

WAIHANGATIA NGĀ  
RANGI MEAKE NEI  
**SHAPING OUR  
FUTURE**



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

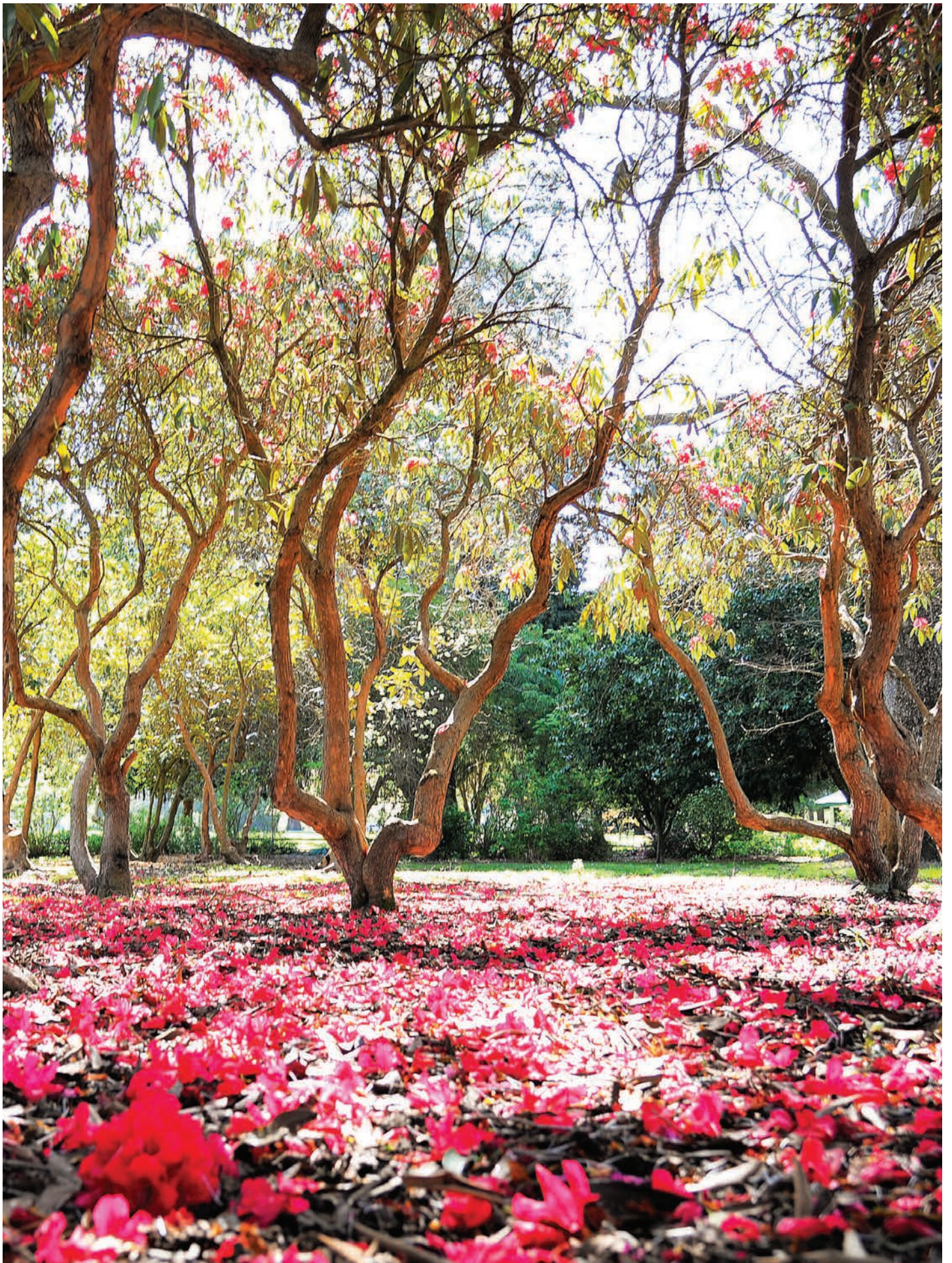


**ANNUAL REPORT 2016-17**



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# Mayor and Chief Executive's Report

Tēnā koutou katoa.

We are pleased to introduce the Masterton District Council/Te Kaunihera ā-rohe o Whakaoriori Annual Report for the 2016-17 year. In this report you will find information about Council's performance against targets set in Year Two of the 2015-2025 Long-Term Plan.

We are pleased to report a positive financial outcome, with an end of year surplus of \$307,642 (before other gains and losses) significantly ahead of our budgeted deficit of \$136,535. This is on a turnover of close to \$40 million with 68% coming from rates. This result comes from careful financial management and reflects our commitment to provide ratepayers with value for money.

Highlights of the year have included the completion of community-led, council-supported initiatives such as the Riversdale Beach Surf Lifesaving Club Project and the Lansdowne Shopping Village Upgrade. The Netball facility upgrade has also made significant progress during the year with a substantial Lotteries grant now confirmed. These projects are great examples of what can be achieved when we work in partnership with our communities.

In October 2016 we welcomed a new Council, which includes four new elected members. A comprehensive induction programme was undertaken by newly elected and returning elected members. An election year is a busy time and we would like to acknowledge the hard work of the staff that supported the election process and the induction of the new Council.

It has been particularly exciting to lead the renewed focus on the wellbeing of our people and communities through the development of our *My Masterton Our People Our Land Strategy*. Once finalised, this strategy will guide Council's ongoing contribution to supporting the four wellbeings – social, cultural, environmental and economic. In the meantime, we continued to progress our work in these areas during the year.

The district's economy has continued to perform well in 2016-17. We are pleased to have supported this growth through our investment in economic initiatives such as the My Masterton Campaign, our local economic development programme and the Accelerate Wairarapa programme.

The social and cultural wellbeings were supported through the provision of community grants, investing in arts, culture and heritage events, and the many programmes offered for all ages by our library. In addition, we increased accessibility to digital technology through our Queen Street Wai-Fi initiative and the establishment of an e-centre at Te Āwhina Cameron Community House.

Finally, we have continued to focus on protecting our environment and through the provision of funding to local environmental initiatives, and education programmes to improve air quality. We have made a commitment towards climate change action via the Mayoral Declaration on Climate change and our participation in the Certified Emissions Measurement and Reduction Scheme which is a significant step and will guide actions toward lowering our carbon emissions.

We are a small Council which means we have to continually find ways to work smarter to continue providing an efficient service that provides value for money for our ratepayers. To achieve this, we have continued to invest in the capability of the organisation.

Key to this was the new organisation structure that came into place on 1 July 2016. This change, though difficult, has enabled us to work more effectively. It has resulted in an improved organisational culture with the staff survey undertaken in early 2017 showing increasing levels of staff satisfaction and engagement.

In addition, we invested in new technology, including the introduction of a new document management system and significant steps towards completion of our website upgrade.

Council committee structure was also changed to align with the development of *My Masterton Our People Our Land Strategy*. The Policy and Finance Committee has been replaced with three committees, namely Infrastructure, Community Wellbeing and Strategic Planning.

This drive for continuous improvement was behind our decision to become a founding member of the Local Government Excellence Programme. We went through an intensive two day review by a team of assessors in February 2017 and the results will be released in mid-October. We are confident that our participation in this programme will allow us to continue to improve on our services to the community.

Amalgamation of the three Wairarapa councils has been topical during the year. In July 2017, the Local Government Commission released the final proposal to combine the three Wairarapa District Councils. In September our community successfully petitioned for a poll so the Wairarapa community can determine whether the final proposal is supported or not. The postal voting papers will be sent in late November with the result being known on polling date of 12 December 2017.

What this will look like is still unknown. What we do know is that in the meantime, it is business as usual here at Council. We will continue to work hard to make Masterton a great place to live, visit, do business and provide the best of rural provincial living.

Ahutahi ki mua  
Moving forward together



A handwritten signature in blue ink that reads "Lyn Patterson".

Lyn Patterson  
MAYOR



A handwritten signature in black ink that reads "Pim Borren".

Pim Borren  
CHIEF EXECUTIVE

# Message from the Kaumatua

Tēnā tātou katoa.

Reflecting on the 2016-17 year, key highlights for me include holding the inaugural council meeting on 26 October 2016 at Te Rangimārie Marae. Te Kura Kaupapa Māori o Wairarapa led our haka pōwhiri to welcome our new council. Ra Smith (Kahungunu ki Wairarapa) and Mihirangi Hollings (Rangitāne o Wairarapa) were reappointed as our iwi representatives on council. Our iwi representatives continue to add value to discussion and debate at committee and council meetings. I commend and acknowledge Council's decision in making these reappointments.

I have worked on a range of projects over the past 12 months. These include leading the cultural development component to the draft *My Masterton Our People Our Land Strategy*, and providing translation services for bilingual signage at Trust House Recreation Centre. I have presented and provided support at strategic planning workshops with the Senior Management Team and Council. I have been involved in the quarterly citizenship ceremonies that more recently are being held at Marae. In addition, both myself and our Kaitakawaenga (Māori Liaison Advisor) have provided tikanga Māori support for our staff pōwhiri.

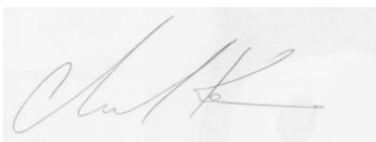
There have been some exciting things happening in our community. An example is the achievement of a Guinness World Record on 2 November 2016 with a performance of the haka 'Ko Wairarapa' by approximately 7,000 children, parents and teachers. What a wonderful reflection of bicultural awareness from our current and future leaders and something that we as a community can be so proud of. Another example is the Aratoi – Wairarapa Museum of Art and History exhibition *Te Marae o Rongotaketake - Redressing our Kahungunu History*, the largest exhibition of Ngāti Kahungunu taonga ever held.

In the Treaty Settlement space, the Ngāti Kahungunu ki Wairarapa Tamaki Nui-ā-Rua Trust are progressing their settlement. The Crown and Ngāti Kahungunu ki Wairarapa Tamaki Nui-ā-Rua Trust reached Agreement in Principle in May 2016.

The Crown, Rangitāne o Wairarapa and Rangitāne o Tamaki Nui-ā-Rua signed a Deed of Settlement on 6 August 2016. On 10 August 2017 the third reading for the Rangitāne o Wairarapa Tamaki-Nui-ā-Rua Claims settlement bill was passed through parliament. It was signed by the Governor General on 14 August 2017 and is now an Act of Parliament, the Rangitāne Tū Mai Rā Claims Settlement Act 2017.

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

Nāku iti nei, nā



Mike Kawana, Kaumatua



# OUR COMMUNITY OUTCOMES



## 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

## A SUSTAINABLE, HEALTHY ENVIRONMENT

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

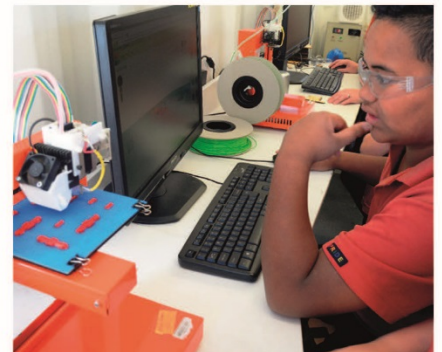


## AN ACTIVE, INVOLVED AND CARING COMMUNITY

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 KNOWLEDGEABLE, LEARNING COMMUNITY

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



## 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



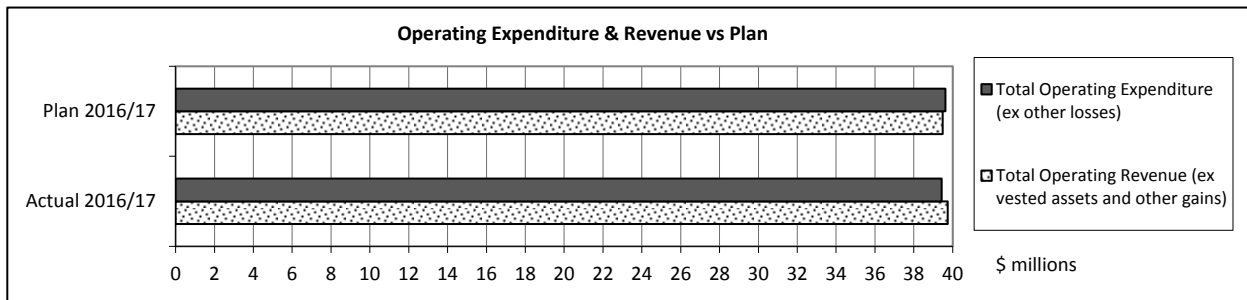


Year in Review

## Financial Highlights

The Council had an operating expenditure budget of \$39.6 million. Actual operating expenditure for the 2016-17 financial year was very close to that budget, at \$40.0 million. The accounting surplus for the year was \$1.7 million, but after eliminating the other gains and losses, the surplus was \$307,642. This compares to the budget which anticipated a small accounting deficit of \$136,535.

This is a very good overall financial result. Both operating revenue and expenditure are close to the budgeted Annual Plan levels and incorporate some unders and overs in the activity areas. The Rates Requirement Statement (Note 1) shows a close to breakeven result, but this is after transferring some \$661,000 of rates funding (some 2.5%) to reserves to carry forward for projects in 2017-18.



There is \$11.7 million of capital expenditure recorded in this Annual Report while \$17.76 million was allowed for in the Annual Plan. A number of large projects did not proceed, including the water trunk main upgrade (\$1.45m), the netball courts upgrade (\$0.67m) and the extension of the irrigation area at Homebush wastewater treatment plant (\$1.45m). More detail of the reasons for capex deferrals is included in the Cost of Service Statements for the activities they relate to.

The Council did take the opportunity to purchase three strategic pieces of land when they came on the market. Two are adjoining and across the Ruamāhanga River from the Homebush wastewater treatment plant and have the potential to be used to extend the land disposal options. The third piece of land is next to Hood Airport and it has the potential to be used for a range of airport developments.

A revaluation of infrastructural assets has added some \$19.8 million (3.1%) to those asset values. The Council's financial accounts at 30 June 2017 now reflect the writing down, due to impairment, of the Town Hall and District Building. The earthquake-prone status of the older part of the buildings and the high indicative cost to strengthen has resulted in a downward valuation adjustment, through the Revaluation Reserve, of \$3.06m. Also, as part of the redevelopment of the Colombo Road netball facility, the value of the netball building has been written down to zero (from \$0.225m).

## Delivering Key Projects

Two community-led, Council supported projects were completed during the year. The Riversdale Beach Surf Lifesaving Club Project was finished in December 2016, with a well-attended opening ceremony held in April 2017. The project involved incorporating public toilets in the club's new facility, with MDC providing land and a capital grant to support this. The First Street upgrade at the Lansdowne Shopping Village was also completed, with an opening ceremony held in October 2016.

These projects will benefit residents for many years and are a great example of how we work in partnership with our community to achieve the best outcomes for ratepayers.

Other highlights of the year include the approval of the Stage Two proposal for Central Business District (CBD) Development Urban Plan Project and commencement of detailed planning for Stage Five of the Queen Elizabeth Park Rejuvenation Project.

## Investing in Community Wellbeing

During the 2016-17 Annual Plan process we committed to investing a \$400,000 surplus into our community and our people over the following three years. As part of this commitment a Wellbeing Team has been established to progress the work across the four wellbeing areas – social, cultural, economic and environmental.

This investment has resulted in significant progress being made on our *My Masterton Our People Our Land Strategy* and *Education Strategy*, which will be consulted on in the 2017-18 financial year and set the direction for our Long-Term Plan.

## Focus on Technology

We have been working to provide improved technology solutions for the community. The Queen Street Wai-fi initiative was launched on 29 November 2016, providing free internet access on Queen Street. Uptake of the service has been positive with approximately 110 unique users each day. We have also been working on our website upgrade to make it more user-friendly, our information easier to access and to allow online payments.

Internally, we implemented an Electronic Document Record Management System (EDRMS) in October 2016, which allows us to manage our records more effectively. At the library an Electronic Data Interchange is now in effect, which allows for smarter back room operations for book supply and processing. Each of these systems increases efficiency and supports us in providing the best possible service to our community.

## Continuous Improvement

Our commitment to continuous improvement was behind the decision to become a founding member of the Local Government Excellence Programme. The programme is designed to provide an independent assessment of how councils are performing. We went through an intensive 2 day review in February 2017. The final report was received in mid-October 2017 and gives MDC a mark of BB. This puts us in the middle of the range and recognises the good aspects of what we do and provides very useful support to help us in continuing to deliver improved services.

Our building team was audited by International Accreditation New Zealand (IANZ) in March 2017 and was awarded the maximum two years accreditation. The audit gives the community added assurance that our team and the equipment, materials and methods they use, are appropriate to deliver the service professionally, reliably and efficiently.

We also participated once again in the annual PWC operational and management effectiveness benchmarking survey. Participation in this initiative allows us to gauge how we measure up against other councils in both New Zealand and Australia, and provides useful insight into our internal operations. This allows us to better understand how we can leverage our resources to deliver effective and meaningful services for our community by building on our strengths, and continuing to focus on areas for improvement.

## Taking Care of Our People

### Health and Safety

We value our people and aim to provide a safe, inclusive and healthy environment for employees.

Health and safety is a big part of this commitment and we recognise our responsibilities under the Health and Safety at Work Act 2015. During the year, we have continued our emphasis on building a strong health and safety culture across all aspects of the organisation. We also reviewed our health and safety objectives and developed more formal reporting to the Council.

## A Diverse Workplace

In addition, we have continued to improve our policies and processes to ensure we support and continue to develop a diverse and inclusive workplace, across all aspects of our business.

We support the principles and practices of equal employment opportunities (EEO) to ensure all applicants and employees have equal opportunity to achieve their potential and feel safe and valued. We actively seek to enhance employee skills and ensures appointment and promotion opportunities on relevant merit.

We are a member of Diversity Works, the national organisation that supports business to develop diverse and inclusive workplaces. We believe that the organisation will benefit from a diverse workforce and are committed to recognising and valuing the different skills, talents, experiences and perspectives of its employees. In particular we recognise the aims, aspirations and employment requirements of Māori and acknowledge the need for greater involvement of Māori in local government employment.

We are committed to ensuring all employees have an equal opportunity and rejects unfair discrimination on any ground 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.

## A Collaborative Approach

We value collaboration and acknowledge the importance of working together and sharing ideas in order to provide services that reflect the needs of our community and encourage efficiency and innovation.

### Engagement with Iwi and Māori Communities

We are committed to developing and maintaining positive working relationships with tangata whenua, taura here and Māori communities in the Masterton district.

A key opportunity for Iwi to contribute to our decision making is through the Iwi Governance Forum, which provides advice and support that enhances the way in which we work with Iwi and Māori communities. The forum includes representatives from Rangitāne o Wairarapa and Kahungunu ki Wairarapa, elected members (including the Mayor) and our Chief Executive.

The genuine impact of the forum is highlighted in Council's decision in August 2016 to appoint Iwi representatives to Council and committee meetings, following a recommendation from the forum. Iwi representatives from Rangitāne o Wairarapa and Kahungunu ki Wairarapa were appointed to the Infrastructural Services Committee, Community Wellbeing Committee and the Strategic Planning and Policy Committee with full speaking and voting rights. The representatives also participated at Council meetings with speaking rights. The representatives were reappointed by the new Council at their inaugural meeting on 26 October 2016.

Other key contributions from the Iwi Governance Forum during the year were:

- suggestions on how we can undertake more meaningful engagement with Hapū;
- feedback on the Cultural Development chapter of the My Masterton Our People Our Land strategy;
- Marae Development Fund criteria and funding allocation; and
- identified policies and LTP processes where Iwi would like to be involved.

The forum met four times during 2016-17 - in September 2016, December 2016, March 2017 and June 2017.

## Collaboration with other Local Authorities and Bodies

We have continued to work collaboratively with the Carterton and South Wairarapa District Councils throughout the year. Our long-established shared services have operated effectively, including GIS services, the local Civil Defence office and administering the joint solid waste contract. We have continued to work alongside both councils on the development of the Wairarapa Provisional Local Alcohol Policy and with Carterton District Council on the *Wairarapa Rangatahi Strategy*.

In February 2017, we approved the Wellington Regional Triennial Agreement, a commitment to ensure appropriate consultation and coordination is maintained between the eight other Wellington region councils over the next three years. This commitment is reflected in our participation in a number of Wellington region joint committees including the Remutaka Hill Road Committee, Solid Waste Forum and the Civil Defence Emergency Management Group.

We also participated in a number of committees led by the Greater Wellington Regional Council during the year, including the Te Kauru Upper Ruamahanga River Floodplain Management Committee, Wellington Regional Transport Committee and the Wellington Regional Strategy Committee.

Our collaborative approach is further demonstrated through our participation in a local government think tank, along with Rotorua Lakes Council, Waipa District Council and Hamilton City Council. The group's focus is on improving community engagement around the four wellbeings, particularly addressing issues related to social sector trials and community development in general.

## Development and Financial Contributions

In accordance with our Development and Financial Contributions Policy, MDC levies financial contributions using the provisions of the Resource Management Act 1991 and the Wairarapa Combined District Plan.

The development contributions levied and/or collected during the year totaled \$555,081, which has been recognised as revenue in the period to 30 June 2017. The amount collected in the previous financial year was \$416,132.

Development contributions have been set aside as part of reserve funds designated for parks & reserves, infrastructure, parking, development and roading. 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.



# MASTERTON DISTRICT COUNCIL

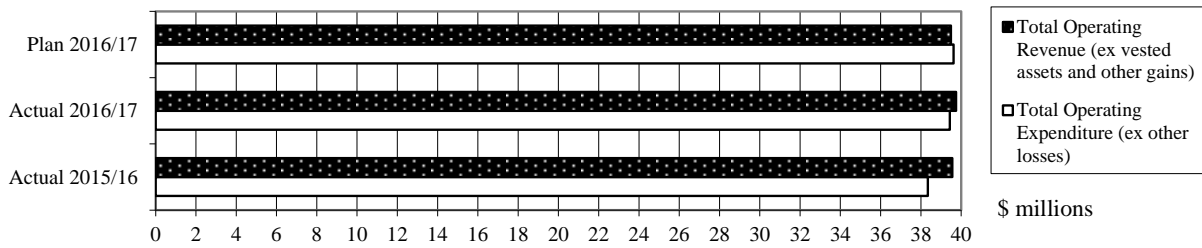
# FINANCIAL STATISTICS

Last Year

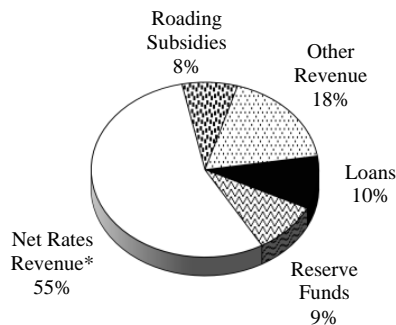
Actual 2015/16	Total Expenditure (incl Capital items)	Actual 2016/17	Plan 2016/17
\$ 45,885,387		\$ 49,173,027	\$ 51,337,991
\$ 26,237,553	Funded by: Net Rates Revenue*	\$ 27,080,694	\$ 26,964,710
\$ 4,054,033	Roading Subsidies	\$ 3,880,660	\$ 4,275,239
\$ 8,708,739	Other Revenue	\$ 8,783,611	\$ 8,248,127
\$ 2,035,274	Loans	\$ 4,810,544	\$ 3,655,100
\$ 4,849,789	Reserve Funds	\$ 4,617,518	\$ 8,194,815
\$ 45,885,387		\$ 49,173,027	\$ 51,337,991

\*Includes Riversdale Beach sewerage scheme capital contributions

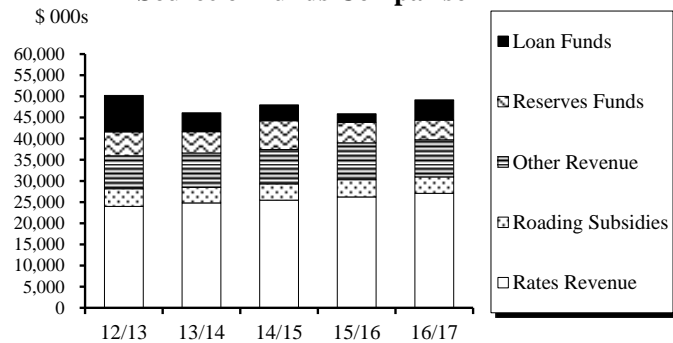
## Revenue & Expenditure Comparisons



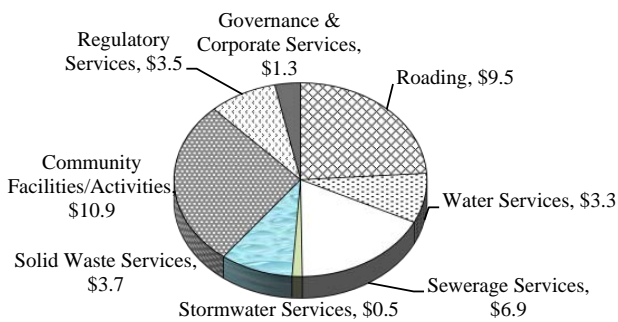
## Source of Funds 2016/17



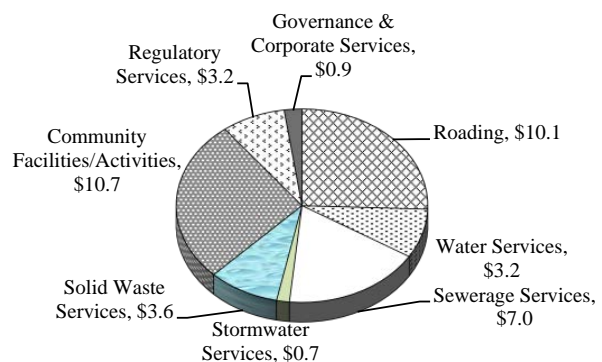
## Source of Funds Comparison



## Operating Expenditure by Activity Actual 2016/17 \$39.4 million



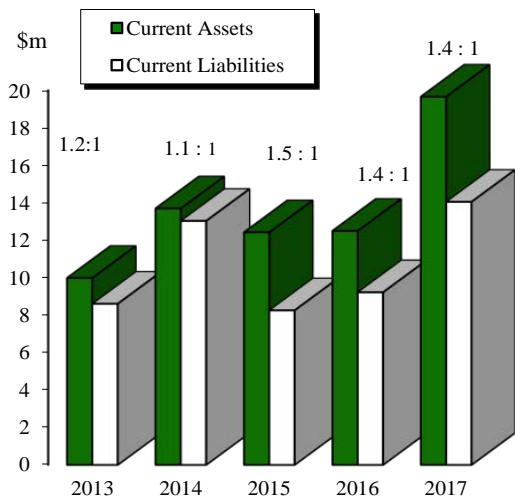
## Plan 2016/17 \$39.6 million



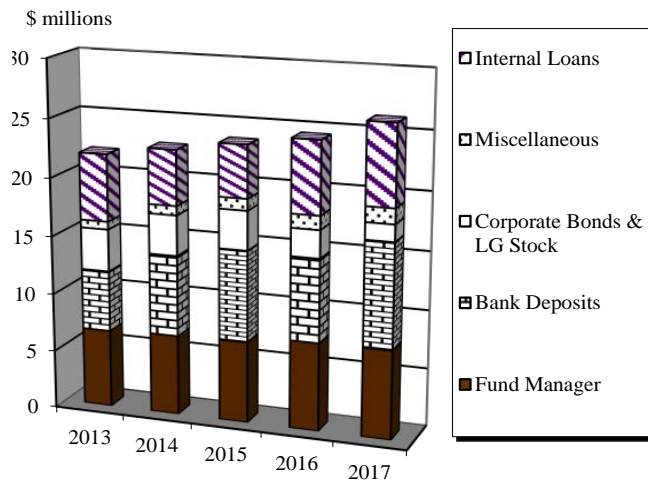
## Financial Ratios

	2014/15	2015/16	2016/17	Plan 16/17
Current Ratio	1.5	1.5	1.4	1.0
Liquidity Ratio	1.5	1.5	1.4	1.0
Long Term Debt (external) per rateable property	\$4,290	\$4,281	\$4,387	\$4,702
Long Term Debt (external) per capita	\$2,241	\$2,144	\$2,198	\$2,461
Interest costs as % of rates revenue	12.1%	10.9%	9.7%	10.6%
Debt servicing costs as % of rates revenue	19.6%	18.5%	17.2%	17.9%
Reserve Funds as % of rates revenue	76.3%	83.9%	88.8%	68.3%
Investments (external) as % of rates revenue	75.9%	73.8%	97.3%	66.3%
Rates receivable as % of rates levied	1.7%	1.6%	1.5%	1.8%
Net External Debt as % of operating revenue	93.9%	83.6%	82.6%	100.4%

