,976	62	72,222
Sporting, arts and cultural use	24	44,768	25	40,279
Land protected for conservation or heritage purposes	74	9,305	74	7,179
Rate penalty remissions*	9,083	201,671 *	8,207	176,901
Uniform charges on non-contiguous units	6	2,088	7	2,970
Urban land with rural use	7	3,355	7	3,741
Total (as per Note 3)	9,255	\$338,163	8,382	\$303,292

\* 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. 9,083 is the number of transactions, and these relate to penalty remissions on 2,624 properties. The 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 revenue 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 (2015 = 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 2015/16, no properties (2014/15 = 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		2015/16	2015/16	2014/15
Treasury Policy	Policy Limit	Actual	Plan	Actual
Net External Debt* as % of Operating revenue	150%	83.6%	97.0%	92.9%
Interest expense (external) as % of Op revenue	10%	7.2%	8.1%	8.0%
Interest expense as % of Rates revenue	15%	10.9%	12.2%	12.1%
Interest (external & internal) as % Rates revenue	20%	11.7%	13.0%	13.1%
Long Term Debt (external) per capita		\$2,144	\$2,390	\$2,241

\* Net External Debt is defined as Financial Liabilities (including current), less current and term Financial Assets and Cash

### Major Variations from Plan

Explanations for major variations from the Council's 2015/16 Annual Plan are as follows:

#### Statement of Comprehensive revenue & Expense

The accounting deficit of \$1.3m compares to the planned figure of \$0.3m surplus, but after excluding Other Gains & Losses and vested assets, there was an overall surplus of \$0.65m

**Total Operating Revenue of \$40.1m is more than plan by \$1,032,407 2.6%**

- Revenue recognised but not budgeted includes the value of vested assets of \$556,340 and gains from financial asset and forestry revaluations of \$563,321
- Financial contributions of \$416,132 are more than planned by \$38,312
- Subsidies & grants were \$490,030 less than planned because subsidised roading expenditure was less than planned - no flood damage cost incurred and there were contract savings on renewal contracts.
- Other operating revenue of \$7.22m was \$236,500 (3.4%) more than planned, with the biggest proportion coming from waste transfer station gate fees revenue and sales of stabilisation forestry above planned.
- Interest revenue of \$819,687 was \$41,887 (5.4%) more than planned.
- Rates revenue was within 0.1% of amount required in the LTP for year 1.

**Personnel Costs are more than plan by \$169,779 2.6%**

- Additional costs resulted from a restructure that saw several roles disestablished, while there was some growth in employee benefit liabilities via the accrual of payroll costs at year end.

**Other Expenses are less than plan by \$358,191 2.0%**

- Roading costs were some \$540,000 less due largely to planned flood damage costs not being incurred.
- Operational costs savings were made across the corporate areas and against the stormwater budget.
- Community services area (specifically economic development) has run above the planned level with spending on the promotional campaign 'My Masterton' which was designed to attract new residents to Masterton.
- In the property area, a grant of \$250,000 was given to Riversdale Beach Surf Lifesaving Club to allow them to incorporate public toilets into their new surf club building - this grant was budgeted as a capital item.
- Demolition costs for the old Riversdale Beach toilets exceeded the planned amount, while operating budgets for Mawley Park, Building Control and Rural Fire all exceeded the planned levels.

**Finance costs were less than plan by \$335,421 10.5%**

- Lower than planned average interest rates on term debt have resulted in savings.

**Depreciation & amortisation is more than plan by \$63,992 0.6%**

**Other Losses more than planned by \$3,155,070**

- Other losses were not allowed for in the LTP. There were losses on revaluation of cash flow hedges (\$2.4m) and write-downs of the values of assets disposed and/or replaced (\$0.74m).

#### Statement of Financial Position as at 30 June 2016

- Current assets are \$1.9m more than planned (18%) with more cash and current financial assets than expected. This is due to less capital expenditure from reserve funds than was planned and more carried forward funding from activity surpluses held as short term investments.
- The LTP allowed for \$13.5m of capital expenditure, but only \$8.6m was spent, resulting in lower asset values than planned, particularly infrastructural assets. The largest category of work not done was in the water reticulation area where the trunk main renewal was deferred pending improved design.
- Current liabilities are below plan as less work was underway at the end of June.
- Financial liabilities are less than planned due to internal borrowing being used to fund capital, while derivative financial instruments again lost value as market interest rates declined.

#### Statement of Movements in Equity

- Overall the Council's Equity is \$0.6m (0.1%) less than anticipated in the Plan.
- Special funds and reserves are \$3.5m (19%) more than planned due to less drawing on depreciation and flood damage funds for roading work and more surplus funding carried forward.