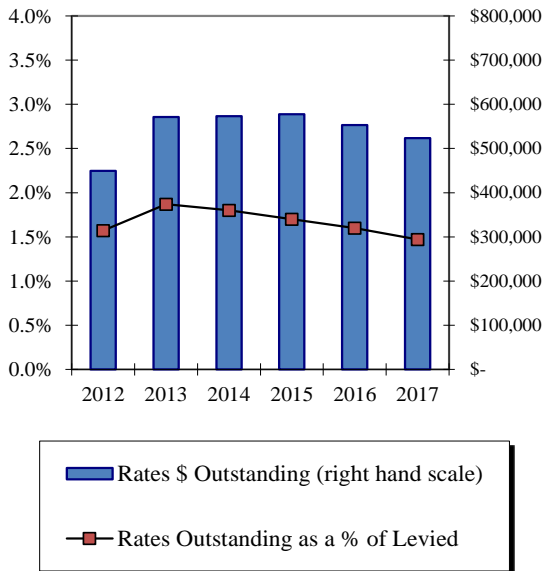
**CURRENT ASSETS TO CURRENT LIABILITIES**



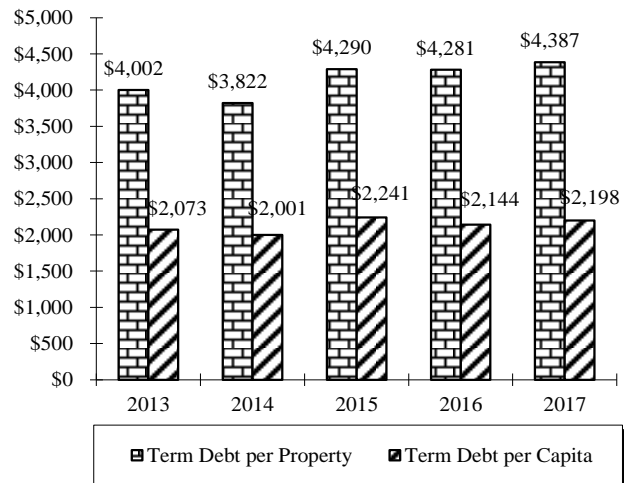
**INVESTMENTS**



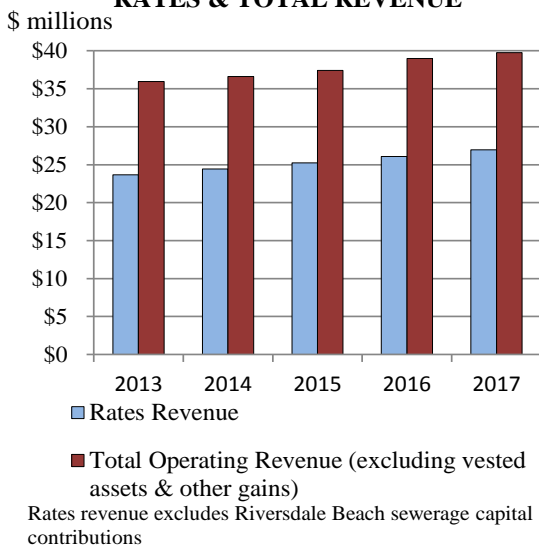
**RATES ARREARS**



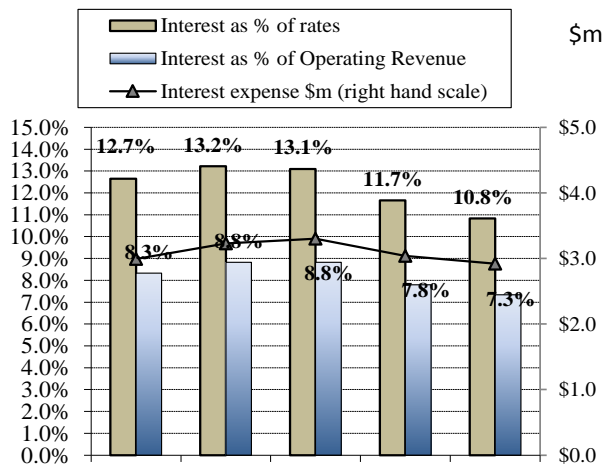
**TERM LIABILITIES (external) per Ratepayer and per Capita**

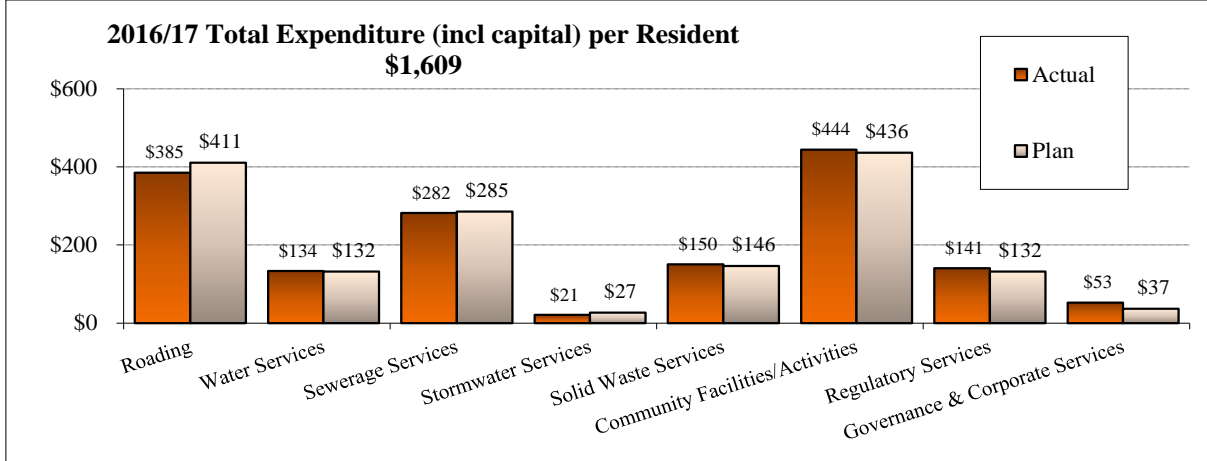
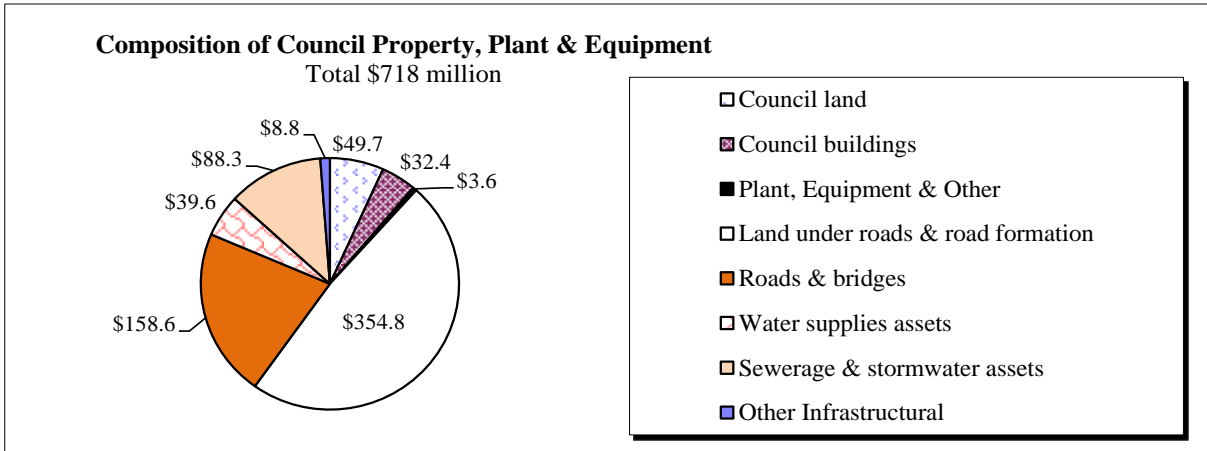
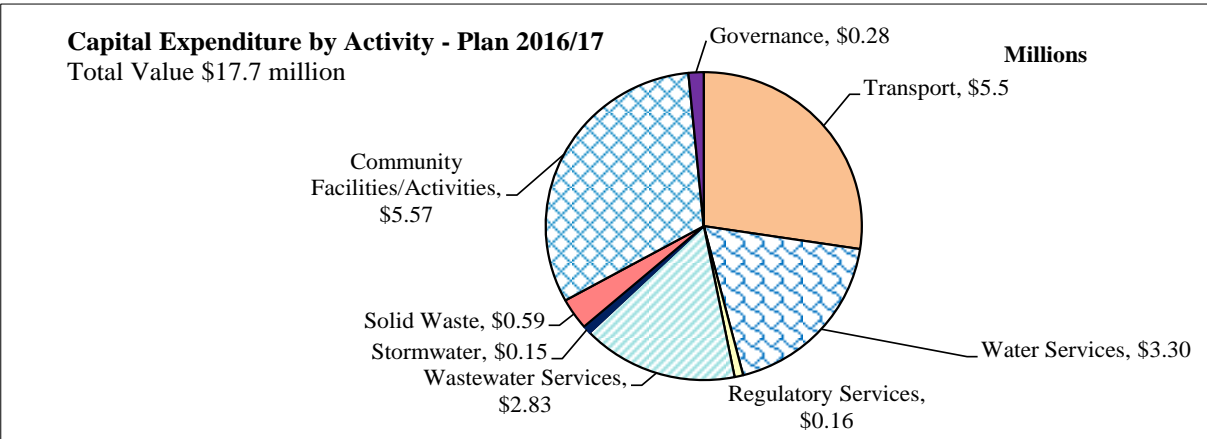
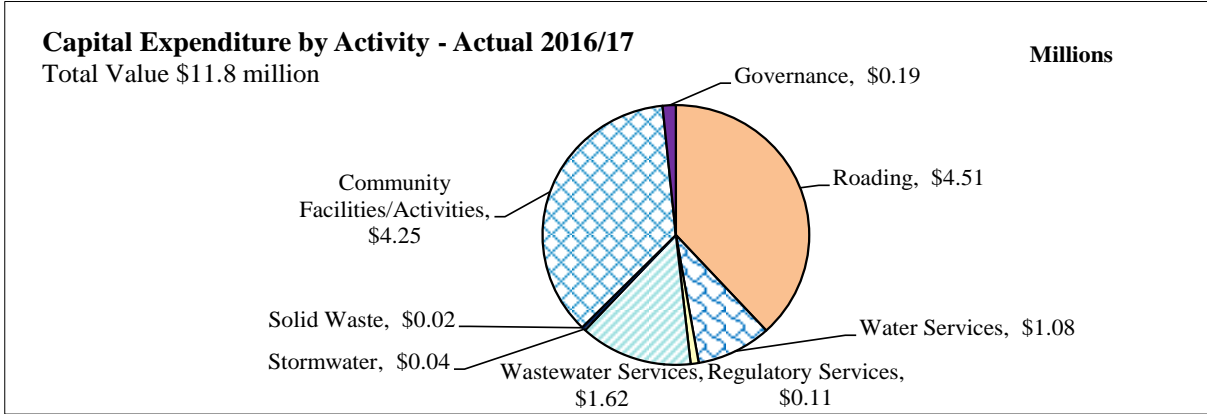


**RATES & TOTAL REVENUE**



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





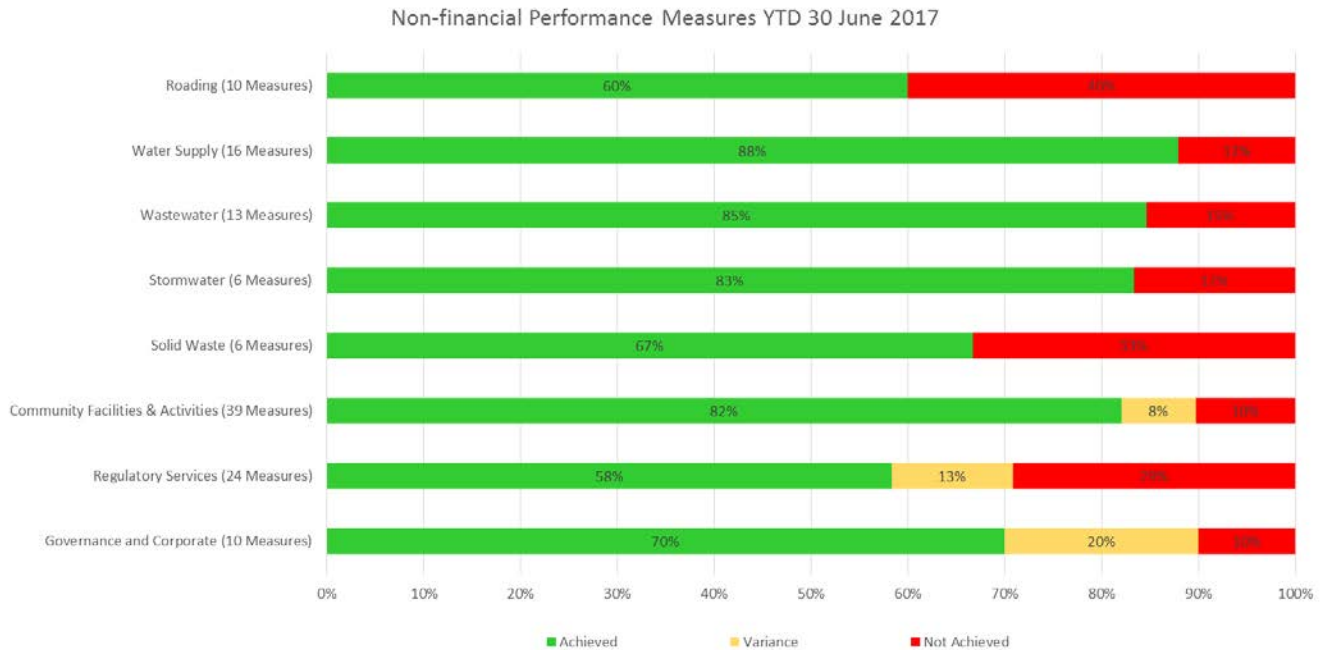


# Statements of Service Performance

# Overview of Non-Financial Performance

In our Long-Term Plan we define the level of service we aim to achieve for each of our eight activity areas and set performance targets that allow us to measure how well we are delivering that level of service.

For 2016-17, we have reported against 124 performance targets. The graph below shows that we achieved the target for 93 (75%) of the measures. A further eight measures (6%) were reported as variances due to either no longer being measured or not relevant in this financial year.



Full details of performance targets are provided in the following activity reports.

## Resident Satisfaction Survey

The National Research Bureau (NRB) undertakes a survey of Masterton district residents on our behalf, to help gauge how satisfied the community is with our services. The NRB survey has been conducted annually since 2002, with the exception of 2013 when no survey was undertaken.

A telephone survey of a random sample of 401 residents was completed in February and March 2017. The NRB report states the margin for error 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.

Survey results are reported within the relevant activity reports that follow. Where customer satisfaction is a performance target, if the satisfaction level was within 5% of the target, it has been reported as achieved in accordance with the NRB margin of error.

## Service Levels

Service levels have been maintained as per the LTP for all activity areas. The LTP did not provide for any significant increase in service levels, with the exception of Wastewater Services.

# Roads, Streets, Footpaths and Parking Areas

MDC constructs, manages and maintains the road, street and footpath networks including pavements, bridges, traffic services and streetlights throughout the Masterton district. MDC also owns and maintains off-street car park spaces and on-street metered time-limit spaces.

This activity primarily contributes to the following community outcomes:

- An Easy Place to Move Around
- A Strong Resilient Economy

## Highlights/Key Activity

During the year we have continued to focus on delivering projects and ongoing maintenance that improve our road network. Highlights and key activities from the 2016-17 include:

- Completion of the First Street project at the Lansdowne Shopping Village, with the official opening held on 15 October 2016. The village upgrade included road improvements, landscaping and traffic calming measures. The project, which aims to breathe new life into Lansdowne Village, was a community collaboration between MDC, Connecting Communities Wairarapa and Lansdowne residents and retailers.
- Resealing 31km of roadway, rehabilitation of 3.8km of sealed road pavement, construction of 1km of kerb and channel and completion of hotmix surfacing on 6.3km of footpath.
- Completion of minor safety improvements were also completed at Castlepoint, including separated pedestrian access and speed control tables.
- A new footpath on the section of Colombo Road (west) from the Waipoua River to Te Ore Ore Road was completed during the year.

## Overall Performance

Six (60%) of the 10 performance measures for this activity were achieved in 2016-17.

Road resurfacing and quality of ride performance targets across MDC's network were achieved, however resident satisfaction with roads is declining. Similarly, while almost all of the district's footpaths meet the level of service defined in the Asset Management Plan, resident satisfaction with footpaths also continues to decline.

The extensive and ongoing programme of sewerage and water reticulation service renewals around the town is a likely contributor to declining public satisfaction with both roads and footpaths. Disruption to travel and patched surfacing can be perceived as a declining level of service. The decision to patch surfaces while pavements settle is considered preferable, as the alternative is to undertake a complete resurfacing, which generally cannot be economically justified.

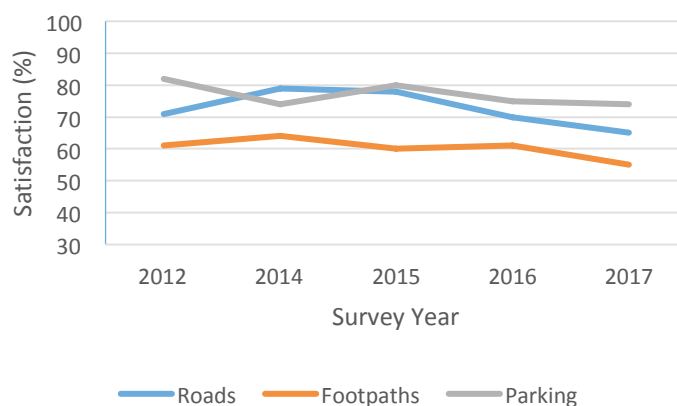
We will continue maintaining and improving our roads and footpaths via our ongoing maintenance programme and repairing potholes and other defects as identified.

The Roding activity operating costs were 6.1% less than the \$10.1m that was budgeted in the Annual Plan. Savings were largely made through not incurring any significant flood or weather related damage during the year. The road renewals and capital programme of \$4.8m achieved savings of 7%, largely through competitive contract tenders coming in below estimates. Savings in the subsidised programme have translated to lower subsidy income from NZTA of \$211,000.

Funding to reserves includes \$100,000 of rates funding for flood damage, \$65,580 for streetscape projects and \$413,000 as per the 2017/18 Annual Plan provision for 2016/17 operational savings to be applied to the people development project.

## Resident Satisfaction

Resident satisfaction with roads, footpaths and parking has declined by 6-8% over the last five years, as shown in the graph below.



In the 2017 customer survey, footpaths and roads had the highest levels of dissatisfaction at 41% and 34% respectively while dissatisfaction with parking in the CBD was 25%. The main reasons stated for dissatisfaction included roughness and poor condition of roads, uneven and poor condition of footpaths and difficulty finding parking in the CBD.

## Performance Measures

**What we do:** We provide a safe and well-maintained roading network

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Percentage of customers satisfied with the condition of the roading network	76% average	Maintain baseline satisfaction (79%) over the three latest surveys and within 10% of peer group average (73%)	<b>Not Achieved</b> 71% average over the last three surveys (65% in 2017, 70% in 2016, 78% in 2015) Within 10% of the baseline peer group average (73%) and the 2017 peer group average (69%) The extensive and ongoing renewal programme of sewerage and water reticulation services have likely impacted satisfaction
<i>Mandatory Measure</i> Average quality of ride on a sealed local road network, measured by smooth travel exposure	93% network smooth travel exposure	At least 90%	<b>Achieved</b> 94% network smooth travel exposure (as at 30 June 2017)
<i>Mandatory Measure</i> The change from the previous financial year on the number of fatalities and serious injury crashes on the local road network	In 2015, compared to 2014, there were 2 more serious injury crashes and 1 less fatality	Reduction on 2015/16 figures	<b>Not Achieved</b> In 2016, compared to 2015, there were 3 less serious injury crashes but 3 more fatalities (results are only available for calendar years)

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Cycle usage at key sites is monitored to assess demand for cycle facilities	4 sites surveyed	Survey 4 monitor sites	<b>Achieved</b> 4 sites surveyed Cycle usage surveys were undertaken between 24 November and 1 December 2016 at four monitor sites Sites are High/Intermediate Streets, Te Ore Ore/Colombo Roads, Church/Dixon Streets and Pownall/Renall Streets
<i>Mandatory Measure</i> Percentage of sealed local road network that is resurfaced	5.6%	5-6%	<b>Achieved</b> 6.4% 62.8 lane km of the total sealed local road network (977.8 lane km) was resurfaced

**What we do:** We provide safe, well-maintained and accessible footpaths

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Percentage of customers satisfied with the condition of the footpath network	62% average	Maintain baseline satisfaction (64%) over the three latest surveys and within 10% of peer group average (71%)	<b>Not Achieved</b> 59% average over the last three surveys (55% in 2017, 61% in 2016, 60% in 2015) Not within 10% of the baseline peer group average (71%) or the 2017 peer group average (67%) The extensive and ongoing renewal programme of sewerage and water reticulation services have likely impacted satisfaction
<i>Mandatory Measure</i> Percentage of footpaths where the condition falls within the level of service defined in Council's Asset Management Plan	95%	95%	<b>Achieved</b> 99% of footpaths meet or exceed the defined level of service (Grade 3) - based on a condition rating survey of one sixth of the network (26.7km) in December 2016 86% of footpaths were Grade 1-2 (excellent/good condition) and 13% were Grade 3 (worn but with residual life) 1% were Grade 4-5 (require immediate attention)
<i>Mandatory Measure</i> Percentage of urgent customer service requests relating to roads and footpaths responded to within 2 days	99%	95%	<b>Achieved</b> 98% 419 of the 427 urgent requests were responded to within 2 days

Measure	2015-16 Result	2016-17 Target	2016-17 Result
<i>Mandatory Measure</i> Percentage of non-urgent customer service requests relating to roads and footpaths acknowledged within 10 days and placed on appropriate maintenance programme	74%	95%	<b>Not Achieved</b> 78% 412 of the 529 non-urgent requests were responded to with 10 days Many non-urgent matters need further investigation to clarify the request before a meaningful response can be given, resulting in delays to response times

**What we do:** We provide a range of on and off-street parking opportunities

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Customer satisfaction with parking services	75%	Maintain baseline satisfaction (74%)	<b>Achieved</b> 74% satisfaction

## Cost of Service Statement

Roads, Streets, Footpaths & Parking Areas			
2015/16 Actual		2016/17 Actual	2016/17 Plan
\$		\$	\$
<b>Operating Costs</b>			
3,844,016	Subsidised roading programme - maintenance	3,757,985	3,783,519
1,176,294	Non-subsidised maintenance	1,170,328	1,193,542
0	Flood damage expenditure	0	500,000
4,499,740	Depreciation	4,551,220	4,624,341
<b>9,520,051</b>		<b>9,479,533</b>	<b>10,101,402</b>
<b>Operating Revenue</b>			
1,858,871	NZ Transport Agency subsidy (on maint.)*	1,846,557	2,149,392
176,851	Local authority petrol tax	192,581	175,000
121,354	Roading contributions (ex developers)	94,859	45,001
67,584	Other recoveries	62,107	90,019
<b>2,224,660</b>		<b>2,196,104</b>	<b>2,459,412</b>
<b>Appropriations</b>			
310,000	Net transfer to/(from) flood damage fund	100,000	-
358,354	Transfers to reserves	573,439	45,000
(204,875)	Tranfers from reserves	(125,000)	(125,000)
117,069	Provision for loan repayments	21,480	25,156
(3,804,746)	Depreciation not rates funded**	(3,676,993)	(3,676,993)
<b>4,071,192</b>	<b>Rates Requirement (Operational)</b>	<b>4,176,354</b>	<b>3,910,153</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.

## Roads, Streets, Footpaths & Parking Areas

### Capital Expenditure Summary

2015/16 Actual \$	Roading	2016/17 Actual \$	2016/17 Plan \$
2,069,622	Asset renewals - Rural roading programme	2,152,344	2,329,868
587,866	Asset renewals - Urban roading programme	971,785	746,710
719,684	Asset renewals - Bridges	40,628	72,907
217,147	Urban footpath upgrades & reseals	456,947	370,000
-	Land purchase for roading strip	5,005	-
-	Upgrade to LED streetlighting	9,000	350,000
-	Car park developments	23,415	5,000
473,990	Roading minor improvements	390,424	509,092
250,169	CBD upgrade	71,292	108,700
-	Castlepoint safety improvements	169,534	180,000
23,321	Street furniture/flag poles	0	-
-	Cycleways	0	70,980
216,109	Streetscape & neighbourhood design (c/fwd)	214,937	105,800
179,266	Vested roading assets ex subdivision	0	-
116,100	Vested assets - land under roads	0	-
<b>4,853,274</b>		<b>4,505,312</b>	<b>4,849,056</b>
	<b>Capital Funding</b>		
(2,195,162)	NZ Transport Agency subsidy (on renewals)	(2,034,103)	(2,125,847)
(804,220)	Transfers from reserves	(696,109)	(630,265)
(6,826)	External contrib.	(522)	-
(295,366)	Vested assets (ex developers)	-	-
(189,452)	Loan funds	(343,730)	(414,785)
<b>(3,491,026)</b>		<b>(3,074,464)</b>	<b>(3,170,897)</b>
<b>\$1,362,248</b>	<b>Rates Requirement (Capital)</b>	<b>1,430,848</b>	<b>\$1,678,159</b>

## Roads, Streets, Footpaths & Parking Areas

### Rates Requirement Summary

2015/16 Actual \$	Activity	2016/17 Actual \$	2016/17 Plan \$
3,647,308	Subsidised roading	3,979,016	3,990,406
1,229,569	Non-subsidised roading (urban)	1,312,536	1,166,211
246,562	Non-subsidised roading (rural)	215,651	216,696
310,000	Flood damage	100,000	215,000
<b>\$5,433,440</b>	<b>Rates Requirement</b>	<b>\$5,607,202</b>	<b>\$5,588,313</b>



# Water Supplies (Urban and Rural)

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.

This activity primarily contributes to the following community outcomes:

- A Reliable and Well-Maintained Infrastructure
- A Sustainable Healthy Environment
- A Strong Resilient Economy

## Highlights/Key Activity

Key achievements in 2016-17 include:

- the supply of 4.7 million metres<sup>3</sup> of safe drinking water to the community; and
- the renewal of nearly 3km of water mains in Masterton.

## Overall Performance

Fourteen (88%) of the 16 performance measures for this activity were achieved in 2016-17.

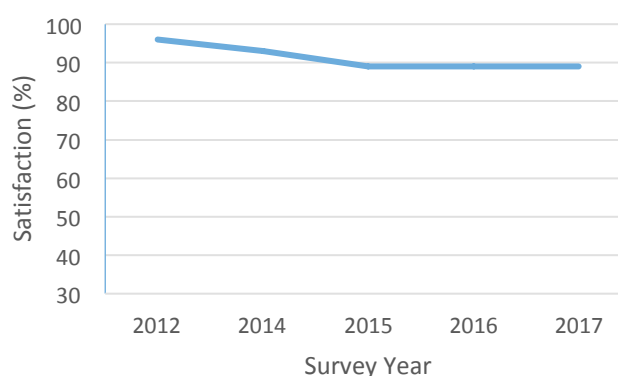
The measures regarding complaints about water pressure and continuity of supply were not achieved due to localised disruptions to the water supply, especially when unplanned maintenance work was undertaken.

The measure regarding water taste is due to ageing iron pipes in the reticulation system. These pipes are being progressively upgraded as part of our ongoing renewal programme. In the meantime, taste issues are being managed by a regular pipe flushing programme.

Financial performance has seen operating expenditure and rates requirement (both \$3.1m) being very close to the planned level. Capital expenditure of \$1.1m is \$2.2m less than planned due to not progressing the trunk main renewal that was planned (\$1.45m), doing less reticulation renewals work than planned and the water take consent renewal not costing as much as planned. Deferring the trunk main renewal is regarded as prudent while new technologies are developed and the asset continues to perform adequately.

## Resident Satisfaction

Resident satisfaction with water supply at 89%, continues to be higher than the peer group average and has remained consistent over the last three years, as shown in the graph below.





## Performance Measures

**What we do:** We deliver efficient and effective water supply systems

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Customer satisfaction with urban water supply services	89% satisfaction	Maintain baseline satisfaction (93%) and equal or exceed peer group average (90%)	<b>Achieved</b> 89% satisfaction (within survey margin of error) Slightly below the baseline peer group average (90%) but exceeds the 2017 peer group average (87%)
<i>Mandatory Measure</i> Total number of complaints (per 1,000 connections to MDC's networked reticulation system)	3.4/1000 (32 complaints)	Less than or equal to 5.58 complaints per 1,000 connections	<b>Achieved</b> 5.20 complaints/1000 connections (47 complaints)
These total complaints are reported in the following categories:			
drinking water clarity	1.1/1000 (10 complaints)	Less than or equal to 2.7 complaints per 1,000 connections	<b>Achieved</b> 1.66 complaints/1000 connections (15 complaints)
drinking water taste	0.2/1000 (2 complaints)	Less than or equal to 0.33 complaints per 1,000 connections	<b>Achieved</b> 0.33 complaints/1000 connections (3 complaints) All but one complaint was from the same street, associated with the iron pipes used in parts of the network
drinking water odour	0 complaints	Less than or equal to 0.33/1,000	<b>Achieved</b> 0 complaints/1000 connections
drinking water pressure or flow	0.5/1000 (5 complaints)	Less than or equal to 0.33 complaints per 1,000 connections	<b>Not Achieved</b> 0.55 complaints/1000 connections (5 complaints) Attributed to network maintenance
continuity of supply	1.6/1000 (15 complaints)	Less than or equal to 0.88 complaints per 1,000 connections	<b>Not Achieved</b> 2.32 complaints/1000 connections (21 complaints) Attributed to unplanned, localised shutdowns required for maintenance work
council's response to complaints received	All complaints responded to	Less than or equal to 1.01 complaints per 1,000 connections	<b>Achieved</b> 0.33 complaints/1000 connections (3 complaints)
<i>Mandatory Measure</i> Median response time to call outs for faults or unplanned interruptions to the networked reticulation system:			
attendance at urgent call outs (from notification to arrival on site)	37 minutes	Less than or equal to 60 minutes	<b>Achieved</b> 30 minutes

Measure	2015-16 Result	2016-17 Target	2016-17 Result
resolution of urgent call outs (from notification to confirmation of resolution)	169 minutes	Less than or equal to 480 minutes	<b>Achieved</b> 194 minutes
attendance at non-urgent call outs (from notification to arrival on site)	75 minutes	Less than or equal to 7 days	<b>Achieved</b> 2.84 days
resolution of non-urgent call outs (from notification to confirmation of resolution)	188 minutes	Less than or equal to 3 months	<b>Achieved</b> 6.85 days
Alternative water supply is provided when shutdown exceeds 24 hours	No shutdown exceeded 24 hours	100%	<b>Achieved</b> No shutdown exceeded 24 hours

**What we do:** We provide a safe water supply with minimal environmental impact

Measure	2015-16 Result	2016-17 Target	2016-17 Result
<i>Mandatory Measure</i>			
Council's drinking water supply complies with:			
part 4 of the Drinking Water Standards (bacteria compliance criteria)	100%	100%	<b>Achieved</b> 100%
part 5 of the Drinking Water Standards (protozoal compliance criteria)	100%	100%	<b>Achieved</b> 100%
<i>Mandatory Measure</i> Percentage of real water loss from Council's reticulation system (calculated using minimum night flow)	32%	Less than 2015/16 (32%)	<b>Achieved</b> 31%
<i>Mandatory Measure</i> Average consumption of drinking water per day per resident within the district	811 litres/person/day	Less than 2015/16	<b>Achieved</b> 655 litres/person/day Summer usage was significantly lower than the previous year. This is due to the wetter than normal conditions.



## Cost of Service Statement

Urban Water Supply			
2015/16		2016/17	2016/17
Actual		Actual	Plan
\$		\$	\$
	<b>Operating Costs</b>		
1,067,128	Water treatment costs	1,137,448	1,117,520
766,179	Water reticulation costs	751,460	761,428
1,226,992	Depreciation	1,217,095	1,187,694
<b>3,060,299</b>		<b>3,106,003</b>	<b>3,066,643</b>
	<b>Operating Revenue</b>		
164,827	User charges	167,056	160,800
79,200	Internal Recoveries	81,600	81,600
<b>244,027</b>		<b>248,656</b>	<b>242,400</b>
	<b>Appropriations</b>		
252,516	Provision for loan repayment	272,921	283,172
(180,000)	Reverse depreciation	(177,258)	(147,961)
<b>\$2,888,787</b>	<b>Rates Requirement</b>	<b>\$2,953,010</b>	<b>\$2,959,454</b>

### WATER SUPPLIES

#### Rates Requirement Summary

2015/16		2016/17	2016/17
Actual	Activity	Actual	Plan
\$		\$	\$
2,888,787	Masterton urban water supply	2,953,010	2,959,454
24,319	Tinui water supply	36,167	32,564
39,488	Opaki water race	46,094	38,295
21,219	Miscellaneous rural water costs	17,865	13,124
<b>\$2,973,813</b>	<b>Rates Requirement</b>	<b>\$3,053,135</b>	<b>\$3,043,437</b>

#### Rural Water Supplies

2015/16		2016/17	2016/17
Actual		Actual	Plan
\$		\$	\$
	<b>Operating Costs</b>		
215,502	Rural water supplies & races	199,985	208,878
60,600	Depreciation & decline in service	60,753	54,867
<b>276,102</b>		<b>260,737</b>	<b>263,746</b>
	<b>Operating Revenue</b>		
<b>194,412</b>	Rural water scheme charges	<b>224,860</b>	<b>183,200</b>
	<b>Appropriations</b>		
(4,000)	Transfer from reserves	-	-
16,024	Transfer to reserves	60,775	-
3,011	Provision for loan repayment	3,473	3,438
(11,700)	Reverse depreciation	-	-
<b>\$85,025</b>	<b>Rates Requirement</b>	<b>\$100,125</b>	<b>\$83,984</b>

**Capital Expenditure Summary**

2015/16 Actual \$		2016/17 Actual \$	2016/17 Plan \$
	<b>Urban water treatment</b>		
164,887	Water treatment plant & equip. renewals	53,074	95,000
19,725	Water treatment - buildings & grounds	-	-
-	Flouride-free water access	11,171	10,000
64,869	Water treatment - filter refurbishment	-	-
-	Water take consent renewal	45,934	175,000
-	Reseal access road WTP	-	30,000
<b>249,481</b>		<b>110,179</b>	<b>310,000</b>
	<b>Urban water reticulation</b>		
189,601	Water mains & trunk main upgrades	805,786	2,750,000
73,812	Water connections renewals	112,758	200,000
52,623	Assets vested by subdividers	-	-
<b>316,036</b>		<b>918,544</b>	<b>2,950,000</b>
	<b>Rural water reticulation</b>		
34,462	Wainuioru water supply renewals	25,500	30,000
9,397	Tinui water supply upgrades	-	5,000
6,048	Opaki water race consent renewal	21,224	-
<b>49,907</b>		<b>46,724</b>	<b>35,000</b>
<b>615,424</b>	<b>Total Water Supplies capital expenditure</b>	<b>1,075,446</b>	<b>3,295,000</b>
	<b>Capital Funding</b>		
(74,266)	Loan funds	(395,554)	(2,317,500)
(13,092)	External funds	(10,879)	-
(52,623)	Assets vested by subdividers	-	-
(475,443)	Transfer from reserves	(669,013)	(977,500)
<b>(615,424)</b>		<b>(1,075,446)</b>	<b>(3,295,000)</b>



# Wastewater Services

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

This activity primarily contributes to the following community outcomes:

- A Reliable and Well-Maintained Infrastructure
- A Sustainable Healthy Environment
- A Strong Resilient Economy

## Highlights/Key Activity

Key achievements in 2016-17 includes the renewal of nearly 3km of sewer main.

## Overall Performance

Service levels have been improved as per the LTP. The LTP provided for an increase in service level for the urban sewerage system via the Homebush wastewater treatment plant upgrade.

The commissioning of Homebush in 2014-15 has contributed to improving water quality of the Ruamahanga River. This is evidenced by Land, Air, Water Aotearoa's (LAWA) 'Very Low' overall recreation risk rating of the river at the Cliffs.

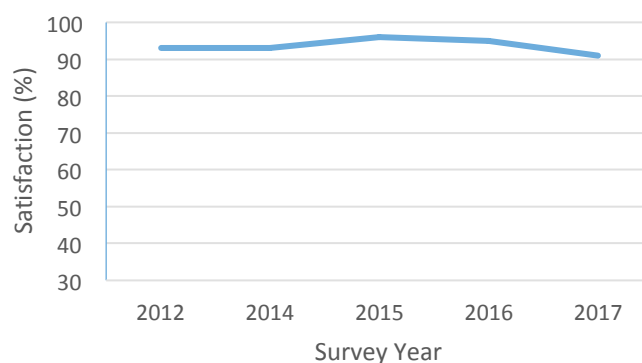
Eleven (85%) of the 13 performance measures for this activity area were achieved in 2016-17. The two measures not achieved were associated with localised blockages in the network.

Financial performance saw operating expenditure for Masterton urban wastewater system 1.7% less than planned and rural schemes 5.7% more than planned.

In the capital programme the next stage of upgrading the Homebush treatment plant was planned at \$1.45m but a decision was made by the Homebush Working Group and Council, not to proceed with the treatment upgrade as the planned, but to take a new approach to expanding the land area used for disposal. In addition, two pieces of land neighbouring the Homebush plant were purchased during the year with a view to potential future wastewater disposal. The capital expenditure item for the land is reported in the Property section of this Annual Report as the land is not currently designated for wastewater use.

## Resident Satisfaction

Resident satisfaction with wastewater services continues to be high at 91% and has remained fairly steady over the last five years, as shown in the graph below.



## Performance Measures

**What we do:** We deliver an efficient and effective wastewater system

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Customer satisfaction with urban wastewater services	95%	Maintain baseline satisfaction (93%) and within 10% peer group average (94%)	<b>Achieved</b> 91% satisfaction (within survey margin of error) Within 10% of the baseline peer group average (94%) and the 2017 peer group average (93%)
<i>Mandatory Measure</i> Total number of complaints (per 1,000 connections to MDC's sewerage system)	8.2/1000 (73 complaints)	Less than or equal to 6.88 complaints per 1,000 connections	<b>Not Achieved</b> 7.32/1000 connections (65 complaints)
These complaints are reported in the following categories:			
sewerage odour	0.9/1,000 (8 complaints)	Less than or equal to 0.11 complaints per 1,000 connections	<b>Achieved</b> 0 complaints/1,000 connections
sewerage system faults	0.1/1,000 (1 complaint)	Less than or equal to 0.45 complaints per 1,000 connections	<b>Achieved</b> 0 complaints/1,000 connections* *Result does not include complaints related to private cleaning
sewerage system blockages	5.4/1,000 (48 complaints)	Less than or equal to 5.31 complaints per 1,000 connections	<b>Not Achieved</b> 6.08 complaints/1,000 connections (54 complaints) On investigation, most complaints were caused by faults on private property, not the MDC sewer mains
council's response to issues with its sewerage system	1.8/1,000 (16 complaints)	Less than or equal to 1.01 complaints per 1,000 connections	<b>Not Achieved</b> 1.24 complaints/1,000 connections (11 complaints*) All complaints were responded to but the majority were related to reduced sewer capacity caused by inflow and infiltration throughout the network *Result does not include complaints where a third party has inadvertently caused damage
<i>Mandatory Measure</i> Median response time to sewerage overflows resulting from a blockage or other fault to Council's sewerage system:			
attendance (from time of notification to the time service personnel arrive onsite)	17 minutes	Less than or equal to 6 hours	<b>Achieved</b> 30 minutes
resolution (from time of notification to the time service personnel confirm resolution)	172 minutes	Less than or equal to 12 hours	<b>Achieved</b> 3.2 hours

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Alternative system provided where loss of service exceeds 24 hours	No loss of service exceeded 24 hours	100% of occasions	<b>Achieved</b> 100% of occasions 11 port-a-loos provided in April 2017

**What we do:** We provide safe and acceptable wastewater disposal with minimal environmental impact

Measure	2015-16 Results	2016-17 Target	2016-17 Result
<i>Mandatory Measure</i> Compliance with MDC's resource consents for discharge from its sewerage system measured by the number of: a. abatement notices; b. infringement notices; c. enforcement orders or convictions; received by MDC in relation to those consents	No consent breaches	No consent breaches	<b>Achieved</b> No notices, enforcement orders or convictions received in relation to breach of resource consents.
Proportion of network failures that have an environmental effect	No environmental effects	Less than 1%	<b>Achieved</b> No environmental effects created by network failures
<i>Mandatory Measure</i> Number of dry weather sewerage overflows from Council's sewerage system (expressed per 1000 connections to the system)	1/1000 (9 overflows)	Less than or equal to 2/1000	<b>Achieved</b> 0.11/1000 (1 overflows)
Percentage of time that treated effluent is not discharged to the river	Winter 61%, Summer 92%	Winter – better than 50%, Summer – better than 75%	<b>Achieved</b> Winter 65% Summer 83%

**What we do:** We provide trade waste inspection, monitoring and enforcement services that protect community health and safety

Measure	2015-16 Results	2016-17 Target	2016-17 Result
All registered premises comply with trade waste disposal requirements as evidenced by annual inspection and followed up with further visits for enforcement if necessary	All known premises inspected and complied	100% of known premises	<b>Achieved</b> 100% of known premises complied

## Cost of Service Statement

Wastewater Services - urban			
2015/16		2016/17	2016/17
Actual		Actual	Plan
\$		\$	\$
	<b>Operating Costs</b>		
1,135,338	Sewerage reticulation	1,170,557	1,208,257
3,264,853	Wastewater treatment	3,099,439	3,206,440
2,097,412	Depreciation	2,130,305	2,099,318
<b>6,497,603</b>		<b>6,400,301</b>	<b>6,514,014</b>
	<b>Operating Revenue</b>		
<b>393,643</b>	User charges & other revenue	<b>381,852</b>	<b>435,750</b>
	<b>Appropriations</b>		
150,000	Transfer to reserves	-	-
(171,091)	Transfer from reserves	(135,000)	(170,000)
1,327,405	Provision for loan repayments	1,466,800	1,411,408
(1,005,000)	Reverse depreciation not rates funded	(1,194,099)	(1,139,030)
<b>\$6,405,273</b>	<b>Rates Requirement</b>	<b>\$6,156,150</b>	<b>\$6,180,642</b>

Wastewater Services - rural schemes			
2015/16		2016/17	2016/17
Actual		Actual	Plan
\$		\$	\$
	<b>Operating Costs</b>		
58,781	Castlepoint sewerage scheme	60,812	49,567
197,517	Riversdale sewerage scheme	209,990	195,402
13,172	Tinui sewerage scheme	15,620	16,028
256,841	Depreciation	255,822	252,311
<b>526,312</b>		<b>542,245</b>	<b>513,309</b>
	<b>Operating Revenue</b>		
0	Capital Contribution & other revenue	37,285	96,600
8,733	Internal Recoveries	7,150	5,150
<b>8,733</b>		<b>44,435</b>	<b>101,750</b>
	<b>Appropriations</b>		
(22,500)	Transfer from reserves	(30,000)	(30,000)
115,553	Loan Repayment	122,362	152,650
(202,700)	Reverse depreciation not rates funded	(225,686)	(231,387)
<b>\$407,932</b>	<b>Rates Requirement (Operational)</b>	<b>\$364,486</b>	<b>\$302,822</b>

### WASTEWATER SERVICES

#### Rates Requirement Summary

2015/16		2016/17	2016/17
Actual	Activity	Actual	Plan
\$		\$	\$
6,405,273	Urban sewerage system	6,156,150	6,180,642
65,158	Castlepoint sewerage scheme	63,472	54,417
166,434	Riversdale Beach sewerage scheme	148,296	153,335
160,818	Riversdale & Tinui capital contributions	135,373	77,168
15,521	Tinui sewerage scheme	17,344	17,901
<b>\$6,813,205</b>	<b>Rates Requirement</b>	<b>\$6,520,637</b>	<b>\$6,483,464</b>



**Capital Expenditure Summary**

2015/16 Actual \$		2016/17 Actual \$	2016/17 Plan \$
	<b>Urban Sewerage system</b>		
289,698	Homebush sewerage upgrade project	241,680	190,000
2,252,514	Sewerage reticulation mains renewals	1,288,150	1,100,000
0	Reticulation - hydraulic modelling	0	75,000
135,188	Homebush treatment plant upgrade	61,382	1,450,000
15,436	New sewer connections	7,987	0
133,772	Assets vested by subdividers	-	-
<b>2,826,608</b>		<b>1,599,199</b>	<b>2,815,000</b>
	<b>Rural Sewerage schemes</b>		
46,751	Riversdale Beach sewerage scheme	16,659	12,000
<b>46,751</b>		<b>16,659</b>	<b>12,000</b>
<b>2,873,359</b>	<b>Total</b>	<b>1,615,858</b>	<b>2,827,000</b>
	<b>Capital Funding</b>		
(1,676,401)	Loan funds	(638,281)	(1,875,000)
(13,413)	External funds	(5,786)	-
-	Finance lease funding	(78,902)	-
(133,772)	Assets vested by subdividers	-	-
(1,049,773)	Transfer from reserves	(892,889)	(952,000)
<b>(2,873,359)</b>		<b>(1,615,858)</b>	<b>(2,827,000)</b>
<b>\$0</b>	<b>Rates Requirement (Capital Contributions)</b>	<b>\$0</b>	<b>\$0</b>



# Stormwater

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 system in the rural area are largely open drains.

This activity primarily contributes to the following community outcomes:

- A Reliable and Well-Maintained Infrastructure
- A Sustainable Healthy Environment
- An Easy Place to Move Around
- A Strong Resilient Economy

## Highlights/Key Activity

The Masterton district experienced a significant flooding event in April 2017, with 130mm of rain falling in three days. Surface flooding occurred in a number of locations but no dwellings were flooded.

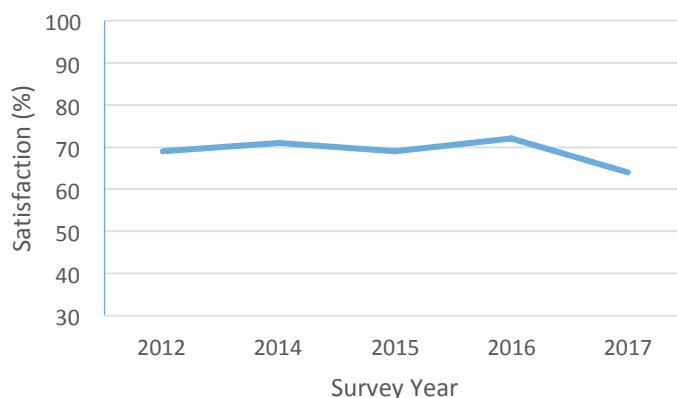
## Overall Performance

Five (83%) of the six performance measures for this activity were achieved in 2016-17. The one measure that was not achieved was satisfaction with stormwater services, decreasing 8% from the previous year.

Operating expenditure was 21.2% less than planned. This was partly due to not proceeding with a study to investigate the cost of upgrading stormwater systems to provide a higher level of service. Funding for this study has been carried forward.

## Resident Satisfaction

Resident satisfaction with stormwater management at 64% has declined by 5% over the last five years, as shown in the graph below.



Where residents expressed dissatisfaction in the 2017 survey, the main reasons stated were surface flooding and drains blocking during rainfall events.

## Performance Measures

**What we do:** We provide an efficient and effective stormwater system that minimises the impact of heavy rainfall and reduces flooding risk

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Percentage of residents satisfied with stormwater services	72%	Maintain baseline satisfaction (71%)	<b>Not Achieved</b> 64% satisfaction
<i>Mandatory Measure</i> Number of complaints received about the performance of Council's stormwater system (expressed per 1000 connections to Council's stormwater system)	1.2/1000 (12 complaints)	Less than or equal to 2/1000	<b>Achieved</b> 1.4 /1,000 connections (14 complaints)
<i>Mandatory Measure</i> Number of flooding events that occur in the district	7 events	Less than or equal to 98 events	<b>Achieved</b> 6 events
<i>Mandatory Measure</i> For each flooding event, the number of habitable floors affected (expressed per 1000 connections to Council's stormwater system)	No houses were flooded	Maintain baseline of 1/1000	<b>Achieved</b> 0/1000 connections (no houses were flooded)

**What we do:** We deliver stormwater services in a safe, acceptable manner that enhances the environment where possible

Measure	2015-16 Result	2016-17 Target	2016-17 Result
<i>Mandatory Measure</i> Compliance with Council's resource consents for discharge from its stormwater system, measured by the number of: a. abatement notices; b. infringement notices; and c. enforcement orders or convictions; received by Council in relation to those consents.	No consent breaches	No consent breaches	<b>Achieved</b> No notices, enforcement orders or convictions received in relation to breach of resource consents.
<i>Mandatory Measure</i> Median response time to attend a flooding event (from time of notification to the time service personnel arrive onsite)	13 minutes	Less than or equal to 60 minutes	<b>Achieved</b> 32 minutes



## Cost of Service Statement

Stormwater			
Cost of Service Statement			
2015/16		2016/17	2016/17
Actual		Actual	Plan
\$	Operating Costs	\$	\$
270,952	Stormwater	237,419	379,452
274,861	Depreciation	277,068	273,250
<b>545,813</b>		<b>514,487</b>	<b>652,702</b>
	<b>Operating Revenue</b>		
-	User charges & other revenue	-	-
	<b>Appropriations</b>		
-	Transfer to reserves	70,000	-
(101,250)	Transfer from reserves	(135,000)	(135,000)
132,457	Provision for loan repayment	141,302	141,302
(130,000)	Reverse depreciation not rates funded	(141,302)	(141,302)
<b>\$447,019</b>	<b>Rates Requirement</b>	<b>\$449,486</b>	<b>\$517,702</b>

## STORMWATER

Capital Expenditure Summary			
2015/16		2016/17	2016/17
Actual		Actual	Plan
\$	Stormwater	\$	\$
14,346	Stormwater renewals & upgrades	37,308	150,000
74,579	Assets vested by subdividers		
<b>88,925</b>		<b>37,308</b>	<b>150,000</b>
	<b>Capital Funding</b>		
(14,346)	Transfer from reserves	(37,308)	(150,000)
(74,579)	Assets vested by subdividers	-	-
<b>(88,925)</b>		<b>(37,308)</b>	<b>(150,000)</b>



# Solid Waste Management

MDC owns, maintains and manages three transfer stations in the Masterton district, with waste transferred to the Bonny Glen landfill near Marton. Former landfill sites are closed and monitored and the Nursery Road landfill has some limited use for cleanfill/cover material.

The current refuse collection and transfer station 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.

This activity primarily contributes to the following community outcomes:

- A Sustainable Healthy Environment
- A Knowledgeable Community
- A Strong Resilient Economy

## Highlights/Key Activity

The Regional Waste Assessment and Regional Waste Management and Minimisation Plan was prepared during the year. Changes in the waste and recycling operations will be included in the 2018-2028 LTP.

## Overall Performance

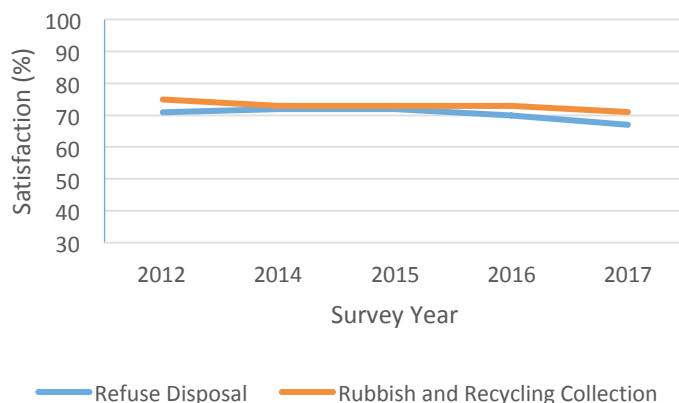
Four (67%) of the six performance measures for this activity were achieved in 2016-17.

The two measures not achieved were associated with the targets to reduce the community's waste tonnages to landfill and higher than normal e-coli samples at the closed landfill.

Financial performance reflected the higher volumes that were received at the transfer station. The 5.3% more tonnes of waste were transferred to Bonny Glen than planned and this generated revenue ahead of planned, while costs were also higher. With the gate fees set to recover fixed overheads, the extra volumes generated lower rates required than planned. The capital expenditure programme was not progressed. The closed landfill is being capped progressively as cover material is delivered to the site.

## Resident Satisfaction

Resident satisfaction with refuse disposal and rubbish recycling and collection at 67% and 71% respectively, has remained fairly steady over the last five years, as shown in the graph below.



Where residents expressed dissatisfaction in the 2017 survey, the main reasons stated were cost and, for rural residents, the lack of collection or transfer stations.

## Performance Measures

**What we do:** We provide solid waste management facilities and solutions across the district

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Percentage of residents satisfied with the urban and rural transfer stations, recycling and composting facilities	70%	Maintain baseline satisfaction (72%)	<b>Achieved</b> 67% satisfaction (within the margin of error)
Proportion of advertised hours that transfer stations and recycling centre are open to the public	One occasion where a facility did not open as advertised	100%	<b>Achieved</b> 100%
Percentage of residents satisfied with solid waste collection services	73%	Maintain baseline satisfaction (73%)	<b>Achieved</b> 71% satisfaction (within the margin of error)
Number of call backs due to non-collection of official rubbish bag in each weekly collection	Less than 1/200 (38 callbacks)	No more than 1/200 urban households	<b>Achieved</b> Less than 1/200 connections (20 callbacks)
Tonnage of waste delivered for transfer is reduced annually	12,450 tonnes	Reduction on 2015-16 figures	<b>Not Achieved</b> 13,049 tonne of waste was transferred to landfill, 5% greater than the previous year

**What we do:** We operate rural and urban transfer, composting and recycling stations in a safe and environmentally sensitive manner

Measure		2016-17 Target	2016-17 Result
Urban and rural transfer stations, recycling, composting facilities and landfills operate within approved resource consent conditions	Not achieved due to minor technical non-compliances	100% compliance	<b>Not Achieved</b> Minor non-compliance Some test results at the closed landfill were above e-coli limits This site will be continue to be monitored

### SOLID WASTE SERVICES

#### Rates Requirement Summary

2015/16		2016/17	
Actual	Activity	Actual	Plan
\$		\$	\$
405,334	Refuse & recycling collections	402,554	404,768
24,624	Refuse transfer station & landfill	(107,979)	42,389
285,014	Waste minimisation (recycling & composting)	288,329	290,065
199,152	Rural refuse services	204,952	193,331
<b>\$914,124</b>	<b>Rates Requirement</b>	<b>\$787,857</b>	<b>\$930,553</b>

## Cost of Service Statement

### Solid Waste Services

#### Cost of Service Statement

2015/16 Actual \$		2016/17 Actual \$	2016/17 Plan \$
	<b>Operating Costs</b>		
376,273	Urban refuse collection costs	411,016	401,345
2,043,940	Transfer station operation & refuse disposal	2,194,995	2,141,656
1,017,866	Waste minimisation (incl recyc.& composting)	1,042,046	1,034,832
222,808	Rural refuse operations	230,252	217,096
<b>3,660,887</b>		<b>3,878,309</b>	<b>3,794,929</b>
	<b>Operating Revenue</b>		
2,251,536	User charges - external	2,421,959	2,187,195
204,338	User charges - internal	199,014	184,938
92,056	Recoveries - waste levy	94,712	85,000
365,367	Recoveries from bag sales	398,853	365,200
<b>2,913,297</b>		<b>3,114,539</b>	<b>2,822,333</b>
	<b>Appropriations</b>		
(7,500)	Transfers from reserves	(10,000)	(65,000)
140,000	Transfers to reserves	13,157	-
84,034	Provision for loan repayment	91,621	91,079
(50,000)	Reverse depreciation not rates funded	(70,692)	(68,122)
<b>\$914,124</b>	<b>Rates Requirement</b>	<b>\$787,856</b>	<b>\$930,553</b>

### SOLID WASTE SERVICES

#### Capital Expenditure Summary

2015/16 Actual \$		2016/17 Actual \$	2016/17 Plan \$
	<b>Solid Waste Management</b>		
0	Reuse Recovery Store	0	50,000
0	Nursery Road land fill capping	0	335,000
26,833	Transfer station roof & upgrades	0	200,000
109,207	Special waste	20,083	0
<b>136,040</b>		<b>20,083</b>	<b>585,000</b>
	<b>Capital Funding</b>		
(76,468)	Loan funds	0	(200,000)
(32,739)	External funds	0	-
(26,833)	Transfer from reserves	(20,083)	(385,000)
<b>(136,040)</b>		<b>(20,083)</b>	<b>(585,000)</b>



# Community Facilities and Activities

MDC provides and supports community services and facilities to contribute to the social, economic, environmental and cultural strength of the Masterton district. MDC also works 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.