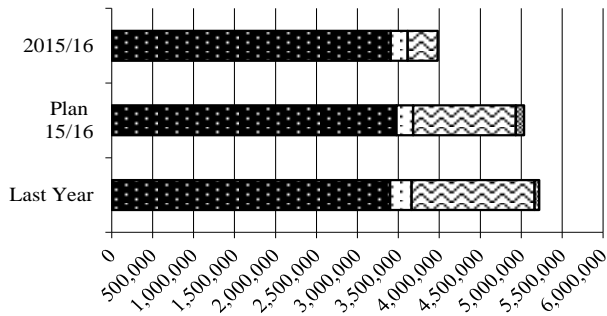
#### Statement of Cashflows

- Cash from operating activities was less than planned due to \$1.3m of NZTA funding being receivable at year end.
- External debt was not used to fund capital expenditure, instead internal loans/investments were used.

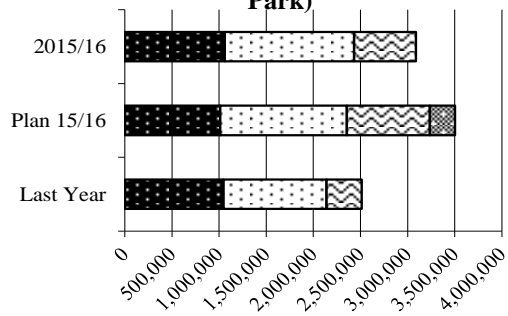
**Funding Comparisons by Activity**

- Rates
- ▨ Reserves
- Other revenue
- ▩ Loans

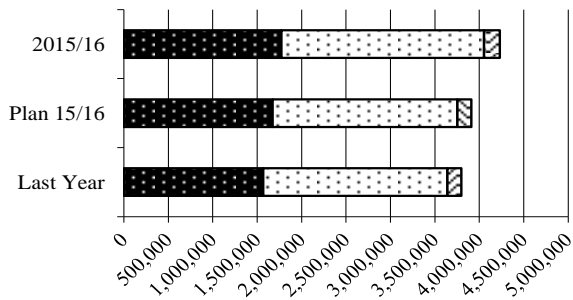
**Parks & Recreation**



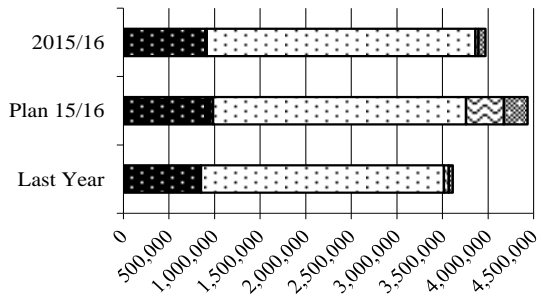
**Property Mgmt (including Mawley Park)**



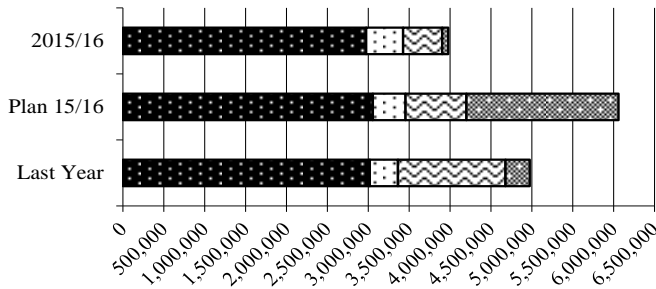
**Regulatory Services**



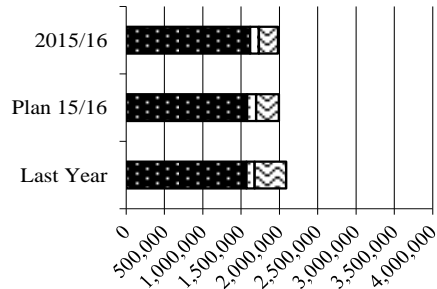
**Solid Waste Services**



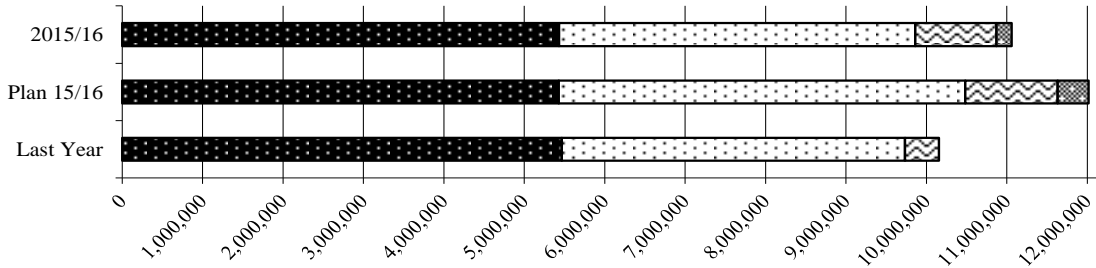
**Water Supplies**



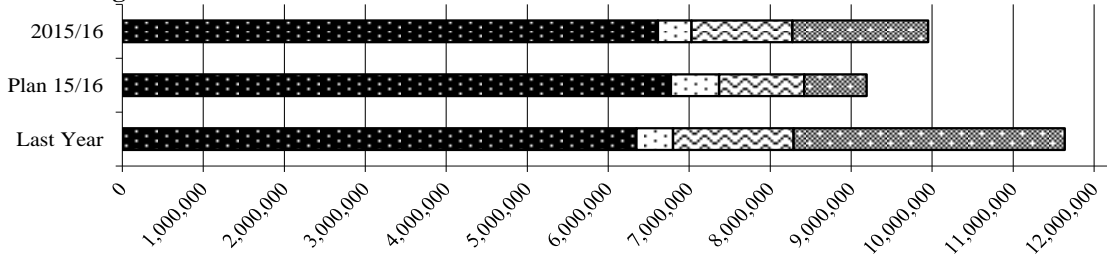
**Library & Archives**



**Roading**



**Sewerage Services**



**STATEMENT OF COMMITMENTS AND CONTINGENCIES****As at 30 June 2016****Capital Commitments**

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

Activity	2016	2016	2015
	No. Of Contracts	\$	\$
Roading	5	1,371,703	1,415,868
Water Services	3	369,677	0
Sewerage Services	3	266,278	869,106
Solid Waste Services	1	54,005	0
Community Facilities	1	22,388	0
	13	2,084,052	2,284,974

Capital commitments represent capital expenditure contracted for at balance date, but not yet incurred.

There are 13 significant construction contracts in progress at 30 June 2016 (2015 = 13). These were:

- ♦ Three roading renewal contracts were partially completed: footpath reseals with commitments of \$255,000 remaining, Castlepoint footpaths with \$373,000 remaining and streetscape upgrades with \$352,000. All three contracts are with Higgins Contractors.
- ♦ One roading contract was not started. This was for the Kerbing 2015/16 (Core Infrastructure) with a \$278,000 commitment. The final roading contract commitment was for underground power as part of streetscape project. \$114,500 commitment remains with Power Related Services Ltd.
- ♦ Two sewer contracts were committed but not started. These relate to High Street sewer main a commitment of \$225,000 (Higgins Contractors) and Queen Alexandra/King Edward Streets with a commitment of \$108,000 (City Care Ltd). One sewer main contract was partially completed which was Villa Street (City Care Ltd), with a commitment of \$37,000 remaining.
- ♦ Three water services contracts have commitments, two were partially completed and one has not started. The partially completed contracts were Devon Street water main with \$16,000 commitment (Higgins) and Pownall Street water main with \$166,000 commitment remaining (G C Diggers). The not started contract relates to High Street water upgrade with a commitment of \$84,000 outstanding (Higgins).
- ♦ A contract for Nursery Road concrete slab constructions with a commitment of \$54,000 has not started (G & C Diggers).
- ♦ A community Facilities contract for power supply to Mauriceville Domain (Downer) has not started and has a commitment of \$22,000.

**Contract Commitments**

There were a number of professional and maintenance contracts commitments in operation at 30 June 2016.

**Professional services contracts** commitments have been made for wastewater, roading and community facilities. These are invoiced based on scheduled rates or on an hourly basis.

**Maintenance contract** commitments have been made for roading, services, parks, and solid waste.

In addition, there is a management facilities contract commitment for the Recreation Centre and Mawley Park.

**Operating Lease Commitments (as a lessee)**

Council leases property in the normal course of its business. Five of these leases have non-cancellable terms; they are the Wairarapa Archive, the Genealogy Centre at 79 Queen Street, the old ANZ Bank at 161 Queen Street and the two floors in the old Public Trust building. The increase from last year is due to the staff relocation required due to the earthquake risk identified on parts of the main Council building.