Seven services sit under Community Facilities and Activities:

- Community Services (including economic development, arts and culture and environmental initiatives)
- Library and Archive
- Property (including Mawley Park)
- Parks, Reserves and Sportsfields
- the Recreation Centre
- Cemeteries
- the Masterton Airport (Hood Aerodrome)

This activities within this group primarily contribute to the following community outcomes:

- A Sustainable Healthy Environment
- A Knowledgeable Community
- A Strong Resilient Economy
- An Active Involved and Caring Community

## COMMUNITY FACILITIES and ACTIVITIES

### Rates Requirement Summary

2015/16 Actual \$	Activity	2016/17 Actual \$	2016/17 Plan \$
2,143,537	Parks, reserves & sportsfields	2,150,633	2,174,902
1,194,788	Trust House Recreation Centre	1,207,177	1,239,719
68,066	Cemeteries	66,112	76,556
367,571	District building	609,157	353,574
34,486	Housing for the elderly	29,557	29,504
68,949	Other rental properties	92,574	81,291
329,293	Public conveniences	290,956	302,449
89,942	Rural halls	100,311	107,072
(34,522)	Forestry	11,985	13,707
88,635	Mawley Holiday Park	95,276	93,461
115,776	Airport	157,836	150,820
1,338,712	Library	1,500,577	1,424,265
280,382	Archives	311,415	314,802
615,324	Community Development	1,018,231	987,576
363,909	Arts and Culture	388,568	394,634
826,673	Economic Development and Promotion	858,940	828,969
<b>\$7,891,521</b>	<b>Rates Requirement</b>	<b>\$8,889,304</b>	<b>\$8,573,301</b>



# Community Services

Community Services covers a range of activities including community development, arts and culture, economic development, district promotion and environmental initiatives. MDC plays a major role in identifying, initiating and supporting activities through projects, partnerships and funding agreements. In particular, MDC manages partnerships with Sport Wellington Wairarapa, Aratoi and Connecting Communities Wellington.

## Highlights/Key Activity

### Strategic Planning

A key focus during the year has been the development of strategies that will guide our contribution to improving the wellbeing of our residents and communities.

MDC and the Carterton District Council adopted a joint *Rangatahi Strategy*, which provides a framework for how the two councils will work together to deliver youth development initiatives across the Wairarapa.

Our *My Masterton Our People Our Land Strategy* proposes a long-term strategic direction for the Masterton district across four priority development areas - social, cultural, environmental and economic. Alongside this, is an Education Strategy which identifies the essential educational needs of the Masterton district and how we can best support the delivery of these priorities. We will be consulting with our community on these strategies in 2017-18.

### Community Development Grants

Community development grants were provided to 33 of 39 applicants. The remaining six applicants were referred to other funding avenues, including the Annual Plan, Events Fund and the Environmental Task Group. Grants ranging from \$500 to \$5,000 were allocated to community projects, welfare and services.

### Investment into Arts, Culture and Heritage Initiatives

We supported local involvement in arts, culture and heritage through investing in a number of events, including the Waitangi Day Festival, Matariki Festival, and The Night Before Christmas. In addition, we invested in event promotion in order to boost the visibility of a range of arts and cultural opportunities that the community could engage with.

This investment has resulted in increased satisfaction with community events, with 92% of residents very satisfied/satisfied with community events (up from 89% in 2016).

### Investment in Economic Development

We continued funding Destination Wairarapa (Wairarapa's Regional Tourism Organisation) and also provided grants to events and Pukaha Mount Bruce. In addition, our economic development priorities influenced investment into Wai Connect, Accelerate Wairarapa Business and Investment Attraction programme, and the My Masterton promotional campaign.

The impact of this investment is continued economic growth across the district. The *Infometrics Masterton District Quarterly Economic Monitor* reports that in the 12 months to June 2017:

- Gross Domestic Product (GDP) increased by 3.4%
- Retail trade increased by 5.4%
- Traffic flow increased by 6.3%
- Guest nights increased by 4.3%

## Investment in Environmental Initiatives

We continued to invest in environmental initiatives during the year and, while the nature of this work means it will take some time to accurately measure its impact, we are confident that the community will see tangible and increasing benefit over the next one to three years.

Key investment and focus areas during 2016-17 included:

- The appointment of a full-time Environmental and Sustainability Advisor in February 2017, which has significantly increased our capability in this area.
- Finalising the Certified Emissions Measurement and Reduction Scheme (CEMARS) contract. Participation in the programme will allow us to calculate our carbon footprint and provide tools that will assist in setting achievable goals to manage our carbon emissions in the future. This is a significant step towards achieving MDC's pledge, via the 2015 Mayoral Declaration for Climate Change, to move towards a low-carbon future.
- Improving Masterton's air quality. This included promotion of 'clean burning' over winter through the My Masterton Facebook page and local newspapers as well as liaising with GWRC to explore a community education programme that aims to develop behaviours that will improve air quality.

In addition, we continued funding the Enviroschools Programme, which aims to create healthier and more sustainable communities. We signed a Memorandum of Understanding with Enviroschools, Carterton District Council and South Wairarapa District Council, confirming our commitment for the continued delivery of the programme across the Wairarapa.

Funding was also provided to the LiteFoot Trust's LiteClub programme, which focuses on energy efficiency improvements. This grant allowed the Trust to install energy and water conservation measures at several locations which is estimated to reduce carbon emissions by 10.6 tonnes over the lifetime of the measures. This is the equivalent of two cars being driven for one year.

## Overall Performance

Seven (78%) of the nine performance measures in this activity were achieved in 2016-17. One measure (11%) has been reported as a variance as it is no longer required to be monitored. See details below.

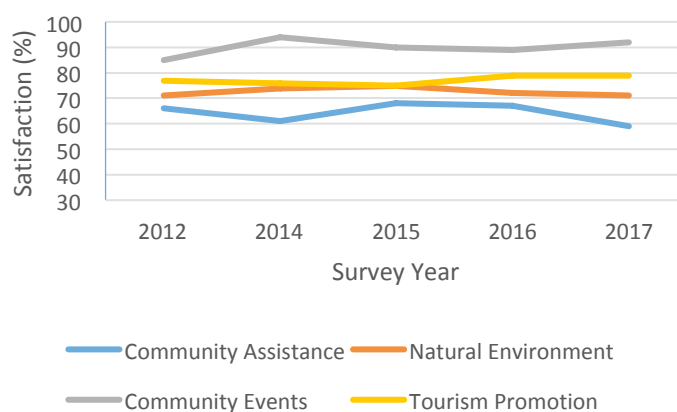
Financial performance is measured across three areas, Community Development, Arts and Culture and Economic Development. The plan allowed new funding of \$400,000 in the Community Development activity budget to develop a strategy associated with the wellbeings. This funding was largely utilised, but also allocated to fund activity in economic development initiatives.

Operating expenditure across the three areas was 3.6% less than planned while rates required was 2.5% more than planned due largely to several economic development initiatives costing more than allowed in the plan.

## Resident Satisfaction

Resident satisfaction with community services has generally improved or remained the same over the last five years, including satisfaction with community events (8% increase), tourism promotion (2% increase) and the environment (unchanged).

The exception is community assistance, where satisfaction has declined by 10% over the last five years.



## Performance Measures

**What we do:** We support and encourage community responses to issues

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Provide funding to support community groups to deliver services for the benefit of the community	90% of organisations had returned accountability forms at year end	Recipients report at least annually on outcomes of funding	<b>Not Achieved</b> Of the 33 community development grants provided, 20 (61%) had returned accountability forms at year end Follow up requests have been sent to the 13 organisations outstanding

**What we do:** We support and encourage economic development

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Destination Wairarapa reports tourism promotional activities and visitor numbers	All reports received	Quarterly Report	<b>Achieved</b> Destination Wairarapa reported to the Audit & Risk Committee in August and November 2016, February and May 2017
Outcomes of investment in economic development are reported annually	Outcomes reported	Annual Report	<b>Achieved</b> Update included in this Annual Report (see page 25)

**What we do:** We support and encourage environmental initiatives

Measure	2015-16 Result	2016-17 Target	2016-17 Result
The impact of investment into environmental initiatives is reported annually	Outcomes reported	Annual Report	<b>Achieved</b> Update included in this Annual Report (see page 26)
Satisfaction with the natural environment	72%	Maintain baseline satisfaction (74%)	<b>Achieved</b> 71% satisfaction (within margin of error)

**What we do:** We support and encourage arts, culture and heritage

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Aratoi Regional Trust reports against its performance targets on activities and outcomes at Aratoi Museum of Art and History	Annual performance targets achieved	Trust meets its annual performance targets	<b>Achieved</b> All annual performance targets met Reports were provided to the Audit & Risk Committee in August and November 2016, and February and May 2017 Resident satisfaction survey showed 92% of visitors to Aratoi were very satisfied/satisfied
The Wairarapa Arts, Culture and Heritage Strategy is progressively implemented	MDC ceased funding Toi Wairarapa from January 2016	Toi Wairarapa reports six-monthly on progress	<b>Variance</b> Measure is no longer applicable as MDC ceased funding Toi Wairarapa from January 2016
The impact of other investment into arts, culture and heritage initiatives is reported	Outcomes reported	Annual Report	<b>Achieved</b> Update included in this Annual Report (see page 25)

**What we do:** We support and encourage involvement in sports and physical activity

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Sport Wellington Wairarapa reports 6-monthly against performance targets on its support for involvement in sport	Annual performance targets achieved	Sport Wellington Wairarapa meets annual performance targets.	<b>Achieved</b> Annual performance targets were met Reports were provided to the Audit & Risk Committee in August 2016 and February 2017, including membership trends and numbers of targeted sports Three volunteer plans were signed with Hockey Wairarapa, Netball Wairarapa and Wairarapa Cricket



## Cost of Service Statements

Community Development			
2015/16		2016/17	2016/17
Actual		Actual	Plan
\$	Operating Costs	\$	\$
796,272	Community development (incl grants)	1,219,534	1,413,976
19,808	Environmental initiatives	47,985	75,000
<b>816,080</b>		<b>1,267,520</b>	<b>1,488,976</b>
	<b>Operating Revenue</b>		
22,905	Government grants - specific programmes	12,902	400
	<b>Appropriations</b>		
(181,350)	Transfers from reserves	(251,762)	(501,000)
3,500	Transfers to reserves (funding c/fwd)	15,375	-
<b>\$615,324</b>	<b>Rates Requirement</b>	<b>\$1,018,231</b>	<b>\$987,576</b>

Arts & Culture			
2015/16		2016/17	2016/17
Actual		Actual	Plan
\$	Operating Costs	\$	\$
386,255	Arts & culture expenditure	425,915	431,634
	<b>Operating Revenue</b>		
22,346	Creative NZ grants	22,347	22,000
	<b>Appropriations</b>		
-	Transfers from reserves	(15,000)	(15,000)
<b>\$363,909</b>	<b>Rates Requirement</b>	<b>\$388,568</b>	<b>\$394,634</b>

Economic Development & Promotion			
2015/16		2016/17	2016/17
Actual		Actual	Plan
\$	Operating Costs	\$	\$
828,826	Economic development & promotion	884,209	770,524
40,000	Regional amenities contribution	0	0
72,323	CBD Amenities (including security cameras)	94,287	79,691
<b>941,149</b>		<b>978,496</b>	<b>850,215</b>
	<b>Operating Revenue</b>		
27,765	Events grants & other recoveries	9,269	4,500
	<b>Appropriations</b>		
(100,000)	Transfers from reserves	(131,000)	(20,000)
15,000	Transfers to reserves	25,000	-
13,289	Loan repayments	15,312	15,541
(15,000)	Depreciation not rates funded	(19,600)	(12,287)
<b>\$826,673</b>	<b>Rates Requirement</b>	<b>\$858,940</b>	<b>\$828,969</b>



# Library and Archive

MDC owns and maintains a public library service and provides an archive service from leased premises.

## Highlights/Key Activity

Technology and digital literacy was a focus for the library during 2016-17. Highlights and key activity include:

- Learning opportunities were provided for our young people through the introduction of coding classes, Lego Club, Minecraft Club and unmaking programmes (where electronic items are taken apart to see how they work) for children aged 7-10. The classes have been a great success, with all sessions fully booked and waiting lists in place. Support was also provided to schools with class visits for maker, coding and library technology experiences, including delivering a 3D prosthetic hand project for Douglas Park School students.
- For the wider community we established a wi-fi service and e-centre with six computers at the Te Āwhina Cameron Community House in Masterton East. We also became a delivery partner of the 2020 Trust, which aims to improve digital literacy, skills and inclusion for all New Zealanders. Through this partnership we delivered Stepping Up programmes which improve digital literacy and KiwiSkills programmes which provide digital learning courses and qualifications to support jobseekers.

In addition, a successful outreach programme was delivered to rest homes, providing access to library materials and services. Five rest homes and villages received visits on a four weekly rotation. This is in addition to the Homebound Service which delivers fortnightly supplies of library materials to over 50 people unable to access the library.

Meanwhile, we also contributed to the Ngati Kahungunu Aratoi exhibition, Te Marae o Rongotaketake. In addition to the usual research support the Archive provides to Aratoi for historical exhibitions, our District Archivist researched and wrote the content for the panels relating to pakeha farming establishment and the impact that had on Māori in the 1800s as well as the panels accompanying the portraits in the Lindauer room.

## Overall Performance

Six (86%) of the seven performance measures for this activity were achieved in 2016-17.

The one measure not achieved was the number of resources per resident in the collection. At 2.6 resources per resident, this was just 4% below the target of 2.7.

The library's physical storage capacity has been maximised, with 10,000 items stored in the basement that are available to customers on request. However, through the Masterton Library's collaboration with the SMART Libraries network, members have free access to 600,000 items held by the 22 libraries in the Greater Wellington region.

The financial performance of the Library and Archive has seen operating expenditure at 3.1% more than planned. Costs above plan include materials and resources for running programmes within the library.

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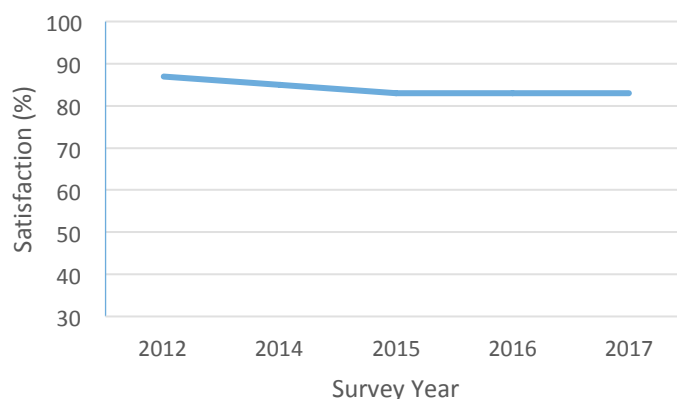
*"This library is tops – I love the service and dedication to community. I also love seeing a library living, breathing and enjoying itself"*

*From the Library Comments book*

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## Resident Satisfaction

Resident satisfaction with the library and archive service at 83% continues to be high and has remained fairly steady over the last five years, as shown in the graph below.



## Performance Measures

**What we do:** We provide information resources, lending materials and online services appropriate to the needs and interests of our community

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Resident satisfaction with library services	85%	Within 10% of peer group satisfaction (89%)	<b>Achieved</b> 83% of residents are satisfied (96% of users are satisfied) Within 10% of the baseline peer group average (89%) and the 2017 peer group average (86%)
New books and other items added to the library collection annually	14%	10% of collection is less than 1 year old	<b>Achieved</b> 12.3% of the collection is less than 1 year old Total items: 63,729. Items added within the last 12 months: 7,867
Number of resources (books, DVDs etc) in the collection	3.0 resources per resident	2.7 resources per resident	<b>Not Achieved</b> 2.59 resources per resident Total items: 63,729 divided by 24,600 - estimated population as at 30 June 2016 Library shelves and basement are full with no space for additional materials
Participant satisfaction with children's summer reading, math, seniors and te reo Māori programmes	100%	Maintain satisfaction (Summer Reading 99.9%, Math is Fun 100%, Winter Warmer 100%)	<b>Achieved</b> 100% of evaluation responses satisfied All library programmes are evaluated annually or at the time of delivery

**What we do:** We provide archival services to protect and promote Wairarapa history

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Archived material is available to the public from the archives for 20 hours per week	Achieved 20 hours per week	20 hours per week	<b>Achieved</b> The Archive was open for 20 hours per week throughout the year
Number of items available online increases annually	1,861 records added	750 additional items available online each year	<b>Achieved</b> 2,143 additional items available online
History articles published in local media	15 articles published	6+ articles per year	<b>Achieved</b> 33 articles published Articles were published in local and national media and include one academic paper

## Cost of Service Statement

Library & Archive				
2015/16			2016/17	2016/17
Actual	Operating Costs		Actual	Plan
\$			\$	\$
1,202,140	Operating costs - Library		1,350,635	1,282,665
297,925	Operating costs - Archive		308,384	317,186
181,803	Depreciation - books		164,671	150,280
121,857	Depreciation - bldg, furniture & equipment		114,747	129,187
<b>1,803,725</b>			<b>1,938,437</b>	<b>1,879,317</b>
	<b>Operating Revenue</b>			
24,389	Grants & donations		32,118	27,650
90,242	User charges & other recoveries		70,957	87,600
<b>114,631</b>			<b>103,075</b>	<b>115,250</b>
	<b>Appropriations</b>			
(5,000)	Transfers from reserves		-	-
(65,000)	Reverse depreciation		(23,371)	(25,000)
<b>\$1,619,094</b>	<b>Rates Requirement</b>		<b>\$1,811,992</b>	<b>\$1,739,067</b>

Analysis of Rates Requirement				
1,338,712	Library		1,500,577	1,424,265
280,382	Archive		311,415	314,802
<b>\$1,619,094</b>			<b>\$1,811,992</b>	<b>\$1,739,067</b>





# Property

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

## Highlights/Key Activity

We have continued to work through the year to maintain and improve the properties we provide for the benefit of our community. Highlights and key activity in 2016-17 include:

- Demand for our senior housing has continued to be high and a long waiting list means vacancies are immediately filled. Inspections of all 74 senior housing units and rental properties and all identified work was completed.
- Occupancy rates at Mawley Park also continued to increase and consistently received positive feedback, resulting in a Trip Advisor Certificate of Excellence award. Significant work was undertaken at the park to remove hazardous trees and ensuite units were fitted out with kitchens.
- We have completed condition assessments on all MDC sports facilities, including the Trust House Recreation Centre, which informed our Asset Management Plans.
- All halls have been reviewed and maintenance work on most rural halls has been completed.
- Legal reviews have been completed on all property leases due for renewal.

Due to seismic issues with the Municipal building, it was necessary to relocate some staff into alternative locations in July 2016. The main customer service centre was moved to Queen Street and some staff were moved into offices in the Public Trust building. Teams settled quickly into their new offices and, while there are challenges associated with being spread across multiple sites, we are lucky to have found locations within short distance.

## Overall Performance

Three (75%) of the four performance measures for this activity were achieved in 2016-17.

The measure regarding the operation of the Town Hall has been reported as a variance as this is no longer monitored following the facility's closure due to seismic issues. Future plans to provide a replacement facility will be considered as part of the 2018-2028 LTP process.

Financial performance of this activity was close to planned, except for the District Building activity. With the Council having to vacate the majority of the office building and rent alternate premises, the costs of the activity have exceeded the plan by \$240,000. This extra cost is reflected in the extra rates requirement of \$248,850.

Capital expenditure (as reported in the table on page 55) shows the provision for strengthening work on the Council buildings was not spent as only investigative work was progressed. The two farm land purchases at Homebush/Lees Pakaraka Road (totalling \$3.0m) have been classified as property (rather than a wastewater asset). These purchases were loan funded, using planned provisions from other budget areas that were not needed. The future use of the land may be for wastewater disposal, but for the medium term the land is being leased out and investigation of the potential use will form part of the Long Term Plan work programme.

## Performance Measures

**What we do:** We provide a range of safe and clean Council buildings, Town Hall and public toilets appropriate for community use

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Monthly inspections of municipal building and public toilets meet cleanliness and safety standards	95% compliance	95% compliance	<b>Achieved</b> All toilets have been available 95% throughout the year. Municipal Building toilets are closed due to seismic issues. Other public toilets have complied with cleanliness standards with the Queen Elizabeth Park Exeloo closed periodically during the year for maintenance and vandalism repairs.
Town hall facilities are operational for all bookings	Town Hall closed June 2016	100%	<b>Variance</b> Town Hall closed due to seismic issues All bookings relocated elsewhere in the community
Occupancy of Mawley Park Camping Ground	6.3% increase	5% increase on 2015-16	<b>Achieved</b> 10% increase in visitor numbers staying at the park (22,731 in 2016-17 compared to 20,723 in 2015-16)

**What we do:** We provide senior housing to people of modest means

Measure	2015-16 Result	2016-17 Target	2016-17 Result
All elderly units are fully occupied (averaged over all complexes, excluding refurbishment periods)	97.3% occupancy	95% occupancy	<b>Achieved</b> 99% occupancy MDC has a total of 74 pensioner flats



## Cost of Service Statement

Property		2016/17	2016/17
2015/16		Actual	Plan
Actual		Actual	Plan
\$	Operating Costs	\$	\$
398,591	District Building	630,093	390,097
274,287	Housing for the Elderly	281,883	319,456
1,010,370	Other Property	611,954	626,578
379,057	Mawley Park campground	428,100	406,826
805,074	Depreciation	819,631	795,095
<b>2,867,379</b>		<b>2,771,661</b>	<b>2,538,051</b>
	<b>Operating Revenue</b>		
33,169	Rental revenue - Halls & Dist. Bldg	383	41,350
395,643	Rental revenue - Housing for the Elderly	398,235	398,200
161,450	Rental revenue - Other Property	207,459	179,300
315,172	Forestry harvest (proceeds)	0	-
371,226	Mawley Park campground	399,008	368,500
50,004	Internal recoveries - ex roadside forestry	59,004	50,000
183,708	Internal recoveries - office rental	187,265	181,400
<b>1,510,371</b>		<b>1,251,355</b>	<b>1,218,750</b>
	<b>Appropriations</b>		
(276,092)	Transfers from reserves	(17,500)	(75,000)
110,560	Transfers to reserves	-	-
47,879	Provisions for loan repayments	51,010	51,012
(295,000)	Depreciation not rates funded	(324,000)	(314,255)
<b>\$944,354</b>	<b>Rates Requirement</b>	<b>\$1,229,817</b>	<b>\$981,058</b>



# Parks, Reserves and Sportsfields

MDC owns, maintains and manages 215 hectares of urban and rural recreation areas. These include sports grounds, gardens, neighbourhood open spaces, natural bush and beachfront esplanades. A contractor maintains parks and reserves on behalf of MDC.

## Highlights/Key Activity

Work continued during the year to enhance our natural environment for all our community to enjoy, including:

- Commencing detailed planning, including drawings and costings, for stage five of the Queen Elizabeth Park Rejuvenation Plan.
- Extension of the recreational trail network between Fourth Street and Gordon Street.
- Mitigating effects of algae bloom at Henley Lake commenced with increased water flow through to the wetlands.
- Installing new play equipment for younger children at the Kids Own playground.
- Supporting the Wai Rua Reserve Community Project to develop a reserve at the end of River Road.
- The annual Birth to Earth/Toi Tangata To Whenua event at Henley Lake where local families are invited to a placenta/whenua burial.
- We also continued to provide top quality venues and experiences to our community. We are working hard to improve the standard of the sports clubrooms, and took over management of the Colin Pugh Sports Bowl.

## Overall Performance

Six (86%) of the seven performance measures for this activity were achieved in 2016-17.

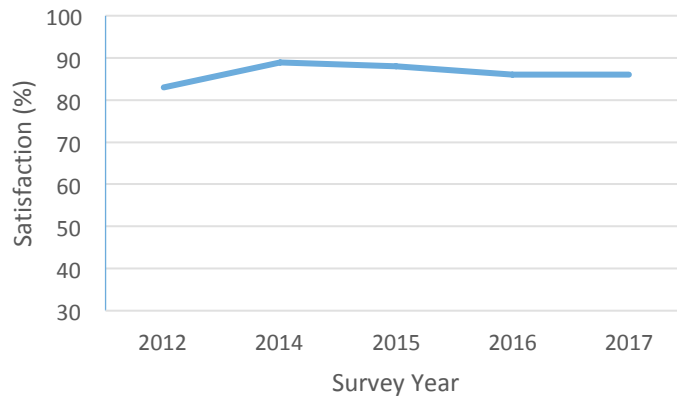
Operating costs for this activity were 2% less than planned, reflecting a focus on achieving value for money from the largely rates-funded activities.

The capital expenditure budget of \$2.5m has been well short of being spent as a number of projects remain in development:

- QE Park rejuvenation project is in the final planning and design stages and, when started in 2017, will roll three years of funding into the one contracted stage
- the project to upgrade the Henley Lake intake is awaiting GWRC consent
- the cricket grandstand project has been taken back to the drawing board with a new focus to meet a value-for-money criteria
- Sports buildings have had structural assessments and an upgrade programme will start in 2018
- the Netball facility is a community-led, Council supported project, with the Bring it to Colombo Trust leading the fundraising initiatives and they have made major progress in both finalising the design, achieving a fixed price contract for the construction and successfully attracting a \$500,000 grant from Lotteries. The Council rolled over it's contribution to the project into the 2017/18 year and added to the level of financial support to now total \$800,000

## Resident Satisfaction

Resident satisfaction with parks, reserves and sportsfields at 86% has continued to be high, increasing by 3% over the last five years, as shown in the graph below.



Parks and reserves within the district continue to be very well used and supported by our community. Residents are very engaged and supportive of work in our parks and reserves.

## Performance Measures

**What we do:** We provide a range of parks, open spaces and sports facilities to support the sporting and recreational needs of the community

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Percentage of residents satisfied with parks and reserves	86%	Maintain baseline satisfaction (89%)	<b>Achieved</b> 86% satisfaction (within survey margin of error)
Percentage of households who have visited a park in the past year	92%	93%	<b>Achieved</b> 92% of residents have visited a park or reserve in the past 12 months (within survey margin of error)
Percentage of park users/visitors satisfied with the service	92%	89%	<b>Achieved</b> 87% satisfaction (within margin of error)
Council-owned sports facilities meet the standard agreed with sports codes (measured by seasonal survey)	Survey not completed	75%	<b>Not Achieved</b> Seasonal survey not completed Working closely with Sport Wellington Wairarapa to implement this for the 17/18 year
Number of sports field closures per season	1.4% (5 closures)	Less than 5%	<b>Achieved</b> 1.4% 5 closures by ground staff due to conditions

**What we do:** We provide safe, enjoyable and accessible buildings, playgrounds, park furniture and signage

Measure	2015-16 Result	2016-17 Target	2016-17 Result
All playgrounds meet safety standards	100%	100%	<b>Achieved</b> 100% of playgrounds meet safety standards
Percentage of customer services requests completed within specified deadlines	94%	95%	<b>Achieved</b> 98% 247 of 252 requests service requests were responded to within agreed timeframes

## Cost of Service Statement

Parks, Reserves & Sportsfields			
2015/16 Actual		2016/17 Actual	2016/17 Plan
\$		\$	\$
	<b>Operating Costs</b>		
1,465,542	Parks & Reserves maintenance	1,486,883	1,547,562
464,979	Sportsfields maintenance	424,334	421,886
471,709	Depreciation	475,364	467,399
<b>2,402,230</b>		<b>2,386,581</b>	<b>2,436,847</b>
	<b>Operating Revenue</b>		
52,862	Miscellaneous parks revenue	45,599	30,900
25,662	Sportsground rentals	32,705	27,840
<b>78,523</b>		<b>78,304</b>	<b>58,740</b>
	<b>Appropriations</b>		
(173,303)	Transfers from reserves - project funding	(187,285)	(231,000)
15,000	Transfer to reserves	5,652	-
80,133	Provisions for loan repayments	64,989	64,989
(102,000)	Depreciation not rates funded	(41,000)	(37,194)
<b>\$2,143,537</b>	<b>Rates Requirement</b>	<b>\$2,150,633</b>	<b>\$2,174,902</b>



# Trust House Recreation Centre

MDC owns and maintains the Trust House Recreation Centre which consists of a stadium and indoor/outdoor pools. A contractor manages the centre and operates gym facilities on the premises.

## Highlights/Key Activity

Trust House Recreation Centre continues to provide a valuable service and is well supported by our community.

A full review of how we deliver services at the recreation centre was completed in 2016-17, in accordance with requirements of the LGA. The review confirmed that the use of an external provider with specific expertise to manage the centre is the most effective option and offers ratepayers the greatest value for money.

Following the review, a tender process was undertaken and a new contractor commenced management of the facility on 1 May 2017.

In addition, a condition assessment of the recreation centre has been completed, which will inform our ongoing Asset Management Plan for the facility.

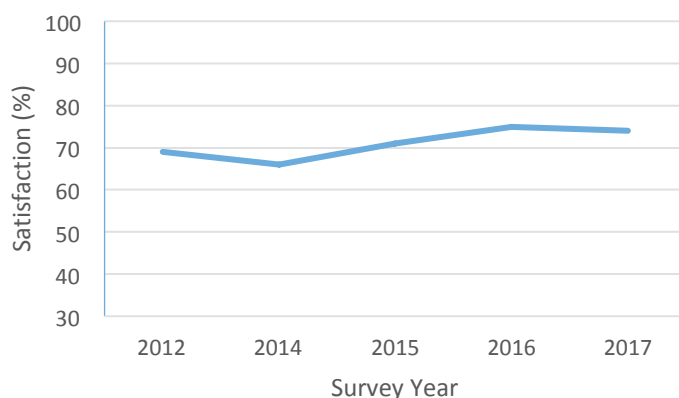
## Overall Performance

Two (50%) of the four performance measures for this activity were achieved in 2016-17. One measure (25%) has been reported as a variance as the supporting data was not provided.

While it is pleasing to see users of the recreation centre are increasingly satisfied with the service, we did not see an increase in the number of households that use the facility. This, along with the contract review, has emphasised the need to investigate new ways of enabling participation.

## Resident Satisfaction

Resident satisfaction with the Masterton Recreation Centre has increased by 5% over the last five years, as shown in the graph below.



## Performance Measures

**What we do:** We provide safe aquatic and stadium facilities and programmes to support community activities, events and recreational needs

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Percentage of residents satisfied with the service	75%	Maintain baseline satisfaction (66%)	<b>Achieved</b> 74% of residents are satisfied with the service
Percentage of households that have used the facility in the last 12 months	57%	65%	<b>Not Achieved</b> 57% of households have used the facility in the last 12 months
Percentage of users satisfied with the service	86%	Maintain baseline satisfaction (87%)	<b>Achieved</b> 91% of users are satisfied with the service
Temperature and water treatment within specification and agreed standards: Disinfection – 85% Microbial – 99% Chemical balance – 50%	Achieved	85% average of test results within agreed range	<b>Variance</b> Data is not available for the full year due to change of contractor Quarter 2 result was 89.5%

## Cost of Service Statement

Trust House Recreation Centre				
2015/16 Actual		2016/17 Actual	2016/17 Plan	
\$	Operating Costs	\$	\$	
954,589	Recreation centre operating costs*	1,012,877	967,014	
492,716	Depreciation	495,922	491,305	
<b>1,447,305</b>		<b>1,508,798</b>	<b>1,458,319</b>	
	<b>Operating Revenue</b>			
<b>51,759</b>	Miscellaneous facility revenue	<b>103,151</b>	<b>48,600</b>	
	<b>Appropriations</b>			
5,000	Transfers to reserves	-	-	
19,243	Loan repayments	20,530	20,530	
(225,000)	Depreciation not rates funded	(219,000)	(190,530)	
<b>\$1,194,788</b>	<b>Rates Requirement</b>	<b>\$1,207,177</b>	<b>\$1,239,719</b>	

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





# Cemeteries

MDC owns and maintains urban and rural cemeteries.

## Highlights/Key Activity

During the year, we continued to manage and maintain our cemeteries. Key activity and highlights from 2016-17 include:

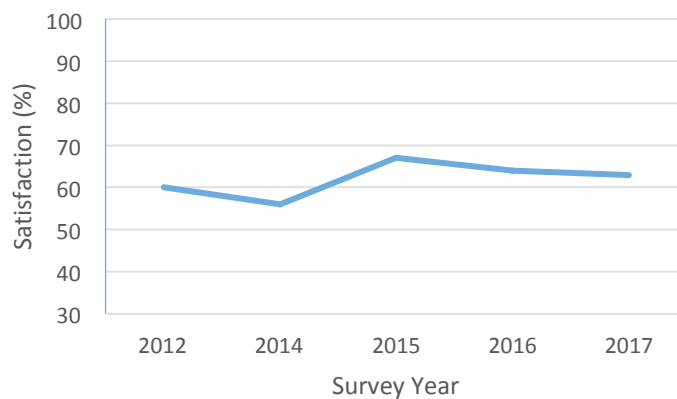
- Installation of a sign at Pioneer Cemetery, listing each plot alphabetically and according to location, after requests from the community for better signage in the older part of the cemetery. More than a year of meticulous research has meant this piece of Masterton’s history has been preserved.
- Installation of signage at the Archer Street Cemetery and our updating our website to assist with finding specific plot locations.
- Working with Makoura College students to assist with tree protection in the new cemetery area between Riverside Cemetery and Johnstone Street.
- Development of a new berm at Riverside Cemetery to meet demand.

## Overall Performance

All four performance measures for this activity were achieved in 2016-17.

## Resident Satisfaction

Resident satisfaction with cemeteries at 63% has increased by 3% over the last five years, as shown in the graph below.



## Performance Measures

**What we do:** We provide sufficient cemeteries to meet the demand for burial and cremation services and to satisfy community expectations for a place of remembrance

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Percentage of residents satisfied with the service	64%	Maintain baseline satisfaction (56%)	<b>Achieved</b> 63% of residents are satisfied with the service
Satisfaction amongst those who have visited a cemetery	79%	80%	<b>Achieved</b> 79% of cemetery visitors are satisfied with the service (within survey margin of error)

**What we do:** We provide public information on burial records

Measure		2016-17 Target	2016-17 Result
Accurate online access to burial records.	100%	100% of burials loaded by the 15th of the following month	<b>Achieved</b> 100% of records were loaded before the 15 <sup>th</sup> of the month following the month of the burial
	Achieved	Historical errors corrected within 30 days of being reported	<b>Achieved</b> Any reported historical errors are corrected within 24 hours of them being reported

## Cost of Service Statement

Cemeteries			
2015/16		2016/17	2016/17
Actual		Actual	Plan
\$	Operating Costs	\$	\$
130,073	Cemeteries operating and maintenance	128,063	158,546
3,711	Depreciation	3,754	3,710
<b>133,784</b>		<b>131,817</b>	<b>162,256</b>
	<b>Operating Revenue</b>		
75,718	Burial fees and sale of plots	65,705	78,700
<b>75,718</b>		<b>65,705</b>	<b>78,700</b>
	<b>Appropriations</b>		
-	Transfers from reserves	-	(7,000)
10,000	Transfers to reserves	-	-
<b>\$68,066</b>	<b>Rates Requirement</b>	<b>\$66,112</b>	<b>\$76,556</b>

# Masterton Airport (Hood Aerodrome)

MDC directly manages and operates the Hood Aerodrome for the benefit of commercial and recreational aircraft users from within and outside the Masterton district. It is a strategic asset for the Wairarapa supporting a resilient transport infrastructure, community, primary industry, recreational aviation and tourism.

Since taking over direct management of the facility in early 2016, there has been a significant improvement in engagement between aerodrome users, the community and MDC. We continue to work closely to ensure the long term viability and strategic use of this valuable asset.

## Highlights/Key Activity

Hood Aerodrome users have continued to be engaged and positive about the future of the facility. Highlights of the 2016-17 year include:

- Work to prepare a new Hood Aerodrome Management Plan was completed. Consultation was undertaken and key decisions made by Council for the future development of Hood Aerodrome. This included retaining the existing runway strip width and agreement to develop new precincts for hangars and potentially hangar/homes.
- Aircraft activity increased steadily with more small scale events including emergency service exercises, Vintage Aviator flying weekends and a Farmer Field day. We also hosted a Film Company for a World War 1 movie that generated significant revenue for the local economy and profile for Hood Aerodrome.
- Increased recreational use of the aerodrome including Wellington Sky Dive, Papawai Gliding over winter and aircraft glider tow launches over summer. Sport and Vintage began Tiger Moth flights for the public. The Wairarapa Aero Club also increased its flying hours for training over the period.

It was disappointing that severe weather meant the Wings over Wairarapa had to be cancelled. However, following the cancellation we worked very closely with the Wings over Wairarapa Trust which will benefit future events.

## Overall Performance

All four performance measures for this activity were achieved in 2016-17. It was a safe year with no incidents despite increased air traffic and landings.

## Performance Measures

**What we do:** We provide an aerodrome that is maintained to safe operating standards and available at all times to aircraft, unless notified to users

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Safe availability of runways, approaches and open spaces	One incident notified	100% requirements met	<b>Achieved</b> 100% requirements met Safety risks were monitored and no incidents recorded
Compliance with inspection schedule	100%	100% requirements met	<b>Achieved</b> 100% of inspections were completed as per the schedule

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Incidents of non-availability advised to users	No cases of non-availability	All occasions	<b>Achieved</b> 100% No cases of non-availability other than as planned for Wings over Wairarapa Users were advised via CAA airshow notifications

**What we do:** We facilitate and encourage maximum commercial and recreational use of the aerodrome, consistent with its strategic role as the Wairarapa's air transport hub.

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Annual usage levels	7,821 aircraft movements recorded	Usage no less than 2015-16	<b>Achieved</b> 10,043 movements recorded Usage increased by 28% compared to previous year

## Cost of Service Statement

Masterton Airport (Hood Aerodrome)			
2015/16 Actual		2016/17 Actual	2016/17 Plan
\$	Operating Costs	\$	\$
196,871	Airport operation & maintenance	238,903	234,191
76,723	Depreciation	76,877	78,218
<b>273,594</b>		<b>315,780</b>	<b>312,410</b>
	<b>Operating Revenue</b>		
192,515	Leases and other revenue	207,199	197,500
12,000	Internal recoveries	14,004	14,000
<b>204,515</b>		<b>221,203</b>	<b>211,500</b>
	<b>Appropriations</b>		
(7,500)	Transfers from reserves	(10,000)	(10,000)
-	Transfers to reserves	12,000	-
79,196	Provision for loan repayments	83,910	83,910
(25,000)	Reverse depreciation not rates funded	(22,650)	(24,000)
<b>\$115,776</b>	<b>Rates Requirement</b>	<b>\$157,836</b>	<b>\$150,820</b>





**COMMUNITY FACILITIES and ACTIVITIES**
**Capital Expenditure Summary**

2015/16		2016/17		2016/17
\$	Actual	\$	Actual	Plan
<b>Parks, Reserves &amp; Sportsfields</b>				
	9,683		24,998	195,000
	1,950		65,964	194,500
	0		94,504	78,000
	27,461		19,664	33,000
	11,259		13,764	12,000
	4,233		15,139	10,000
	0		0	5,000
	0		59,287	500,000
	0		0	385,000
	38,788		25,463	308,000
	26,313		0	0
	10,630		0	0
			0	30,000
			11,839	0
			0	50,000
	0		0	10,000
	0		0	6,000
	0		0	670,000
	<b>130,316</b>		<b>330,622</b>	<b>2,486,500</b>
<b>Trust House Recreation Centre</b>				
	63,934		84,766	85,000
	-		12,621	45,000
	<b>63,934</b>		<b>97,387</b>	<b>130,000</b>
<b>Cemeteries</b>				
	-		15,493	33,000
	<b>0</b>		<b>15,493</b>	<b>33,000</b>
<b>District Building</b>				
	23,411		14,983	70,900
	0		0	404,500
	0		0	35,000
	<b>23,411</b>		<b>14,983</b>	<b>510,400</b>
<b>Housing for the Elderly</b>				
	67,017		67,681	167,250
	<b>67,017</b>		<b>67,681</b>	<b>167,250</b>
<b>Other Property</b>				
	2,384		0	3,000
	7,117		23,507	55,500
				1,225,000
	-		18,796	20,000
	2,998		38,617	30,000
			26,214	35,000
	-		0	70,000
	264,119		3,042,790	0
	5,266		13,292	60,000
	<b>281,884</b>		<b>3,163,216</b>	<b>1,498,500</b>
	<b>\$566,562</b>		<b>\$3,689,381</b>	<b>\$4,825,650</b>
<b>Capital Funding</b>				
	(566,562)		(562,620)	(2,396,150)
	-		(3,102,077)	(2,225,500)
	-		(24,684)	(204,000)
	<b>(\$566,562)</b>		<b>(\$3,689,381)</b>	<b>(\$4,825,650)</b>

**COMMUNITY FACILITIES and ACTIVITIES (contd)**

**Capital Expenditure Summary**

2015/16 Actual \$		2016/17 Actual \$	2016/17 Plan \$
<b>Library &amp; Archive</b>			
153,020	Book purchases	169,881	190,000
39,669	Computer system upgrades	35,167	25,000
7,430	Internal refurbishment - shelving etc	0	0
0	Library extension - design provision	0	75,000
46,032	Building and furniture upgrades	0	36,000
<b>246,151</b>		<b>205,048</b>	<b>326,000</b>
<b>Airport</b>			
-	Airport upgrades	-	45,000
-	Runway light replacement	-	150,000
-	Airport land extension	252,000	-
-	Airport runway reseal	-	160,000
<b>0</b>		<b>252,000</b>	<b>355,000</b>
<b>Economic Development &amp; Promotion</b>			
16,024	CBD security cameras	13,577	20,000
-	Decorative lighting upgrade	39,050	0
-	Signage & promotional signs	-	0
-	Town Square - minor works	32,587	25,000
4,880	CBD - Public Wi-Fi infrastructure	18,719	19,000
<b>20,904</b>		<b>103,933</b>	<b>64,000</b>
<b>\$267,055</b>		<b>\$560,981</b>	<b>\$745,000</b>
<b>Capital Funding</b>			
(16,025)	Loan funds	(252,000)	(90,000)
(2,663)	Finance lease funding	-	-
(248,367)	Transfers from reserves	(307,670)	(655,000)
-	External contrib.	(1,310)	-
<b>(\$267,055)</b>		<b>(\$560,981)</b>	<b>(745,000)</b>



# Regulatory Services

MDC provides regulatory services in order to sustainably manage the development and protection of natural and physical resources and to protect the safety and wellbeing of the community.

Seven functions sit under regulatory services:

- Resource Management and Planning;
- Building Services;
- Environmental Health and Alcohol Licencing;
- Parking Control;
- Animal Services and Bylaws; and
- Civil Defence and Emergency Management.

The activities within this group primarily contribute to the following community outcomes:

- A Sustainable Healthy Environment
- A Knowledgeable Community
- A Strong Resilient Economy
- An Active Involved and Caring Community
- An Easy Place to Move Around

## REGULATORY SERVICES

### Rates Requirement Summary

2015/16			2016/17	
Actual	Activity		Actual	Plan
\$			\$	\$
464,477	Resource Management & Planning		486,878	521,352
145,911	River Scheme Contributions		152,274	139,551
351,763	Building Control		235,199	233,475
299,359	Environmental Health & Licensing		277,796	385,049
46,070	Bylaw Control		113,759	73,510
(46,403)	Parking Services		(56,227)	(69,190)
283,663	Rural Fire Control		276,224	278,386
57,744	Animal Control		52,133	36,324
171,190	Emergency Management		170,290	174,993
<b>\$1,773,775</b>	<b>Rates Requirement</b>		<b>\$1,708,326</b>	<b>\$1,773,449</b>



**REGULATORY SERVICES**

**Capital Expenditure Summary**

2015/16 Actual	Capital Expenditure	2016/17 Actual	2016/17 Plan
82,948	Fleet vehicle replacements	82,440	80,000
7,464	Rural Fire & EM/CD	0	47,000
8,016	Environmental Health equipment	19,711	24,000
-	Animal Control Equipment	2,859	4,500
-	Animal Control pound renewal	0	50,000
2,165	Parking meters	0	0
14,144	Building Control Equipment	0	6,000
<b>\$114,737</b>		<b>\$105,011</b>	<b>\$211,500</b>
	<b>Capital Funding</b>		
(114,737)	Transfer from reserves	(105,011)	(211,500)
<b>(\$114,737)</b>		<b>(\$105,011)</b>	<b>(\$211,500)</b>



# Resource Management and Planning

MDC undertakes resource management and planning functions, including administering the resource consent process, maintaining and developing the District Plan, and providing advice on specific planning issues as required.

## Highlights/Key Activity

Highlights and key activity undertaken during 2016-17 include:

- A 21% increase in the number of Land Information Memorandum (LIMs) received compared to the previous year. We were able to achieve our performance target in this area despite the increased workload.
- Processing high volumes of resource consents and checking building consents for planning implications.
- Providing evidence and attending hearings relating to the Greater Wellington Regional Council Proposed Natural Resources Plan.
- Monitoring the Wairarapa Combined District Plan.

## Overall Performance

Three (50%) of the six performance measures for this activity were achieved in 2016-17. A further two (33%) measures have been reported as a variance.

The one measure not achieved was regarding processing of resource consents, however 96% were processed within the required timeframes, just short of the 100% target.

## Performance Measures

**What we do:** We implement an environmentally sustainable District Plan to meet the requirements of the Resource Management Act and Masterton district residents

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Resource consents processed within the requirements of the Resource Management Act	Non-notified consents – 97.5%, Notified consents – 100%	100%	<b>Not Achieved</b> 96% non-notified consents 74 of 77 consents processed within requirements - 3 consents did not meet time requirements due to being received late by the Planning team due to technical issues  100% notified consents 1 notified consent received
LIMs processed within the requirements of the Resource Management Act	100%	100%	<b>Achieved</b> 100% 503 LIMs processed within required timeframes

Measure	2015-16 Result	2016-17 Target	2016-17 Result
PIMs processed within the requirements of the Resource Management Act	No PIMs requested	100%	<b>Variance</b> No PIMs requested
Building consents checked for planning implications	100% (558 consents checked)	100%	<b>Achieved</b> 100% 674 building consents were received and checked for planning implications

**What we do:** We protect significant indigenous vegetation, habitats of indigenous fauna, outstanding landscapes and heritage values

Measure	2015-16 Result	2016-17 Target	2016-17 Result
No loss of agreed protected areas	100% No protected areas lost	100%	<b>Achieved</b> 100% No protected areas lost

**What we do:** We prepare and implement Management Plans

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Prepare and implement the Riversdale Beach Management Plan	Plan prepared but not formally adopted	Implementation of management plan	<b>Variance</b> Plan is on hold - to be reviewed in 2018

## Cost of Service Statement

Resource Management & Planning			
2015/16 Actual		2016/17 Actual	2016/17 Plan
\$	Operating Costs	\$	\$
521,798	Resource management & planning	478,318	527,552
145,911	River scheme contributions	152,274	139,551
8,046	Wairarapa District Plan (MDC share)	0	22,000
<b>675,755</b>		<b>630,593</b>	<b>689,103</b>
	<b>Operating Revenue</b>		
71,163	User charges - consent fees & recoveries	88,340	82,700
285,578	Reserves & infrastructure contributions	386,894	215,000
41,004	Internal recoveries	0	41,000
<b>397,745</b>		<b>475,234</b>	<b>338,700</b>
	<b>Appropriations</b>		
(60,200)	Transfers from reserves	(30,100)	(11,500)
107,000	Transfer to reserves	127,000	107,000
285,578	Transfer to reserves - various contributions	386,894	215,000
<b>\$610,389</b>	<b>Rates Requirement</b>	<b>\$639,152</b>	<b>\$660,903</b>

# Building Services

MDC undertakes regulatory functions such as administering building consents and monitoring and enforcing compliance with the building code.

## Highlights/Key Activity

Highlights during 2016-17 include:

- We were audited by IANZ and maintained our accreditation for the next two years (the maximum allowed).
- A 10% increase in the number of building consents received compared to the previous year. We were able to process 99% of these within the required timeframes and the rates required to fund the net cost of the activity was within 1% of Plan.

## Overall Performance

Three (50%) of the six performance measures for this activity were achieved in 2016-17. One (17%) measure has been reported as a variance as it is no longer relevant.

The two measures not achieved related to processing of building consents and Code of Compliance certificates within required timeframes, however at 99% these measures were just 1% below target.

Financial performance has ended up close to the plan rates required, while operating revenue was 45% ahead of planned and expenditure was 33% more.

## Performance Measures

**What we do:** We provide an efficient and reliable building consent and inspection service

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Retain building consent authority accreditation when assessed every 2 years	Valid accreditation	Maintain accreditation	<b>Achieved</b> Accreditation maintained Next assessment due 18/19

**What we do:** We receive and process applications for building consents and Project Information Memoranda

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Proportion of building consents processed within 20 working days (excluding days consent is on hold awaiting additional information)	94%	100%	<b>Not Achieved</b> 99% Of the 674 building consents received, 7 took longer than 20 days to process

**What we do:** We inspect building projects at strategic times to ensure the project is being constructed in accordance with approved plans

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Proportion of current Code of Compliance Certificates issued within 20 working days	97%	100%	<b>Not Achieved</b> 99% of 582 certificates issued, 5 took longer than 20 days to issue

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Proportion of known swimming pools complying with requirements (drained if non-compliant)	100%	100%	<b>Achieved</b> 100% All new pools constructed under building consent were inspected and all requests for inspection of existing pools were actioned Non-compliant pools are required to be emptied

**What we do:** We monitor the safety of buildings (including earthquake safety)

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Progress on addressing earthquake risk buildings	64% of identified buildings had an Initial Evaluation Procedure completed	100% of earthquake-risk buildings assessed and reports received, follow-up action reviewed with owner	<b>Variance</b> Target is no longer relevant following legislative changes under the Building (Earthquake-prone Buildings) Amendment Act 2016 MDC has met all requirements under the Act All priority buildings identified – total of 76 Consultation is in progress - letters will be sent to owners once complete
Proportion of Building Warrants of Fitness (BWOFF) audited per annum	34.7%	33%	<b>Variance</b> New target set as reporting methodology has changed from that used in 2015-16 Refer new target and 2016-17 result below
	New methodology and target set for 2016-17	75%	<b>Achieved</b> 76% 305 of the 398 BWOFFs received have been completed, audited and correct 93 BWOFFs are outstanding or incorrect

## Cost of Service Statement

Building Services			
2015/16		2016/17	2016/17
Actual		Actual	Plan
\$		\$	\$
	<b>Operating Costs</b>		
1,011,878	Building Control costs	1,203,857	901,801
<b>\$1,011,878</b>		<b>\$1,203,857</b>	<b>\$901,801</b>
	<b>Operating Revenue</b>		
660,115	Consent fees & charges	968,658	668,326
<b>\$660,115</b>		<b>\$968,658</b>	<b>\$668,326</b>
	<b>Appropriations</b>		
-	Transfers from reserves	-	-
-	Transfer to reserves	-	-
<b>\$351,763</b>	<b>Rates Requirement</b>	<b>\$235,199</b>	<b>\$233,475</b>



# Environmental Health, Alcohol Licensing and Bylaws (including Parking Services)

MDC undertakes environmental health, alcohol licensing and bylaw functions, including:

- monitoring and inspecting food premises and health licenses;
- monitoring water quality and resource consent conditions;
- responding to noise control complaints;
- receiving and processing alcohol licences and trade waste licences;
- engaging, educating and enforcing bylaws and regulatory requirements; and
- patrolling and enforcing parking restrictions.

## Highlights/Key Activity

The new structure of the Environmental Health team came into effect on 1 July 2016. During the year, the team has been focused on developing new and improved processes to increase efficiency. We are already seeing the impact of this within our performance results, with the measures regarding inspecting alcohol premises and responding to general complaints, both up 14% compared to last year.

Other highlights and key activity undertaken in 2016-17 include:

- The Food Act 2014 came into effect on 1 March 2016. The Environmental Health team has been busy completing the first year transitions for food premises to ensure the new requirements are being met. We are committed to supporting the district to manage the impact of the legislation and during the year we have implemented new team processes and undertaken education and engagement activities with food premises owners to support them in meeting the new requirements.
- An experiment was undertaken to look at improved methods of testing water clarity. The experiment has resulted in a safer and more reliable method to monitor the water clarity of the Ruamāhanga River, one of the resource consent conditions for the Homebush Wastewater Treatment Plant.

## Overall Performance

Six (75%) of the eight performance measures for this activity were achieved in 2016-17.

We did not achieve the measure to inspect 100% of registered premises, however at 95% we were just short of the target.

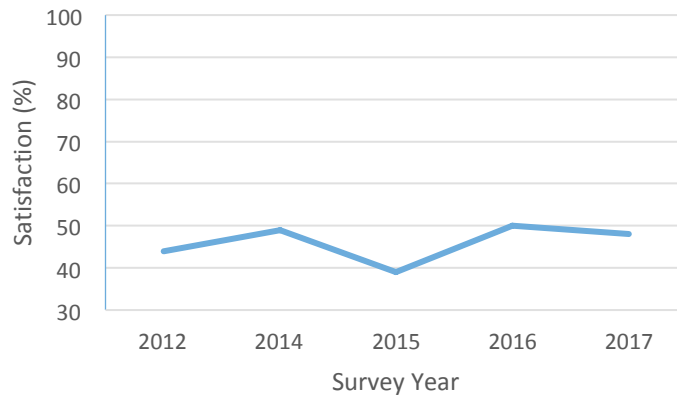
The measure to respond to all general complaints within five working days was also not achieved. We achieved 92% and while we are disappointed not to have met the 100% target, we are pleased to see the considerable improvement compared to the previous financial year (up 14%).

As the team has now completed a full year under the new organisational structure and new and improved processes are embedded, we are confident that that we will see further improvement on each of these measures in the coming year.

Financial performance saw savings of 16.7% made on operating costs in the environmental health area. Parking services income of \$239,500 is 2.4% below the plan.

## Resident Satisfaction

Satisfaction with inspection services has increased by 4% over the last five years, as shown in the graph below.



The large number of non-respondents to this question (40%) Influence the overall satisfaction.

## Performance Measures

**What we do:** We deliver inspection, monitoring and enforcement services to protect community health and safety

Measure	2015-16 Results	2016-17 Target	2016-17 Result
All registered premises comply with public safety requirements as evidenced by annual inspections and followed up with further visits for enforcement if necessary	2015-16 result: 97.5%	100%	<b>Not Achieved</b> 95% 137 of 145 registered premises were inspected 73 health licence inspections were completed and 4 re-inspections were required. No enforcement action necessary
Percentage of alcohol licences inspected for compliance with statutory requirements annually	45%	50%	<b>Achieved</b> 59% 42 of 71 alcohol licences inspected 75 inspections/controlled purchase operations were completed and an additional 3 inspections were undertaken at special events
Proportion of noise and other urgent complaints responded to within 1 hour	96% of noise complaints, 92% of other urgent complaints	90%	<b>Achieved</b> 92% (448 of 485) noise complaints were responded to within one hour 96% (87 of 91) other urgent complaints were responded to within one hour



Measure	2015-16 Results	2016-17 Target	2016-17 Result
Proportion of other 'general' complaints responded to within 5 working days of notification	78.4%	100%	<b>Not Achieved</b> 92% (559 of 610) non-urgent complaints were responded to within 5 working days
Community water supplies are safe to drink	100%	100%	<b>Achieved</b> 100% 134 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%	100% compliant	<b>Achieved</b> 100% 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	100%	90%	<b>Achieved</b> 100% All 24 sites were visited The water quality of pools at schools, hotels and motels were tested and education information provided to operators

**What we do:** We promote public awareness of individuals' rights and responsibilities relating to relevant Acts, standards and bylaws

Measure	2015-16 Results	2016-17 Target	2016-17 Result
Number of public education programmes undertaken annually	1 programme	2+ initiatives annually	<b>Achieved</b> 2 programmes delivered In September 2016 the three Wairarapa councils and Ministry for Primary Industries (MPI) facilitated a Food Act Transition Workshop for all Wairarapa food operators In March 2017 a mentoring session was held for food premises transitioning to the Food Act 2014

## Cost of Service Statement

Environmental Health & Licensing			
2015/16		2016/17	2016/17
Actual \$	Operating Costs	Actual \$	Plan \$
478,171	Environmental health & licensing costs	487,922	585,936
131,005	Alcohol Act enforcement activities	140,749	141,543
<b>609,176</b>		<b>628,670</b>	<b>727,479</b>
	<b>Operating Revenue</b>		
51,528	License fees & charges	54,415	49,955
79,194	Alcohol licensing fees & charges	85,138	89,390
179,095	Internal recoveries	211,321	195,085
<b>309,817</b>		<b>350,874</b>	<b>334,430</b>
	<b>Appropriations</b>		
-	Transfer to/(from) reserves - project funding	-	(8,000)
<b>\$299,359</b>	<b>Rates Requirement</b>	<b>\$277,796</b>	<b>\$385,049</b>

Bylaw Control			
2015/16		2016/17	2016/17
Actual \$	Operating Costs	Actual \$	Plan \$
<b>242,602</b>	Operating costs (includes pool vehicles)	<b>283,267</b>	<b>259,310</b>
	<b>Operating Revenue</b>		
10,794	Miscellaneous recoveries	1,346	10,100
185,738	Internal recoveries	168,162	175,700
<b>196,532</b>		<b>169,508</b>	<b>185,800</b>
	<b>Appropriations</b>		
-	Transfers from reserves - project funding	-	-
<b>\$46,070</b>	<b>Rates Requirement</b>	<b>\$113,759</b>	<b>\$73,510</b>

Parking Services			
2015/16		2016/17	2016/17
Actual \$	Operating Costs	Actual \$	Plan \$
149,570	Parking control costs	166,437	161,884
20,262	Depreciation - meters	16,844	14,426
<b>169,832</b>		<b>183,281</b>	<b>176,310</b>
	<b>Operating Revenue</b>		
<b>223,589</b>	Parking meters and fines	<b>239,508</b>	<b>245,500</b>
	<b>Appropriations</b>		
7,354	Provision for loan repayments	-	-
<b>(\$46,403)</b>	<b>Rates Requirement (surplus)</b>	<b>(\$56,227)</b>	<b>(\$69,190)</b>

### 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).

2015/16		2016/17	2016/17
Actual \$	Operating Costs	Actual \$	Plan \$
2,795	District Licensing Committee costs	1,702	14,998
122,936	Inspector Operations	132,408	120,045
5,274	Alcohol Act enforcement activities	6,639	6,500
<b>131,005</b>	<b>Total Alcohol licensing costs</b>	<b>140,749</b>	<b>141,543</b>
	<b>Operating Revenue</b>		
79,194	Alcohol Act Licensing fees & charges	85,138	89,390
<b>\$51,811</b>	<b>Rates Requirement</b>	<b>\$55,610</b>	<b>\$52,153</b>

# Animal Services

Council undertakes animal services, including:

- managing dog registrations;
- finding homes for unclaimed animals;
- responding to complaints about animals;
- impounding and releasing animals;
- educating dog owners and the general public about dog and animal control.

## Highlights/Key Activity

The new structure of the Animal Services team came into effect on 1 July 2016. In this first year, the team has had an increasing focus on education to promote responsible dog ownership in the district. Highlights and key activity in 2016-17 includes:

- The introduction our Doggie Day Out initiative, with the aim of engaging dog owners and providing a free service to microchip dogs as well as registering new dogs. The Doggie Day Out events were well received.
- We were also successful in securing funding from the Department of Internal Affairs (DIA) which allowed us to run the “Get Kuri Fixed” campaign, which encourages owners of menacing breeds to have their dog desexed, free of charge. The campaign was a great success, with 43 dogs desexed under the programme by the end of June 2017.

## Overall Performance

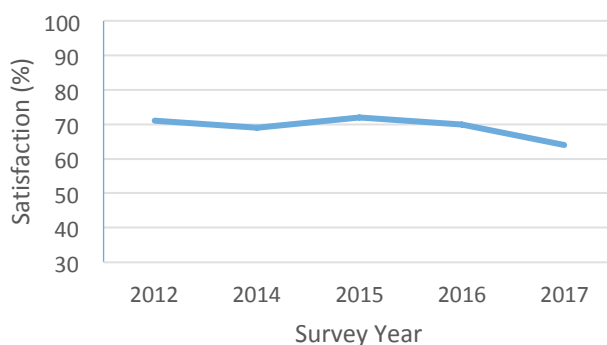
Two (50%) of the four performance measures for this activity were achieved in 2016-17.

Despite not meeting the 100% targets for responding to urgent and non-urgent complaints, response rates were high (92% for urgent, 94% for non-urgent) and it is particularly positive to see an improvement on the previous financial year.

Operating costs ran 3.3% ahead of the plan. Dog registration fee income was less than plan due to writing off uncollectable registration fees. Other revenue included a grant to run a de-sexing programme for dangerous breeds.

## Resident Satisfaction

Resident satisfaction with dog control has declined by 7% over the last five years, as shown in the graph below.



The main reason stated for dissatisfaction is the number of roaming/uncontrolled dogs. The Animal Services team is continuing to work to improve satisfaction through its education programmes and increased promotion of the importance of promptly reporting nuisance dogs.

## Performance Measures

**What we do:** We provide an efficient and effective animal control service to achieve public safety

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Customer satisfaction with animal control services	70%	Maintain baseline satisfaction (69%)	<b>Achieved</b> 64% satisfaction (within survey margin of error)
Proportion of urgent complaints responded to within one hour (dog attacking people or animals)	84%	100%	<b>Not Achieved</b> 92% 142 of 155 urgent complaints received were responded to within one hour
Proportion of non-urgent complaints responded to within 24 hours of notification (dog barking or wandering animals)	92%	100%	<b>Not Achieved</b> 94% 1,157 of 1,225 non-urgent complaints were responded to within 24 hours.

**What we do:** We promote responsible dog ownership and safe behaviour around dogs

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Undertake public education, school and community visits to promote safe behaviour around dogs and/or responsible dog ownership	3 visits	6+ visits	<b>Achieved</b> 13 visits 6 doggie day out events, 2 library education visits with mother and baby and 5 school visits

## Cost of Service Statement

Animal Services			
2015/16 Actual		2016/17 Actual	2016/17 Plan
\$		\$	\$
380,393	<b>Operating Costs</b>	386,545	373,943
	Dog control services incl. pound		
<b>319,044</b>	<b>Operating Revenue</b>	<b>333,156</b>	<b>336,450</b>
	Dog registration fees & other revenue		
	<b>Appropriations</b>		
(605)	Transfers from reserves	-	-
(3,000)	Depreciation not rates funded	(1,256)	(1,169)
<b>57,744</b>	<b>Rates Requirement</b>	<b>52,133</b>	<b>36,324</b>

# Emergency Management and Rural Fire

## Rural Fire Control

Rural fire control was managed externally by the Wairarapa Rural Fire Authority.

MDC paid a share of the operational costs, funded by rural rates. MDC also incurred 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 was delivered by an external agency.

## Civil Defence and Emergency Management

Civil defence and emergency management is managed externally by Wellington Regional Emergency Management Office (WREMO). MDC pays a share of the operational costs.

No performance measures have been set for this activity as it is delivered by an external agency.

For further information on civil defence and emergency management, refer to the Greater Wellington Regional Council's Long-Term Plan.

## Cost of Service Statement

Emergency Management/CD & Rural Fire			
2015/16		2016/17	2016/17
Actual		Actual	Plan
\$	Operating Costs	\$	\$
72,866	Emergency management costs	82,788	87,635
92,360	WREMO CD/EM costs (MDC Share)	104,636	125,456
240,431	Rural fire costs (incl recoverable costs)	131,374	46,040
233,200	Wairarapa Rural Fire Authority (MDC share)	235,500	233,346
<b>638,857</b>		<b>554,299</b>	<b>492,478</b>
	<b>Operating Revenue</b>		
<b>174,004</b>	Rural fire & CD/EM recoveries	<b>112,785</b>	<b>14,099</b>
	<b>Appropriations</b>		
(40,000)	Transfers from reserves	-	(30,000)
30,000	Transfers to reserves	5,000	5,000
<b>\$454,853</b>	<b>Rates Requirement</b>	<b>\$446,514</b>	<b>\$453,379</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.

The activities within this group primarily contribute to the following community outcomes:

- A Sustainable Healthy Environment
- A Knowledgeable Community
- A Strong Resilient Economy
- An Active Involved and Caring Community

## Highlights/Key Activity

### 2017-18 Annual Plan

Our 2017-18 Annual Plan, outlining our key activities for the year ahead, was adopted on 28 June 2017. MDC opted to consult on the Annual Plan as part of our commitment to hearing the views of our community.

During the four week submission period in April/May 2017, we received 75 submissions. Hearings were held on the 31<sup>st</sup> May and 1<sup>st</sup> June 2017, where 42 submitters were heard.

### Local Government Elections

MDC staff supported the local government elections process from 16 September to 8 October 2016. The election resulted in four new elected members joining the Council.

A priority has been supporting the Council induction process and completing post-election tasks, including preparation for the inaugural meeting (held on 26 October 2016), reviewing the delegation policy and manuals, updating the Governance Statement and drafting terms of reference for the new committees.

### Easter Sunday Shop Trading Policy

Following an amendment to the Shop Trading Hours Act 1990, MDC adopted an Easter Sunday Shop Trading Policy, allowing shops across the district to open on Easter Sunday.

## Overall Performance

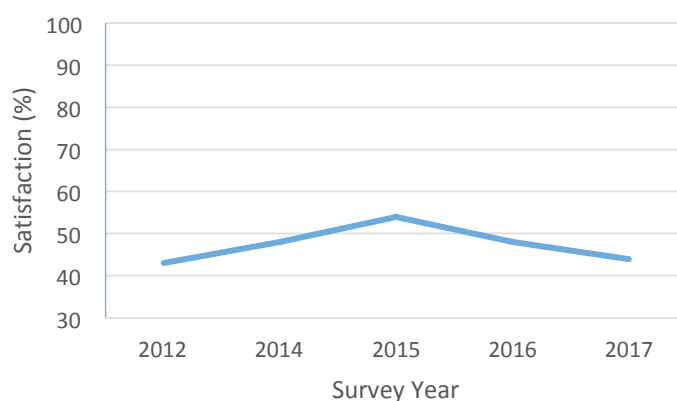
Seven (70%) of the 10 performance measures for this activity were achieved in 2016-17. Two (20%) measures have been reported as a variance, due to the measure no longer being monitored or not applicable in this financial year.

Financial performance for the Governance function reflects the gross costs of the election and recoveries stated as income. The net costs were allowed in the Plan.

In the Corporate Services area, operating costs were 3.2% more than planned due largely to higher communications and promotional costs. These extra costs have been allocated to the economic development activity.

## Resident Satisfaction

Resident satisfaction with how we consult with the community has remained fairly steady over the last five years, as shown in the graph below.



In 2017, resident satisfaction was 44% which is on par with the peer group and national average.

## Performance Measures

**What we do:** We provide strategic and sustainable direction for all Council's activities and functions

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Adoption of Annual Plan	Achieved	By 30 June 2017	<b>Achieved</b> Annual Plan was adopted on 28 June 2017
Adoption of Annual Report	Achieved	By 30 October 2016	<b>Achieved</b> Annual Report adopted on 26 October 2016
Policy development	Achieved	New or revised policies incorporate concepts of sustainable development and are consulted on in accordance with the Significance and Engagement Policy	<b>Achieved</b> All new or revised policies have been considered in relation to the Significance and Engagement Policy Community consultation was undertaken on the Easter Sunday Shop Trading Policy

**What we do:** We maintain the democratic process of local government in an open, transparent, and democratically accountable manner

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Public satisfaction with consultation on Council decisions	48%	Maintain baseline satisfaction (48%)	<b>Achieved</b> 44% satisfaction (within survey margin of error)

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Key Council information is communicated to all householders and ratepayers via summaries of major documents, the Council column and online	100% compliance	100% compliance	<p><b>Achieved</b></p> <p>Annual Report and Annual Plan summaries were distributed to all households via the Wairarapa Midweek newspaper, available online and in hardcopy at the Council and the library</p> <p>Council and committee meeting agendas were provided online and in hardcopy at the Council and library</p> <p>The mayor has contributed to a monthly column in the Wairarapa Times Age</p>

**What we do:** We enhance relationships with iwi and provide opportunities for Māori to contribute to decision-making processes

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Iwi Governance Forum meets regularly on Marae in the district	Nil	At least 4 times annually	<p><b>Variance</b></p> <p>The practice of holding Iwi Governance Forum meetings at Marae has been discontinued</p>
Council provides opportunities for Maori to be involved in decision making	Achieved	Report on Maori involvement in decision-making/consultation processes	<p><b>Achieved</b></p> <p>Update included in this Annual Report (see page 7)</p>
Report on implementation of the Memoranda of Partnership (MOP) with Rangitāne o Wairarapa and Ngati Kahungunu ki Wairarapa	No formal implementation plan in place	Annual report on progress against Implementation Plan	<p><b>Not Achieved</b></p> <p>The MOP with each Iwi is under review and, once agreed, an implementation plan will be developed</p>
Iwi advice is sought on relevant resource management issues	No planning issues required iwi advice	Iwi advice reported	<p><b>Variance</b></p> <p>No resource management issues required iwi advice</p>

**What we do:** We collaborate and cooperate with other local authorities and bodies to promote or achieve priorities and desired outcomes and make efficient use of resources.

Measure	2015-16 Result	2016-17 Target	2016-17 Result
Report on impact of collaborative activities with other local authorities	Achieved	Annual Report	<p><b>Achieved</b></p> <p>Update included in this Annual Report (see page 6)</p>



## Cost of Service Statement

<b>Governance</b>				
<b>2015/16</b>			<b>2016/17</b>	<b>2016/17</b>
<b>Actual</b>	<b>Operating Costs</b>		<b>Actual</b>	<b>Plan</b>
<b>\$</b>			<b>\$</b>	<b>\$</b>
374,909	Mayor & Councillors' remuneration		393,520	391,092
106,771	Reporting & consultation		45,358	47,000
4,820	Wairarapa governance study (MDC share)		873	0
34,785	Election costs		148,148	78,000
400,303	Operating expenses		592,554	534,392
<b>921,587</b>			<b>1,180,453</b>	<b>1,050,484</b>
	<b>Operating Revenue</b>			
0	Recoveries of Election Costs		108,419	0
376,439	(Internal charging of governance costs)		422,363	408,994
<b>376,439</b>			<b>530,782</b>	<b>408,994</b>
	<b>Appropriations</b>			
(19,875)	Transfers from reserves		(16,125)	(28,000)
18,000	Transfers to reserves		0	-
<b>\$543,273</b>	<b>Rates Requirement</b>		<b>\$633,546</b>	<b>\$613,490</b>

### INTERNAL FUNCTIONS

#### Corporate Services

#### Cost of Service Statement

<b>2015/16</b>			<b>2016/17</b>	<b>2016/17</b>
<b>Actual</b>	<b>Operating Costs</b>		<b>Actual</b>	<b>Plan</b>
<b>\$</b>			<b>\$</b>	<b>\$</b>
1,890,931	Management & administration		1,730,324	1,670,164
1,193,023	Financial management		1,238,838	1,242,821
455,277	Information systems		483,399	550,084
0	Communications & Promotion		477,224	361,617
0	Human Resources		341,217	315,832
<b>3,539,231</b>			<b>4,271,002</b>	<b>4,140,518</b>
	<b>Operating Revenue</b>			
219,256	Miscellaneous revenue & recoveries		208,977	194,652
802,101	Interest revenue (external)		410,149	725,000
204,818	Interest revenue (on internal loans)		295,789	262,000
19,561	Other Internal recoveries		23,700	12,685
2,963,550	Support services allocated internally		3,611,986	3,551,181
<b>4,209,286</b>			<b>4,550,602</b>	<b>4,745,518</b>
	<b>Appropriations</b>			
(53,051)	Transfer (from) reserves		(44,154)	(100,000)
723,106	Transfer to reserves - interest		323,754	705,000
<b>\$0</b>	<b>Rates Requirement</b>		<b>\$0</b>	<b>\$0</b>

INTERNAL FUNCTIONS

**Roading Advisory Services**

**Cost of Service Statement**

2015/16 Actual \$		2016/17 Actual \$	2016/17 Plan \$
	<b>Operating Costs</b>		
554,994	Professional staff & operating costs	540,074	552,034
4,173	Depreciation	4,493	2,528
<b>559,167</b>		<b>544,567</b>	<b>554,562</b>
	<b>Operating Revenue</b>		
410,734	Prof. services - subsidised roading	371,028	272,998
94,763	Prof. services - non-subsidised roading	88,515	81,404
9,503	Prof. services - other Council activities	34,837	140,160
48,541	External revenue	44,243	65,000
<b>563,541</b>		<b>538,623</b>	<b>559,562</b>
	<b>Appropriations</b>		
-	Transfer to reserves	-	5,000
<b>(\$4,374)</b>	<b>Rates Requirement</b>	<b>\$5,943</b>	<b>\$0</b>

**Asset & Project Management**

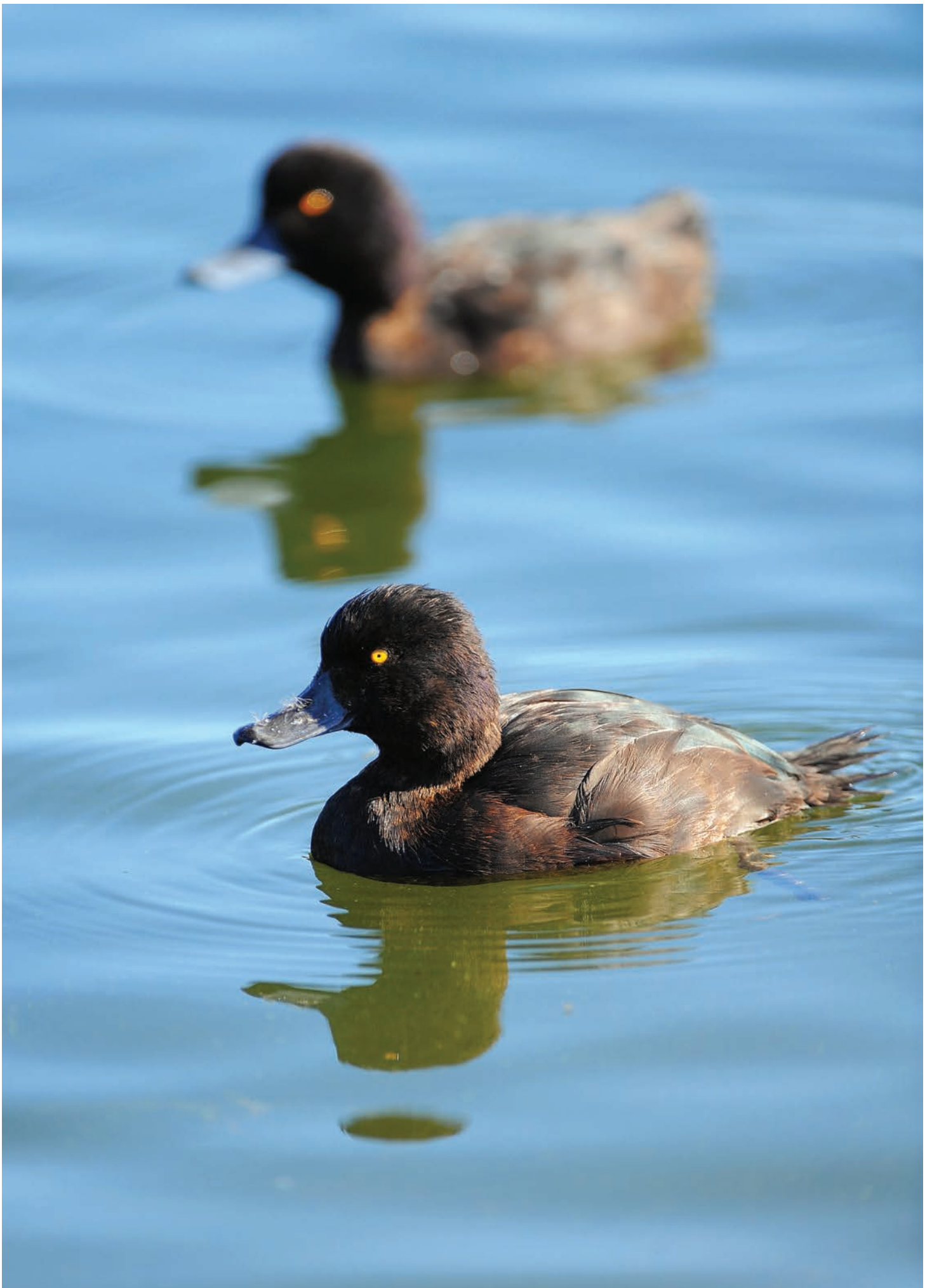
**Cost of Service Statement**

2015/16 Actual \$		2016/17 Actual \$	2016/17 Plan \$
	<b>Operating Costs</b>		
714,854	Professional staff & operating costs	811,210	798,189
	<b>Operating Revenue</b>		
707,545	Internal charges	713,193	700,557
0	Support services allocated internally	82,778	82,632
7,309	External recoveries	15,239	15,000
<b>714,854</b>		<b>811,210</b>	<b>798,189</b>
	<b>Appropriations</b>		
-	Transfer to reserves	-	-
<b>\$0</b>	<b>Rates Requirement</b>	<b>(\$0)</b>	<b>\$0</b>

INTERNAL FUNCTIONS

**Capital Expenditure Summary**

2015/16 Actual \$		2016/17 Actual \$	2016/17 Plan \$
	<b>Roading Advisory Services</b>		
9,894	Survey Equipment	-	-
	<b>Asset Management</b>		
6,888	Asset management system & equipment	21,176	-
	<b>Corporate Services</b>		
91,034	Computer equipment & software upgrades	82,930	90,000
-	GIS aerial photos & data capture	11,280	58,000
7,000	Website Upgrade	49,917	40,000
-	Council Governance IT	-	25,000
6,500	Records management system	23,584	62,900
<b>121,316</b>		<b>188,887</b>	<b>275,900</b>
	<b>Capital Funding</b>		
<b>(121,316)</b>	<b>Transfer from reserves</b>	<b>(188,887)</b>	<b>(275,900)</b>



# Financial Reports

# 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. New disclosures were added in 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 2017	\$ millions	Optimised Replacement Values	Optimised Depreciated Replacement Values
Roads & footpaths (includes bridges & culverts, excludes land)		551.6	428.2
Water treatment plant & facilities - Masterton		20.9	8.9
Water reticulation (including rural supplies)		65.3	30.6
Sewerage treatment plant & facilities - Masterton		36.1	33.3
Sewerage reticulation - Masterton		91.5	30.0
Sewerage systems - rural*		10.6	8.9
Stormwater assets		27.4	14.1
Flood protection & control works		5.6	4.1
		<u>\$ 808.9</u>	<u>\$ 558.0</u>

Notes: excludes land values associated with the assets.

Infrastructural assets were revalued as at 30 June 2017

\* 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 2017

Number of rating units within the District as at 30 June 2017	12,325
Capital Value of rating units as at 30 June 2017	\$4,729.8 million
Land Value of rating units as at 30 June 2017	\$2,473.1 million
Rates income for 2017/18 (per 2017-18 Annual Plan)	\$28,237,425 (excl GST & capital contribution rates)
Average rates income per rating unit	\$2,291 (excl GST)

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)

## 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 2017

Asset values from Statement of Financial Position	Carrying value 1 July 2016	All values in \$000's
Property, plant and equipment	86,977	
Infrastructural assets	631,712	
Forestry	450	
Investment properties	2,087	
	721,226	
Less:		
Land component of operational assets	47,359	
Land under roads & road formation	339,582	
	386,941	
<b>Net Non-Financial Assets (excluding land)</b>	<b>\$ 334,285</b>	
<b>Insurance Arrangements 2016/17</b>		
Material damage cover for buildings, plant, contents	\$ 104,240	Cover spread over 3 insurers, \$5k excess, covers 220 buildings, of which 43 are insured for indemnity value only, the balance for full reinstatement value, contents cover totals \$3.75 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	\$ 450	Cover for trees declared value for fire, windstorm value \$17.5k, deductible of 1.5% of declared value
<b>Risk Sharing Arrangements</b>		
Cover for infrastructural assets as a member of LAPP (generally underground assets)	\$ 211,463	This is the replacement value (ORV) of assets listed on the LAPP Fund schedule for 2016/17. LAPP cover equated to 40% ie \$84,585k, with a deductible of \$600k. LAPP factor up the ORV for additional costs of recovery and had reinsurance to cover up to \$100m through the course of 2016/17. 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 \$355k.
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 57%, 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 depn 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

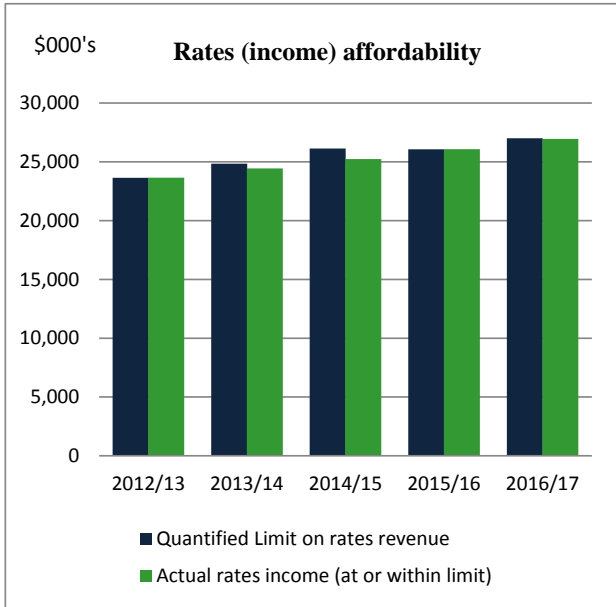
### Rates affordability benchmarks

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.

#### Rates (income) affordability

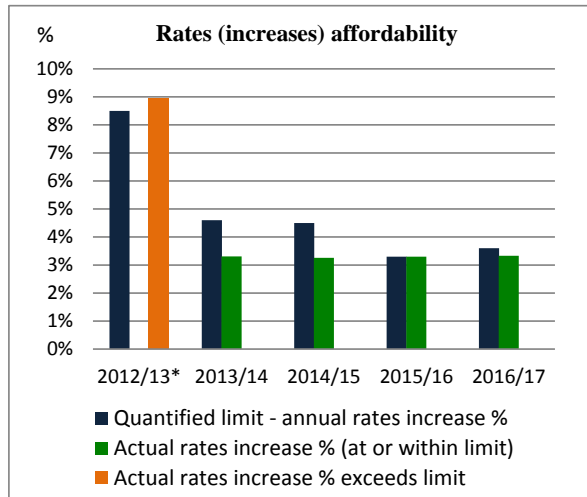
This graph compares the Council's actual revenue from rates, with the rates revenue limit forecast in the Long-Term Plan



The rates income signalled in the 2012 and 2015 LTPs for 2013/14, 2014/15 and 2016/17 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.

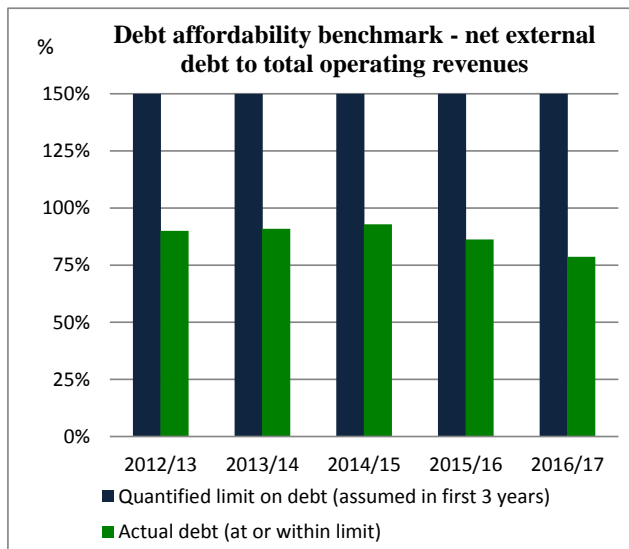


\* In the 2012-22 LTP, the first year was specifically noted as being an exception - the rates increase would exceed the limit.

### Debt affordability benchmarks

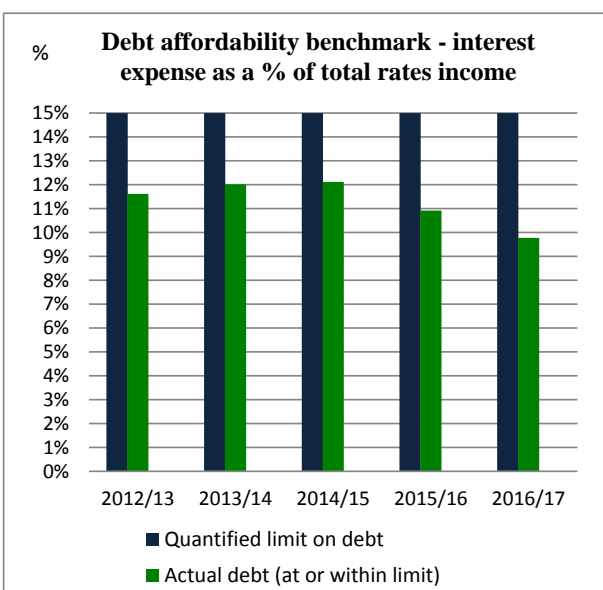
The Council meets the debt affordability benchmarks if its actual borrowing and borrowing costs are within the Council's quantified limits for borrowing, as set in the LTP.

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



(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.

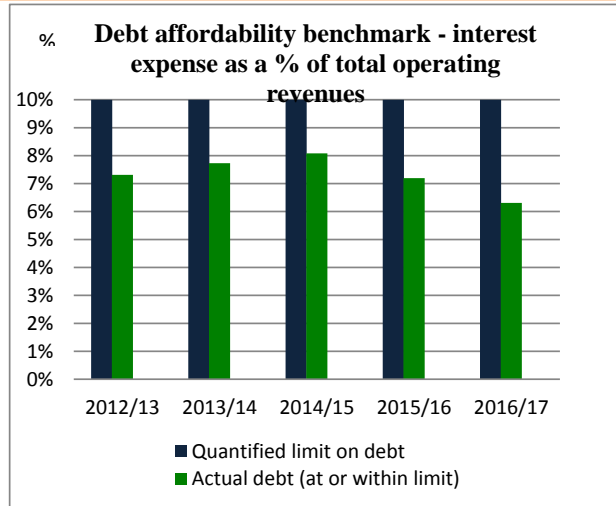


(2) Operating Revenue is as per the Statement of Comprehensive Revenue & Expense - all earnings including financial contributions, but excluding vested assets.

### 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.



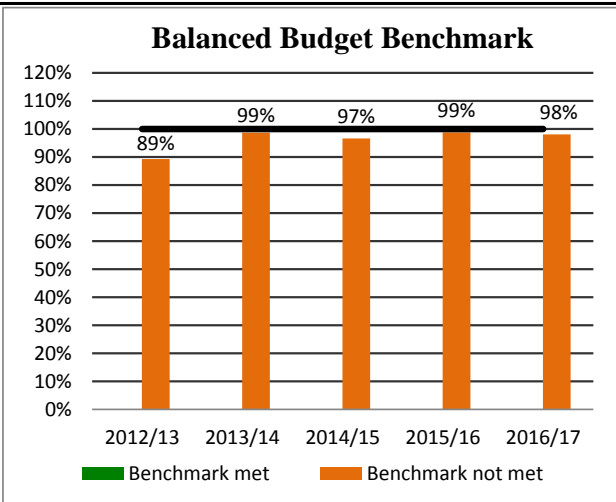
### Balanced budget benchmark

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:

Operating expenses include the losses from writing down the residual values of assets that have been renewed. These write-downs are not funded, hence a small deficit results each year. In 2012/13 the Council wrote down \$3.9m in asset value on the urban wastewater treatment plant oxidation ponds, resulting in a larger 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.



### 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.

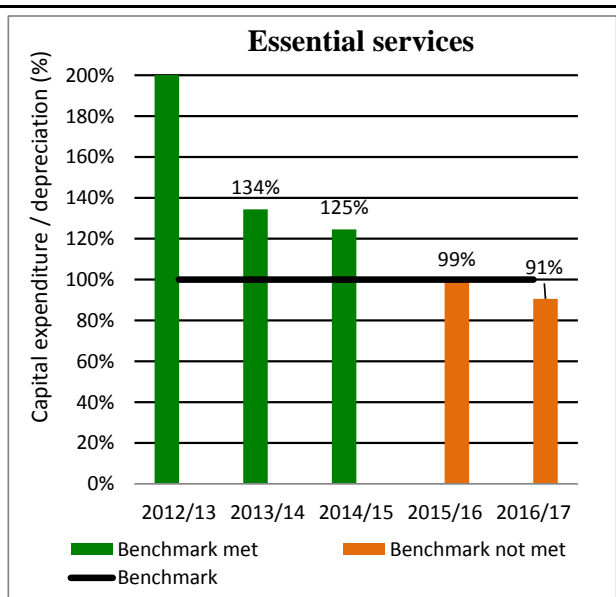
Capital expenditure on the Homebush wastewater plant and the Riversdale Beach sewerage scheme have significantly influenced the result in 2012 - 2015.

In 2016/17 capital and renewals expenditure on roading of \$4.5m matched depreciation of \$4.55m on those assets.

Capital and renewals expenditure on water assets was close to \$1.1m which is just short of depreciation of \$1.17m.

With the Homebush wastewater plant only completed in 2015 and the Riversdale wastewater system built in 2012, the renewals capital expenditure needs will be lower than the depreciation booked against those assets for many years, making this benchmark difficult to achieve.

The wastewater reticulation network had \$1.3m of renewals expenditure compared to depreciation of \$1.2m for 2016/17.





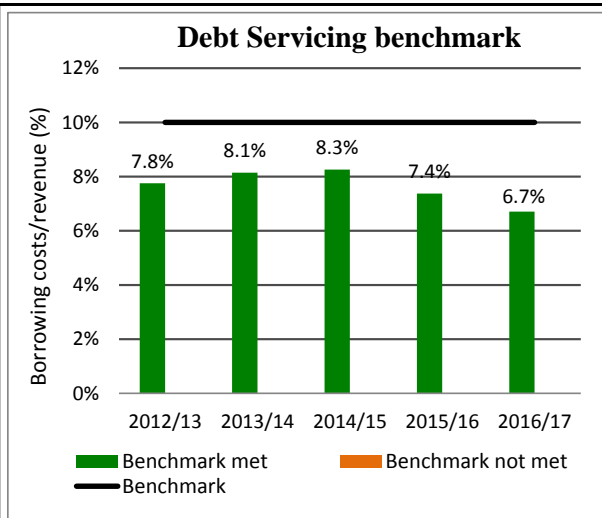
### Debt servicing benchmark

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 decline in the last two years has been the result of a lower level of capital expenditure funded by debt and declining interest rates.



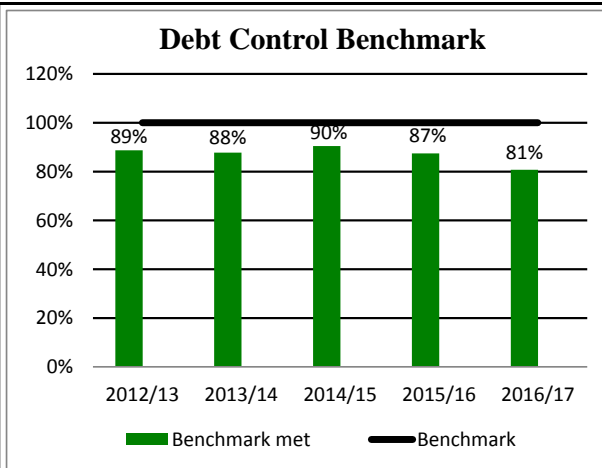
### Debt control benchmark

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:

Delays in capital projects which were planned to be funded by debt have resulted in actual net debt being consistently below the level planned.

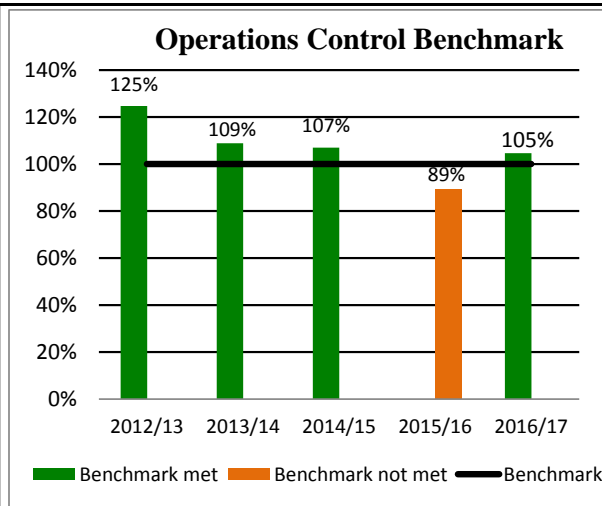


### Operations control benchmark

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 5 years, except for 2016/17 when a receivable at year end from NZTA of some \$1.3m meant net cash from operating was adversely affected.



# 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>2015-16 Annual Plan</b>	<b>2015-16 Actual</b>	<b>2016-17 Annual Plan</b>	<b>2016-17 Actual</b>
	\$000s	\$000s	\$000s	\$000s
<b>Sources of Operating Funding</b>				
General rates, uniform charges, rates penalties*	190	186	180	206
Targeted rates (excluding water by meter)*	25,962	26,052	26,785	26,875
Subsidies and grants (for operating)	2,358	2,068	2,299	2,061
Fees & charges (incl metered water)	6,723	6,927	6,729	7,254
Interest & dividends	778	820	736	423
Other receipts (incl petrol tax & fines)	265	272	66	294
<b>Total operating funding (A)</b>	<u>36,275</u>	<u>36,323</u>	<u>36,795</u>	<u>37,113</u>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	24,785	24,597	25,837	25,798
Finance costs	3,182	2,847	2,852	2,633
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<u>27,968</u>	<u>27,444</u>	<u>28,688</u>	<u>28,431</u>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<u><b>8,308</b></u>	<u><b>8,880</b></u>	<u><b>8,106</b></u>	<u><b>8,682</b></u>
<b>Sources of Capital Funding</b>				
Subsidies & grants for capital expenditure	2,434	2,235	2,126	2,061
Development & financial contributions	378	416	364	555
Increase/(decrease) in debt	1,660	(1,979)	5,152	6,750
Gross proceeds from sale of assets	-	408	-	67
Lump sum contributions	-	583	-	17
Other dedicated capital funding	-	-	204	-
<b>Total sources of capital funding (C)</b>	<u>4,472</u>	<u>1,663</u>	<u>7,845</u>	<u>9,449</u>
<b>Application of Capital Funding</b>				
Capital expenditure:				
- to meet additional demand	-	556	-	-
- to improve level of service	2,608	1,823	4,269	4,587
- to replace existing assets	10,935	7,257	13,495	7,212
Increase/(decrease) in reserves	(1,041)	2,640	(2,186)	2,037
Increase/(decrease) in investments	278	(1,734)	373	4,296
<b>Total application of capital funding (D)</b>	<u>12,780</u>	<u>10,542</u>	<u>15,951</u>	<u>18,132</u>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<u><b>(8,308)</b></u>	<u><b>(8,880)</b></u>	<u><b>(8,106)</b></u>	<u><b>(8,682)</b></u>
Funding balance (A-B)+(C-D)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

## FUNDING IMPACT STATEMENT

	2015-16 Annual Plan \$000s	2015-16 Actual \$000s	2016-17 Annual Plan \$000s	2016-17 Actual \$000s
<b>Reconciliation</b>				
<b>- between FIS &amp; Financial Statements</b>				
Operating Revenue - per FIS	36,275	36,323	36,795	37,113
Capital Funding (revenue)- per FIS	2,812	3,234	2,693	2,632
	39,088	39,557	39,488	39,745
Other Gains	39,088	563	32	2,000
	39,088	40,120	39,520	41,745
Operating Revenue - per Stmt of Comp. Rev. & Exp.	39,109	40,120	39,521	41,745
Less Other Gains/ (Losses) on Sale of Assets	(21)	(563)	(32)	(2,000)
	39,088	39,557	39,488	39,745
	-	-	-	-
Operating Expenditure - per FIS	27,968	27,444	28,689	28,431
Add depreciation	10,834	10,898	10,936	11,006
	38,802	38,342	39,625	39,437
Other Losses	0	3,155	0	597
Operating Expenditure - per Stmt of Comp. Rev. & Exp.	38,802	41,497	39,625	40,034
	-	-	-	-
Capital Expenditure - per FIS	13,543	9,637	17,764	11,798
Capital Expenditure - per Cost of Service Statements	13,543	9,637	17,764	11,798
	-	-	-	-
Transfer to/(from) Reserves - per COSS	(5,635)	(2,553)	(7,113)	(2,899)
Depreciation transferred to reserves - per COSS	4,595	4,784	4,927	4,869
Proceeds from sale of assets - tsf to reserves	-	408	-	67
	(1,041)	2,640	(2,187)	2,037
Increase/(Decrease) in Reserves - per FIS	(1,041)	2,640	(2,187)	2,037
	-	-	-	-

## DEPRECIATION by Group

	2015-16 Annual Plan \$000s	2015-16 Actual \$000s	2016-17 Annual Plan \$000s	2016-17 Actual \$000s
<b>Groups of Activities</b>				
Roading	4,725	4,500	4,624	4,551
Water Services	1,214	1,288	1,243	1,278
Sewerage Services	2,395	2,354	2,352	2,386
Stormwater	274	275	273	277
Solid Waste Services	85	96	96	98
Community Facilities/Activities	2,007 *	2,198	2,156 *	2,204
Regulatory Services	79	106	106	112
Governance	1 *	1	9 *	1
Internal Functions	54	81	77	99
	10,834	\$10,898	\$10,936	\$11,006

\* 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 2015/16 \$000s	LTP 2016/17 \$000s	Actual 2016/17 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	5,426	5,705	5,581
Subsidies and grants (for operating)	2,163	2,132	1,847
Fees & charges	190	91	62
Internal charges & overheads recovered	-	-	-
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	170	172	193
<b>Total operating funding (A)</b>	<b>7,949</b>	<b>8,100</b>	<b>7,682</b>
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	4,609	4,565	3,673
Finance costs	13	31	6
Internal charges and overheads applied	941	963	1,249
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>5,563</b>	<b>5,559</b>	<b>4,928</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>2,386</b>	<b>2,541</b>	<b>2,755</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	2,434	2,233	2,035
Development & financial contributions	99	76	95
Increase /(decrease) in debt	267	154	(4)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>2,800</b>	<b>2,463</b>	<b>2,125</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	606	-
- to improve level of service	1,276	1,046	860
- to replace existing assets	4,180	3,459	3,645
Increase/(decrease) in reserves	(269) *	(107) *	727 *
Increase/(decrease) in investments	-	-	(352)
<b>Total application of capital funding (D)</b>	<b>5,186</b>	<b>5,004</b>	<b>4,880</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(2,386)</b>	<b>(2,541)</b>	<b>(2,755)</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 2015/16 \$000s	LTP 2016/17 \$000s	Actual 2016/17 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates (excl water by meter)	3,055	3,234	3,062
Subsidies and grants (for operating)	-	-	-
Fees & charges (incl metered water)	307	313	345
Internal charges & overheads recovered	79	81	82
Interest & dividends	10	11	10
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	3,452	3,638	3,499
*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	1,428	1,488	1,430
Finance costs	156	252	119
Internal charges and overheads applied	534	549	539
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	2,117	2,289	2,089
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>1,335</b>	<b>1,349</b>	<b>1,410</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	4	4	36
Increase /(decrease) in debt	1,603	1,770	100
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	11
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	1,607	1,774	147
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	-	-	11
- to replace existing assets	2,604	2,928	1,064
Increase/(decrease) in reserves	338 *	196 *	492 *
Increase/(decrease) in investments	-	-	(10)
<b>Total application of capital funding (D)</b>	2,942	3,124	1,558
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(1,334)</b>	<b>(1,349)</b>	<b>(1,410)</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 2015/16 \$000s	LTP 2016/17 \$000s	Actual 2016/17 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	6,774	6,894	6,550
Subsidies and grants (for operating)	-	-	-
Fees & charges	478	499	382
Internal charges & overheads recovered	5	5	7
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<b>7,257</b>	<b>7,398</b>	<b>6,939</b>
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	1,231	1,334	1,351
Finance costs	2,732	2,751	2,233
Internal charges and overheads applied	1,046	1,060	972
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>5,009</b>	<b>5,145</b>	<b>4,556</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>2,249</b>	<b>2,253</b>	<b>2,383</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	112	117	37
Increase /(decrease) in debt	(677)	337	4,170
Gross proceeds from sale of assets	-	-	9
Lump sum contributions	-	-	6
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(565)</b>	<b>454</b>	<b>4,221</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	150	-	-
- to replace existing assets	1,470	2,805	1,616
Increase/(decrease) in reserves	63 *	(98) *	(83) *
Increase/(decrease) in investments	-	-	5,071
<b>Total application of capital funding (D)</b>	<b>1,683</b>	<b>2,707</b>	<b>6,604</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(2,249)</b>	<b>(2,253)</b>	<b>(2,382)</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 2015/16 \$000s	LTP 2016/17 \$000s	Actual 2016/17 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	475	548	505
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>475</b>	<b>548</b>	<b>505</b>
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	116	190	45
Finance costs	56	49	40
Internal charges and overheads applied	165	170	152
Other operating funding applications	-	-	0
<b>Total applications of operating funding (B)</b>	<b>337</b>	<b>409</b>	<b>237</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>139</b>	<b>139</b>	<b>268</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase /(decrease) in debt	(132)	(141)	(141)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(132)</b>	<b>(141)</b>	<b>(141)</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	-	-	-
- to replace existing assets	150	156	37
Increase/(decrease) in reserves	(144) *	(158) *	33 *
Increase/(decrease) in investments	-	-	56
<b>Total application of capital funding (D)</b>	<b>6</b>	<b>(2)</b>	<b>127</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(139)</b>	<b>(139)</b>	<b>(268)</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 2015/16 \$000s	LTP 2016/17 \$000s	Actual 2016/17 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	984	1,032	1,085
Subsidies and grants (for operating)	115	77	95
Fees & charges	2,457	2,514	2,821
Internal charges & overheads recovered	203	207	199
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<b>3,759</b>	<b>3,829</b>	<b>4,200</b>
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	3,051	3,126	3,157
Finance costs	84	97	78
Internal charges and overheads applied	524	534	544
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>3,660</b>	<b>3,758</b>	<b>3,780</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>99</b>	<b>72</b>	<b>420</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase /(decrease) in debt	176	(95)	(60)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>176</b>	<b>(95)</b>	<b>(60)</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	300	51	20
- to replace existing assets	335	-	-
Increase/(decrease) in reserves	(360) *	(75)	11 *
Increase/(decrease) in investments	-	-	329
<b>Total application of capital funding (D)</b>	<b>275</b>	<b>(24)</b>	<b>360</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(99)</b>	<b>(72)</b>	<b>(420)</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 2015/16 \$000s	LTP 2016/17 \$000s	Actual 2016/17 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	7,766	7,987	8,277
Subsidies and grants (for operating)	73	96	98
Fees & charges	1,565	1,456	1,509
Internal charges & overheads recovered	294	300	260
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<b>9,698</b>	<b>9,839</b>	<b>10,144</b>
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	7,041	6,756	7,569
Finance costs	142	160	126
Internal charges and overheads applied	1,335	1,365	1,826
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>8,517</b>	<b>8,281</b>	<b>9,521</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>1,180</b>	<b>1,558</b>	<b>624</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	26
Development & financial contributions	-	-	-
Increase /(decrease) in debt	153	1,168	2,685
Gross proceeds from sale of assets	-	-	39
Lump sum contributions	-	-	-
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>153</b>	<b>1,168</b>	<b>2,750</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	842	1,731	3,623
- to replace existing assets	1,882	1,214	628
Increase/(decrease) in reserves	(1,391) *	(219)	135 *
Increase/(decrease) in investments	-	-	(1,012)
<b>Total application of capital funding (D)</b>	<b>1,333</b>	<b>2,725</b>	<b>3,374</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(1,180)</b>	<b>(1,558)</b>	<b>(623)</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

### REGULATORY SERVICES

	LTP 2015/16 \$000s	LTP 2016/17 \$000s	Actual 2016/17 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	1,673	1,708	1,840
Subsidies and grants (for operating)	-	-	11
Fees & charges	1,419	1,445	1,769
Internal charges & overheads recovered	448	448	379
Interest & dividends	2	2	2
Other receipts (incl petrol tax & fines)	95	97	101
<b>Total operating funding (A)</b>	<b>3,636</b>	<b>3,700</b>	<b>4,103</b>
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	2,484	2,505	2,817
Finance costs	-	-	-
Internal charges and overheads applied	956	993	942
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>3,440</b>	<b>3,498</b>	<b>3,759</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>196</b>	<b>201</b>	<b>344</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	163	464	387
Increase /(decrease) in debt	(7)	-	-
Gross proceeds from sale of assets	-	-	18
Lump sum contributions	-	-	-
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>156</b>	<b>464</b>	<b>405</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	-	-	2
- to replace existing assets	156	114	103
Increase/(decrease) in reserves	196 *	551 *	513 *
Increase/(decrease) in investments	-	-	132
<b>Total application of capital funding (D)</b>	<b>352</b>	<b>665</b>	<b>750</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(196)</b>	<b>(201)</b>	<b>(344)</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 2015/16 \$000s	LTP 2016/17 \$000s	Actual 2016/17 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates (excluding water by meter)	556	554	701
Subsidies and grants (for operating)	-	-	-
Fees & charges	-	-	108
Internal charges & overheads recovered	371	370	422
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<u>927</u>	<u>924</u>	<u>1,232</u>
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	636	680	746
Finance costs	-	-	-
Internal charges and overheads applied	272	280	434
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<u>908</u>	<u>960</u>	<u>1,180</u>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>19</b>	<b>(37)</b>	<b>53</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>	<u>-</u>	<u>-</u>	<u>-</u>
<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	(37)	19
Increase/(decrease) in investments	-	-	34
<b>Total application of capital funding (D)</b>	<u>19</u>	<u>(37)</u>	<u>53</u>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(19)</b>	<b>37</b>	<b>(53)</b>
Funding balance (A-B)+(C-D)	<u>-</u>	<u>-</u>	<u>-</u>

## FUNDING IMPACT STATEMENT

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

### INTERNAL FUNCTIONS

	LTP 2015/16 \$000s	LTP 2016/17 \$000s	Actual 2016/17 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	-	-	-
Subsidies and grants (for operating)	8	8	10
Fees & charges	247	252	258
Internal charges & overheads recovered	4,535	4,675	5,222
Interest & dividends	766	794	410
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	5,556	5,729	5,900
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	4,470	4,571	5,009
Finance costs	-	-	30
Internal charges and overheads applied	380	393	489
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	4,850	4,964	5,528
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>706</b>	<b>765</b>	<b>372</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	-	-	1
Lump sum contributions	-	-	-
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	-	-	1
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	40	-	71
- to replace existing assets	159	150	118
Increase/(decrease) in reserves	507	615	190
Increase/(decrease) in investments	-	-	(6)
<b>Total application of capital funding (D)</b>	706	765	373
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(706)</b>	<b>(765)</b>	<b>(372)</b>
<b>Funding balance (A-B)+(C-D)</b>	-	-	-



# 2016-17 Financial Statements

## & Notes to the Accounts


**STATEMENT OF FINANCIAL POSITION as at 30 June 2017**

\$ 30 June 2016		Notes	\$ 30 June 2017	\$ Plan
<b>CURRENT ASSETS</b>				
3,618,732	Cash & cash equivalents	10	4,840,108	3,669,566
5,269,587	Other financial assets	11	11,020,200	2,602,837
214,763	Inventories	8	317,246	208,939
3,388,263	Debtors and other receivables	9	3,479,142	2,420,083
<u>12,491,345</u>	<b>Total Current Assets</b>		<u>19,656,696</u>	<u>8,901,425</u>
<b>NON-CURRENT ASSETS</b>				
86,977,516	Property, equipment & other assets	12,13	85,649,785	90,555,925
631,711,954	Infrastructural assets	12,13	650,042,023	636,771,322
4,105,410	Intangible assets	14	4,045,077	3,877,811
450,429	Forestry assets	15	532,578	490,941
2,087,000	Investment property	16	2,145,000	2,087,000
0	Derivative financial instruments	22	59,056	0
	Other financial assets	11		
285,756	- Investments in CCO's & other similar entities		294,662	1,029,676
10,080,876	- Investments in other entities		10,069,144	10,526,388
<u>735,698,941</u>	<b>Total Non-current Assets</b>		<u>752,837,324</u>	<u>745,339,063</u>
<b>\$748,190,286</b>	<b>TOTAL ASSETS</b>		<b>\$772,494,020</b>	<b>\$754,240,488</b>
<b>CURRENT LIABILITIES</b>				
5,119,956	Creditors & other payables	20	5,964,990	5,835,387
7,752	Derivative financial instruments	22	0	0
1,020,727	Employee benefits	21	1,009,593	796,393
66,038	Provisions (current)	23	66,038	63,680
3,000,000	Financial liabilities - current portion	24	7,000,000	1,915,979
<u>9,214,473</u>	<b>Total Current Liabilities</b>		<u>14,040,622</u>	<u>8,611,439</u>
<b>NON-CURRENT LIABILITIES</b>				
49,314,993	Financial liabilities	24	52,064,747	55,563,434
5,249,429	Derivative financial instruments	22	3,557,208	2,844,771
69,812	Employee benefits	21	68,205	95,719
172,124	Provisions & other liabilities	23	116,414	215,010
<u>54,806,358</u>	<b>Total Non-current Liabilities</b>		<u>55,806,574</u>	<u>58,718,934</u>
<b>\$684,169,455</b>	<b>NET ASSETS</b>		<b>\$702,646,825</b>	<b>\$686,910,116</b>
<b>PUBLIC EQUITY</b>				
424,668,575	Retained earnings (ratepayers' equity)	25	424,574,774	430,850,257
237,618,599	Revaluation reserves	25	254,152,504	237,736,283
21,882,281	Special funds & restricted reserves	28	23,919,547	18,323,576
<u>\$684,169,455</u>	<b>TOTAL PUBLIC EQUITY</b>		<u>\$702,646,825</u>	<u>\$686,910,116</u>

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

<b>STATEMENT OF COMPREHENSIVE REVENUE &amp; EXPENSE</b>				
<b>For the Year Ended 30 June 2017</b>				
\$ Actual 2015/16		Note	\$ Actual 2016/17	\$ Plan 2016/17
<b>REVENUE</b>				
26,076,735	Rates Revenue	3	26,945,320	26,882,178
160,818	Rural sewerage scheme capital rates	3 & 4	135,373	82,532
416,132	Financial Contributions		555,081	363,600
4,302,269	Subsidies and grants	4	4,121,537	4,424,989 *1
819,687	Finance Revenue	5	423,011	735,800
7,224,684	Other Operating Revenue	4	7,564,643	6,998,977 *1
556,340	Assets vested from developments/subdivisions	4	0	-
563,321	Other Gains	4a	1,999,913	-
<b>40,119,986</b>	<b>Total Operating Revenue</b>		<b>41,744,878</b>	<b>39,488,076</b>
<b>EXPENDITURE</b>				
6,806,137	Personnel Costs	6	7,659,133	7,115,803 *2
17,790,752	Other Expenses	7	18,138,436	18,720,821 *2
2,846,958	Finance Costs	5	2,633,396	2,851,844
10,898,320	Depreciation & amortisation	12, 13, 14	11,006,358	10,936,143
3,155,070	Other Losses	4a	596,812	-
<b>41,497,237</b>	<b>Total Operating Expenditure</b>		<b>40,034,135</b>	<b>39,624,611</b>
(\$1,377,252)	<b>Surplus/(Deficit) before tax</b>		\$1,710,743	(\$136,535)
-	Income tax expense		-	-
<b>\$ (1,377,252)</b>	<b>SURPLUS/(DEFICIT) AFTER TAX</b>		<b>\$ 1,710,743</b>	<b>(\$136,535)</b>
<b>Other Comprehensive Revenue &amp; Expense</b>				
	Gain/(Loss) on Infrastructure asset revaluations	12, 13, 25	19,809,273	32,490 *3
	Write down revaluation reserve on impaired assets	25	(3,065,633)	
65,786	Change in value of financial assets at fair value through comprehensive revenue & expense	25	22,987	-
<b>65,786</b>	<b>Total Other Comprehensive Revenue &amp; Expense</b>		<b>16,766,628</b>	<b>32,490</b>
<b>(\$1,311,466)</b>	<b>TOTAL COMPREHENSIVE REVENUE &amp; EXPENSE</b>		<b>\$ 18,477,370</b>	<b>(\$104,045)</b>

<b>STATEMENT OF CHANGES IN EQUITY</b>						
<b>For the Year Ended 30 June 2017</b>						
	\$ Revaluations (Note 25)	\$ Special Funds & Reserves (Note 28)	\$ Ratepayers' Equity (Note 25)	\$ Total 2016/17	\$ Plan 2016/17	\$ Total 2015/16
<b>Opening Balance</b>						
1 July 2016	237,618,599	21,882,281	424,668,575	<b>\$684,169,455</b>	687,014,161	685,480,920
Comprehensive revenue & expense for the year	16,766,628		1,710,743	<b>18,477,370</b>	(104,045)	(1,311,466)
Tsf disposals revaltns	(232,722)		232,722	0		
Transfers from Reserves		(4,617,518)	4,617,518	0		
Transfers to Reserves		1,718,048	(1,718,048)	0		
Tsf proceeds on sale of assets		67,284	(67,284)	0		
Tsf depreciation to reserves		4,869,452	(4,869,452)	0		
<b>Closing Balance</b>	<b>254,152,504</b>	<b>23,919,547</b>	<b>424,574,774</b>	<b>\$702,646,825</b>	<b>686,910,116</b>	<b>684,169,455</b>

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

\*2 The plan for personnel costs has been adjusted by \$25,001 to reflect a position previously included in Other Expenses.

\*3 Other operating revenue in the plan included the revaluation adjustment of \$32,490 which should have been below the line.

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



**STATEMENT OF CASHFLOWS for the Year Ending 30 June 2017**

<b>Last Year 2015/16</b>		<b>\$ Notes</b>	<b>Actual 2016/17</b>	<b>Plan 2016/17</b>
<b>Cash Flows from Operating Activities:</b>				
Cash was provided from:				
26,064,747	Rates (M.D.C. only)		27,004,446	26,858,593
160,818	Rural sewerage scheme capital rates		135,373	82,532
416,132	Financial Contributions		555,081	363,600
3,418,015	Subsidies and grants		4,131,283	4,424,989
788,650	Interest & Dividends received		358,056	735,800
7,337,825	Receipts from other revenue		7,696,914	6,928,073
<u>38,186,187</u>			<u>39,881,153</u>	<u>39,393,587</u>
Cash was applied to:				
(17,875,457)	Payments to suppliers		(17,847,321)	(18,189,219)
(6,664,596)	Payments to employees		(7,671,874)	(7,051,858)
(2,880,766)	Interest paid		(2,570,571)	(2,851,844)
(245,048)	Goods and services tax (paid)/received (net)		31,915	-
<u>(27,665,867)</u>			<u>(28,057,851)</u>	<u>(28,092,921)</u>
<b>10,520,320</b>	<b>Net Cash from Operating Activities</b>	<u>29</u>	<b>11,823,302</b>	<b>11,300,666</b>
<b>Cash Flows from Investing Activities:</b>				
Cash was provided from:				
82,836	Receipts from sale of property, plant and equipment		67,284	23,999
544,408	Receipts from sale of forestry		-	-
2,335,735	Receipts from sale of investments		2,604,441	-
<u>2,962,979</u>			<u>2,671,725</u>	<u>23,999</u>
Cash was applied to:				
(9,275,265)	Purchase of property, plant and equipment		(11,525,735)	(17,764,106)
(129,613)	Purchase of intangible assets		(256,499)	-
(2,802,397)	Acquisition of investments		(8,241,171)	(410,000)
<u>(12,207,275)</u>			<u>(20,023,405)</u>	<u>(18,174,106)</u>
<b>(9,244,296)</b>	<b>Net Cash from Investing Activities</b>		<b>(17,351,680)</b>	<b>(18,150,107)</b>
<b>Cash Flows from Financing Activities:</b>				
Cash was provided from:				
2,661	Proceeds from new financial liabilities		8,755,685	7,122,785
<u>2,661</u>			<u>8,755,685</u>	<u>7,122,785</u>
Cash was applied to:				
(1,966,290)	Repayment of term liabilities		(1,972,783)	(1,971,283)
(15,468)	Repayment of finance lease liabilities		(33,148)	-
<u>(1,981,758)</u>			<u>(2,005,931)</u>	<u>(1,971,283)</u>
<b>(1,979,097)</b>	<b>Net Cash from Financing Activities</b>		<b>6,749,754</b>	<b>5,151,502</b>
<b>(703,073)</b>	<b>Net Increase/(Decrease) in Cash and cash equivalents</b>		<b>1,221,376</b>	<b>(\$1,697,939)</b>
4,321,805	Cash and cash equivalents at beginning of the year		3,618,732	7,970,342
<u><b>\$ 3,618,732</b></u>	<b>Cash and cash equivalents at the end of the year</b>	<u>10</u>	<u><b>\$ 4,840,108</b></u>	<u><b>\$ 6,272,403</b></u>

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

During the period, MDC acquired PPE (office equipment) totalling \$78,902 (2016: \$2,661) by means of finance leases.

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

# Notes to the Financial Statements

## Statement of Accounting Policies for the Year Ended 30 June 2017

### Reporting Entity

MDC is a Territorial Authority governed by the Local Government Act 2002 (LGA). The Council was constituted on 1 November 1989 pursuant to the Local Government (Wellington Region) Reorganisation Order 1989.

MDC consists of a single operating entity with no subsidiaries or associates, which provides local infrastructure, local public services and performs regulatory functions to the community. MDC's primary objective is to provide goods and 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 2017. The financial statements were authorised for issue by the Council on 25 October 2017.

### Basis of Preparation

The financial statements have been prepared on the going concern basis and the accounting policies have been applied consistently throughout the year.

### Statement of Compliance

The financial statements of the Council have been prepared in accordance with the requirements of the LGA Part 6, Section 98 and Part 3 of Schedule 10, and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which includes the requirements to comply with New Zealand generally accepted accounting practice (NZ GAAP). These financial statements have been prepared in accordance with, and 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. Some Note disclosures use values rounded to the nearest thousands (\$000s). The functional currency of MDC is New Zealand dollars. The financial statements are rounded to the nearest dollar.

### Standards Issued and Not Yet Effective that have been Early Adopted

#### *Impairment of Revalued Assets*

In April 2017, the XRB issued *Impairments of Revalued Assets*, which now scopes in revalued property, plant and equipment into the impairment accounting standards. MDC has early adopted this amendment in preparing its 30 June 2017 financial statements.

From 30 June 2017 onwards, MDC is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, MDC is required to assess the recoverable amount of that asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. MDC can therefore impair a revalued asset without having to revalue the entire class of asset to which the asset belongs.

## Standards Issued and Not Yet Effective and Not Early Adopted

### *Service Concession Assets*

In January 2017 the External Reporting Board (XRB) issued the *2016 Omnibus Amendments to PBE Standards*, which incorporates a range of amendments to the PBE Standards. A relevant amendment is to PBE IPSAS 32 relating to grouping of similar assets for the purposes of measurement and disclosure under PBE IPSAS 17 Property, Plant and Equipment. MDC has chosen not to early adopt this amendment and will continue the practice of disclosing water and sewerage treatment plant assets separately from the reticulation assets.

### *Financial Instruments*

In January 2017 the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 and is effective for annual reports on or after 1 January 2021, with early application permitted. The main changes under PBE IPSAS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

MDC plans to apply this standard in preparing its 30 June 2022 financial statements. MDC has not yet assessed the effects of the new standard.

## Changes in Accounting Policies

There have been no other changes in accounting policies during the financial year as a consequence of changes in accounting standards.

## Summary of Significant Accounting Policies

### Goods and Services Tax

Items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the 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 cashflows. Commitments and contingencies are disclosed exclusive of GST.

### Budget Figures

The budget figures are those approved by the Council in its 2016/17 Annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by MDC in preparing these financial statements.

### Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the 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:

- Estimating the fair value of land, buildings and infrastructural assets – see Note 12
- Estimating the retirement gratuity obligations – see Note 21
- Estimating the landfill closure and aftercare provision – see Note 23

Critical judgements in applying accounting policies: - Management has exercised the following critical judgements in applying accounting policies:

- Classification of investment property - Note 16

## Revenue

Revenue is measured at the fair value of consideration received or receivable. The specific accounting policies for significant revenue items are explained below.

### *Rates Revenue*

Rates are set annually by resolution and according to the processes required under the LGA 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 MDC 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 MDC 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 (e.g. transfer station fees) are recognised when a product or service 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 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 23 while revenue from exchange transactions in accordance with PBE IPSAS 9.

#### *Revenue from Exchange Transactions*

Revenue from exchange transactions arises where MDC 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 MDC 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 MDC 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 MDC provides for a fee are subsidised by rates and therefore do not constitute an approximately equal exchange. Accordingly most of MDC'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.

### **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 and 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 and 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 and 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 defined below.

#### *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 organisations 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*

These 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 and Expense.

#### *Financial Assets at Fair Value through Other Comprehensive Revenue*

These 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**

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 associated gains or losses on derivatives are recognised in the surplus or deficit.

### **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 - 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 - 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%)
Plant and equipment	7-15 years	(7% - 14%)
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) 2nd coat/1st coat	17 and 50 years	(5.9% & 2.0%)
Road metal (unsealed)	3 years	(33%)
Pavement (base course) 50% depreciated	50 years	(2.0%)
Pavement (sub base) 15% depreciated	80 years	(1.25%)
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%)
Kerb & Channel	80 years	(1.25%)
Signs	12 years	(8.33%)
Road markings	1 year	(100%)
Streetlights (lamps, fittings & poles)	5/15/60 years	(20%, 6.67% and 1.67%)
Bridges	65 to 100 years	(1% to 1.54%)
Other structures	50 years	(2%)
Water system		
Treatment plant	10 to 100 years	(1% to 10%)
Pipes	73 to 100 years	(1.0% to 1.37%)

Valves, hydrants, connections	50 years	(2%)
Reservoirs & tanks	50 and 80 years	(1.25% and 2%)
Sewerage system		
Pipes	64 to 85 years	(1.18% to 1.56%)
Manholes	75 years	(1.33%)
Treatment plant	10 to 80 years	(1.25% to 10%)
Drainage network		
Pipes	80 to 90 years	(1.1% to 1.25%)
Stopbanks & seawall	100 years	(1%)
Airport runway		
Pavement & seal	80 years and 17 years	(1.25% and 5.88%)

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each revaluation, which are carried out every three 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 MDC 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 MDC 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 MDC could be over- or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and 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 2017. 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 2017.

#### *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 four 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 MDC.

### **Forestry Assets**

Forestry assets are independently revalued annually. The 30 June 2017 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**

MDC 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 its 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 3.58%, and an inflation factor of 2% were used. The discount rate is based on the rate we apply to our internal loans which is half way between investment funds and cost of loan funds. 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.

## 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 MDC has 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. MDC 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.

## **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 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 2017.

#### *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 14 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.

# Notes to the Accounts

Notes to the Accounts

Note 1

<b>RATES REQUIREMENT SUMMARY</b>				
<b>2015/16</b>		<b>2016/17</b>	<b>2016/17</b>	
<b>Actual</b>		<b>Actual</b>	<b>Plan</b>	<b>Variance</b>
	<b>Groups &amp; Activities</b>			
\$	<b>Roading</b>	\$	\$	\$
3,957,308	Subsidised Roothing	4,079,016	4,205,406	126,390
1,476,131	Non-subsidised Roothing	1,528,186	1,382,907	(145,279)
	<b>Water Services</b>			
2,888,787	Urban Water Supply	2,953,010	2,959,454	6,444
85,025	Rural Water Supplies & Races	100,125	83,984	(16,142)
	<b>Sewerage Services</b>			
6,405,273	Urban Sewerage System	6,156,150	6,180,642	24,492
407,931	Rural Sewerage Schemes*	364,486	302,822	(61,665)
	<b>Stormwater Services</b>			
447,019	Urban Stormwater System	449,486	517,702	68,216
	<b>Solid Waste Services</b>			
629,110	Solid Waste Services	499,528	640,488	140,961
285,014	Waste Minimisation Services	288,329	290,065	1,736
	<b>Community Facilities/Activities</b>			
2,143,537	Parks, Reserves & Sportsfields	2,150,633	2,174,902	24,269
1,194,788	Trust House Recreation Centre	1,207,177	1,239,719	32,542
68,066	Cemeteries	66,112	76,556	10,445
1,619,094	Library & Archive	1,811,992	1,739,067	(72,924)
855,719	Property	1,134,540	887,597	(246,944)
1,805,906	Community Services (incl Econ Dev)	2,265,738	2,211,179	(54,559)
115,776	Airport	157,836	150,820	(7,017)
88,635	Mawley Park	95,276	93,461	(1,815)
	<b>Regulatory Services</b>			
610,389	Resource Management & Planning	639,152	660,903	21,751
351,763	Building Control	235,199	233,475	(1,724)
299,359	Environmental Health	277,796	385,049	107,253
46,070	Bylaw Control	113,759	73,510	(40,249)
(46,403)	Parking Services	(56,227)	(69,190)	(12,963)
57,744	Animal Services	52,133	36,324	(15,809)
454,853	Emergency Management & Rural Fire	446,513	453,379	6,866
	<b>Governance</b>			
543,273	Representation	633,546	613,490	(20,056)
(4,374)	<b>Internal Functions</b>	5,943	-	(5,943)
<b>26,785,795</b>	<b>Total Rates Requirement</b>	<b>27,655,436</b>	<b>27,523,710</b>	<b>(131,726)</b>
	<b>Rates Revenue</b>			
<b>26,576,471</b>	Masterton District rates levied	<b>27,454,495</b>	27,396,178	58,317
<b>160,818</b>	Rural Sewerage capital contributions*	<b>135,373</b>	82,532	52,841
<b>387,427</b>	Rates penalties	<b>432,171</b>	180,000	252,171
<b>(338,163)</b>	Rates remissions	<b>(366,014)</b>	(135,000)	(231,014)
<b>26,786,553</b>	<b>Rates Revenue (incl Council properties)</b>	<b>27,656,025</b>	<b>27,523,710</b>	<b>132,315</b>
<b>758</b>	<b>Net Rates Surplus/(Deficit)</b>	<b>589</b>	<b>0</b>	<b>589</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.



<b>COST OF SERVICES SUMMARY</b>			<b>Actual Net</b>	<b>Plan Net</b>	
for the 2016/17 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	1,846,557	8,309,205	6,462,648	6,758,468	3,798,566
Non-subsidised Roading	349,547	1,170,328	820,782	883,522	706,746
<b>Water Services</b>					
Urban Water supply	248,656	3,106,003	2,857,347	2,824,243	1,028,722
Rural Water Supplies & Races	224,860	260,737	35,877	80,546	46,724
<b>Sewerage Services</b>					
Urban Sewerage System	381,852	6,400,301	6,018,449	6,078,264	1,599,199
Rural Sewerage Schemes	44,435	542,245	497,810	411,559	16,659
<b>Stormwater Services</b>					
Urban Stormwater System	-	514,487	514,487	652,702	37,308
<b>Solid Waste Services</b>					
Solid Waste Management	2,743,852	2,836,263	92,411	267,763	20,083
Waste Minimisation Services	370,687	1,042,046	671,359	704,832	
<b>Community Facilities/Activities</b>					
Parks, Reserves & Sportsfields	78,304	2,386,581	2,308,277	2,378,107	330,622
Trust House Recreation Centre	103,151	1,508,798	1,405,647	1,409,719	97,387
Cemeteries	65,705	131,817	66,112	83,556	15,493
Library & Archive	103,075	1,938,437	1,835,363	1,764,067	205,048
Property	852,347	2,267,678	1,415,331	1,280,975	3,207,262
Community Services	44,518	2,671,931	2,627,413	2,743,924	103,933
Airport	221,203	315,780	94,577	100,910	252,000
Mawley Park	399,008	503,983	104,975	38,326	38,617
<b>Regulatory Services</b>					
Resource Management & Planning	475,234	630,593	155,359	350,403	
Building Control	968,658	1,203,857	235,199	233,475	-
Environmental Health	350,874	628,670	277,796	393,049	19,711
Bylaw Control	169,508	283,267	113,759	73,510	82,440
Parking Services	239,508	183,281	(56,227)	(69,190)	-
Animal Services	333,156	386,545	53,389	37,493	2,859
Emergency Mgmt & Rural Fire	112,785	554,299	441,514	478,379	-
<b>Governance</b>					
Representation	530,782	1,180,453	649,671	641,490	
<b>Internal Functions</b>	5,900,437	5,626,779	(273,659)	(610,000)	188,887
<b>External funding of capital expend.*</b>	2,077,284		(2,077,284)	(2,329,847)	
<b>Eliminate internal recoveries**</b>	(6,571,710)	(7,147,041)			
	<b>12,664,273</b>	<b>39,437,323</b>	<b>27,348,381</b>	<b>27,660,245</b>	<b>11,798,266</b>
* Includes NZTA subsidy for roading renewals		Capital expenditure	11,798,266	17,764,106	
** Includes rates paid for council properties		Add loan principal repayments	2,355,710	2,344,188	
		Less loan funds applied to capex	(4,731,642)	(7,122,785)	
		Less finance lease funds applied	(78,902)	-	
		Transfers to reserves	1,718,048	1,082,000	
		Transfers from reserves	(4,617,518)	(8,194,815)	
			<b>33,792,343</b>	<b>33,532,940</b>	
		Depreciation not funded from rates	(6,136,907)	(6,009,230)	
		<b>Rates Requirement</b>	<b>\$27,655,436</b>	<b>\$27,523,710</b>	

## Notes to the Accounts

Note 3

RATES REVENUE		Notes	\$	\$	\$
			Actual	Plan	Last Year
			2016/17	2016/17	2015/16
excluding metered water supply rates					
	Gross MDC Rates Levied		27,454,495	27,396,178	26,576,471
less	Rates levied on Council properties		(575,331)	(559,000)	(549,000)
plus	Rates Penalties		432,171	180,000	387,427
less	Rates Remissions	30	(366,014)	(135,000)	(338,163)
			26,945,320	26,882,178	26,076,735
Rural Sewerage capital contributions			135,373	82,532	160,818
<b>Total Revenue From Rates</b>			<b>\$27,080,694</b>	<b>\$26,964,710</b>	<b>\$26,237,553</b>

## Notes to the Accounts

Note 4

		Actual	Plan	Last Year
		2016/17	2016/17	2015/16
<b>SUBSIDIES AND GRANTS</b>				
	Roading subsidies NZTA	3,880,660	4,275,239	4,054,033
	Other Government grants	167,422	121,600	170,357
	Other grants	73,455	28,150	77,879
<b>Total Subsidies and Grants</b>		<b>\$4,121,537</b>	<b>\$4,424,989</b>	<b>\$4,302,269</b>
<b>OTHER REVENUE</b>				
	Regulatory fee revenue	1,760,600	1,422,071	1,362,319
	Rental revenue	906,208	903,189	885,991
	Solid waste user charges	2,818,851	2,552,395	2,616,903
	Other user charges and recoveries	1,578,710	1,650,522	1,881,469
	Metered water & sewer rates charged in CDC area	206,570	200,800	206,333
	Infringements and fines	101,123	95,000	94,817
	Local authority petrol tax	192,581	175,000	176,851
	Sub total	7,564,643	6,998,977	7,224,684
	Revenue recognised from vested assets	-	-	556,340
<b>Total Other Revenue</b>		<b>\$7,564,643</b>	<b>\$6,998,977</b>	<b>\$7,781,024</b>
There are no unfulfilled conditions or other contingencies attached to government grants recognised.				
<b>Annual Rates Revenue - per LGFA Guarantee and Indemnity Deed</b>			<b>Actual</b>	<b>Last Year</b>
Rates revenue per Note 3 (includes rural sewerage capital contributions)			27,080,694	26,237,553
Targeted water supply rates (metered water)			167,056	164,827
Rates levied in Carterton District for sewerage			39,514	41,506
			<b>\$27,287,263</b>	<b>\$26,443,886</b>

## Notes to the Accounts

Note 4a

OTHER GAINS/(LOSSES)		\$ Actual	\$ Plan	\$ Last Year
		2016/17	2016/17	2015/16
<b>Gains</b>	Forestry asset revaluation gain	82,149	-	226,562
	Property, plant and equipment gains on disposal	39,794	-	17,732
	Library books revaluation gain	34,441	-	25,956
	Carbon credits (on forestry) value gain		-	58,395
	Investment Bond gain on disposal	26,500		
	Investment property revaluation gains	58,000	-	-
	Total non-financial instrument gains	240,884	-	328,645
	Gain on valuation of financial assets (fair value thru surplus/deficit)		-	234,676
	Gain on mark-to-market valuation of cash flow hedges *	1,759,029	-	-
	<b>Total Gains</b>	<b>1,999,913</b>	<b>-</b>	<b>563,321</b>
<b>Losses</b>	Carbon credits revaluation loss on forestry	(3,825)	-	-
	Property, plant and equipment losses on disposal	(582,158)	-	(742,660)
	Investment Bond loss on disposal	(10,829)		
	Total non-financial instrument losses	(596,812)	-	(742,660)
	Loss on valuation of financial assets (fair value thru surplus/deficit)		-	
	Loss on mark-to-market valuation of cash flow hedges *		-	(2,412,410)
	<b>Total Losses</b>	<b>(596,812)</b>	<b>-</b>	<b>(3,155,070)</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.				

<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>2016/17</b>	<b>2016/17</b>	<b>2015/16</b>
<b>Exchange Revenue</b>			
Finance revenue	423,011	735,800	819,687
Rental revenue	906,208	903,189	885,991
Solid waste user charges	2,818,851	2,552,395	2,616,903
Other user charges and recoveries	1,578,709	1,650,522	1,881,469
Metered water & sewer rates charged in CDC area	206,570	200,800	206,333
<b>Total Exchange Revenue</b>	<b>\$5,933,349</b>	<b>\$6,042,706</b>	<b>\$6,410,384</b>
<b>Non-Exchange Revenue</b>			
Rates revenue	27,080,694	26,964,710	26,237,553
Financial contributions	555,081	363,600	416,132
Subsidies and grants	4,121,537	4,424,989	4,302,269
Regulatory fee revenue	1,760,600	1,422,071	1,362,319
Infringements and fines	101,123	95,000	94,817
Local authority petrol tax	192,581	175,000	176,851
Assets vested from developments/subdivisions	-	-	556,340
Other gains	1,999,913	-	563,321
<b>Total Non-Exchange Revenue</b>	<b>\$35,811,529</b>	<b>\$33,445,370</b>	<b>\$33,709,603</b>
<b>Total Revenue</b>	<b>\$41,744,878</b>	<b>\$39,488,076</b>	<b>\$40,119,986</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.			

<b>FINANCE REVENUE &amp; FINANCE COSTS</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
	<b>Actual</b>	<b>Plan</b>	<b>Last Year</b>
	<b>2016/17</b>	<b>2016/17</b>	<b>2015/16</b>
<b>Finance revenue</b>			
Interest Revenue on:			
- financial assets held/invested by MDC	350,601	385,800	462,978
- financial assets invested from funds borrowed in advance	36,934		
- financial assets managed by ANZ Investments Ltd	35,477	350,000	356,709
<b>Total finance revenue</b>	<b>423,011</b>	<b>735,800</b>	<b>819,687</b>
<b>Finance costs</b>			
Interest expense:			
- on bank borrowings	34,507	39,844	199,831
- on LGFA bonds	2,342,831	2,600,000	2,408,101
- on loan funds borrowed in advance	29,585		
- on Secure Floating Note (FRN)	211,040	200,000	224,550
- on finance leases	5,106	2,000	1,577
Discount unwind on provisions (Note 23)	10,328	10,000	12,900
<b>Total finance costs</b>	<b>2,633,396</b>	<b>2,851,844</b>	<b>2,846,958</b>
<b>Net Finance Costs/(Revenue)</b>	<b>\$2,210,385</b>	<b>\$2,116,044</b>	<b>\$2,027,271</b>

## Notes to the Accounts

## Note 6

PERSONNEL COSTS	Actual	Plan	Last Year
	2016/17	2016/17	2015/16
Salaries & wages	6,812,976	6,287,354	5,882,564
Mayor & Councillors' honorariums	383,308	378,853	364,446
Medical insurance (incl FBT)	209,078	193,452	181,771
Superannuation - employer contributions	266,511	256,144	235,817
Incr/(Decr) in employee benefits liability	(12,740)	-	141,541
<b>Total Personnel costs</b>	<b>\$7,659,133</b>	<b>\$7,115,803</b>	<b>\$6,806,137</b>

## Notes to the Accounts

## Note 7

OTHER EXPENSES	Actual	Plan	Last Year
	2016/17	2016/17	2015/16
Fees to principal auditor:			
- for annual report	107,978	108,000	105,701
- for other services	4,000	5,001	6,600
Donations	6,922	9,000	6,663
Grants - funding community development	549,492	585,350	566,205
Grants - funding arts & culture	326,329	342,000	307,350
Grants - funding economic development	417,469	494,997	418,884
ACC levies	25,887	37,353	12,923
Inventories (change in value)	(102,483)	-	(5,483)
Impairment of receivables	(4,902)	2,700	9,022
Election costs	148,148	78,000	34,785
Civic entertainment costs	7,509	14,000	7,590
Ceremonies & presentations	8,849	7,000	4,422
Other operating expenses	16,643,238	17,037,420	16,316,090
<b>Total other expenses</b>	<b>\$18,138,436</b>	<b>\$18,720,821</b>	<b>\$17,790,752</b>

## Notes to the Accounts

## Note 7a

COST OF SERVICE STMT RECONCILIATION - Note 2 to Other Notes		Actual	Plan
Revenue		2016/17	2016/17
Financial Contributions		555,081	363,600
Subsidies and grants (per note 4)		4,121,537	4,424,989
Other Revenue (per Note 4)		7,564,643	6,998,977
Finance Revenue (per Note 5)		423,011	735,800
Total Operating Revenue (per Note 2)		12,664,273	12,523,366
Expenditure			
Personnel Costs (per Note 6)		7,659,133	7,115,803
Other Expenses (per Note 7)		18,138,436	18,720,821
Finance Costs (per Note 5)		2,633,396	2,851,844
Depreciation (per Notes 12,13,14)		11,006,358	10,936,143
Total Operating Expenditure (per Note 2)		\$39,437,323	\$39,624,611
Add back MDC rates on Council properties (net of discount)		575,331	559,000
<b>Net Operating Cost</b>		<b>\$27,348,381</b>	<b>\$27,660,245</b>

## Notes to the Accounts

## Note 8

INVENTORIES		
\$		\$
30 June 2016		30 June 2017
	Held for distribution inventory:	
80,920	Water & sewer reticulation spares	80,920
5,773	Street furniture & pavers	17,613
51,896	Water treatment chemicals	50,668
26,053	Pre-paid envelopes	17,882
	Commercial inventory:	
12,747	Rubbish bags & bins	3,428
16,575	Baleage - ex Homebush	124,800
20,799	Miscellaneous items	21,935
<b>\$214,763</b>	<b>Total Stock</b>	<b>\$317,246</b>

**DEBTORS & OTHER RECEIVABLES**

\$		\$
30 June 2016		30 June 2017
591,406	Rates receivables	523,411
1,297,388	Roading subsidies receivable	1,266,143
1,366,586	Sundry debtors & receivables	1,367,592
193,193	GST receivable	260,935
124,257	Prepayments	176,688
<b>3,572,831</b>		<b>3,594,769</b>
(184,568)	- less provision for doubtful debts	(115,626)
<b>\$3,388,263</b>	<b>Total Debtors &amp; Other Receivables</b>	<b>\$3,479,142</b>
	<i>Total receivables comprise:</i>	
1,118,305	Receivables from exchange transaction	1,170,725
2,269,958	Receivables from non-exchange transaction	2,308,417

*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 2016 and 2017 are detailed below:

30 June 2016		30 June 2017
2,678,299	Not past due	2,752,040
312,093	Past due 1-60 days	354,403
176,757	Past due 61-120 days	156,589
405,682	Past due > 120 days	331,738
<b>\$3,572,831</b>	<b>Total</b>	<b>\$3,594,769</b>

30 June 2016		30 June 2017
56,372	Individual impairment	5,073
128,196	Collective impairment	110,553
<b>\$184,568</b>	<b>