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

	2016	2015
Not later than one year	203,447	37,100
Later than one year and not later than five years	47,437	37,100
Later than five years	0	6,183
Total Non-cancellable operating leases	\$250,883	\$80,383

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

**STATEMENT OF COMMITMENTS AND CONTINGENCIES****As at 30 June 2016****Operating Lease Commitments (as a lessor)**

In the course of its business Council has a number of leases in place. Residential tenancies are not included as they have two weeks to one month notice periods respectively. The non-cancellable leases include 15 for grazing (2015, 18), 15 sporting groups (including a mix of ground & building rentals) (2015,15), 23 airport sites (2015, 24) and 13 other properties (2015, 11). 14 of these leases expire in the next 12 months (2015, 12), 24 within five years (2015, 23) and 12 have a term greater than five years (2015, 11). A number of other leases are in the process of being renewed or are on year by year renewals. These future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	2016	2015
Not later than one year	309,994	311,520
Later than one year and not later than five years	388,035	328,041
Later than five years	100,334	95,276
<b>Total Non-cancellable operating leases</b>	<b>\$798,363</b>	<b>\$734,837</b>

*No contingent rents have been recognised during the period.*

**Contingencies****Town Hall & Municipal Building - Earthquake Prone Assessment**

A comprehensive assessment of the earthquake rating of the Town Hall & District Building has been commissioned. In June 2016 an initial verbal report from a qualified structural engineer was received indicating the Town Hall was below code. The Town Hall was immediately closed to public access. On 8th July 2016 a further verbal report was received advising the older part of the Municipal Building was also below code. Council staff have since vacated that older part of the building, relocating to alternate premises. The full written report which will provide remediation and strengthening recommendations has yet to be received or costed. No estimate is available of the cost of the building strengthening work required, so no impairment amount has been adjusted off the value of the buildings. The book value currently sits at \$3.17 million. The Council has allowed, in its Long Term Plan, to spend up to \$2.5 million (loan funded) on earthquake strengthening work in 2016/17 and 2017/18.

**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 in place and involves on-going monitoring costs.

The Council purchased, for a nominal sum, a piece of land on the corner of Church St and Colombo Road. The site has some sub-soil contamination and subsidence problems and will be used for passive recreation. One other site is in part Council ownership, part private. Studies have been commissioned by Council to establish that the level of contamination is not causing any threat to the current occupiers, but has accepted no liability for the 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 which has a credit rating of AA+. The Council holds \$0.1m value of shares and \$0.1m uncalled capital. That brings with it obligations in terms of the guarantee liability which has been disclosed in these Notes. The Council has been unable to determine a sufficiently reliable and fair value for the guarantee and therefore has not recognised a liability or contingency value.



**STATEMENT OF COMMITMENTS AND CONTINGENCIES**

**As at 30 June 2016**

**Weather-tight Homes**

The Council is not aware of any properties with potential unresolved weather-tightness issues within the District and no liability is expected to arise from the Council's use of Riskpool, a mutual liability insurance fund.

**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 (refer to note 11).

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 30 June 2016

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 2016)**

Land Value	Rural	\$1,524,800,000	Capital Value	Rural	\$2,378,500,000
	Urban	\$ 947,200,000		Urban	\$2,307,000,000

No. Rateable Properties	Rural	3,793
	Urban	<u>8,427</u>
		12,220

##### **Staff**

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Full time	34	34	68
Part time	5	12	17

##### **Water Reticulation (urban only)**

Storage capacity (megalitres)	12
Kaituna	9
Lansdowne	3

Length of watermains (kms) 161

Storage reservoirs and tanks (megalitres) 12

Hydrants 1,056

Valves 826

Peak daily demand (Mstn) (m<sup>3</sup>) 29,550

Water treatment plant at Kaituna

##### **Sewage Reticulation (urban only)**

Length of sewers (kms)	138
Number of pumping stations	2
Number of manholes	1,777
Qty treated daily (average) m <sup>3</sup>	14,600

##### **Roading**

System length (kilometres)	801
Sealed	517
Metalled	285

##### **Buildings (owned)**

District Building (including offices, town hall, Council chambers and meeting rooms)

Rental houses 7

Retail outlets 0

Residential flats 86

Public halls 9

Library 1

Sports/recreation facilities 12

##### **Vehicles**

Fleet number 21

Utilities/vans 9

Cars 10

Tractors 2

			Off-street carparks	845
			Fire stations	5
<b>Recreation Reserves</b>				
Total Area (hectares)		205		
	<u>Urban</u>	<u>Rural</u>		
Natural Bush	2	39	First aid post	1
Beach Front esplanades	-	9	Public toilets	13
Nursery, cemeteries/ sports	54	5	Camping ground & cabins	24
grounds/formal gardens	49	47	Camping ground ancillary	5
Neighbourhood reserves			Landfill buildings	6
			Bentley Street ex-depot	1
			Parks buildings	

# MAP OF DISTRICT

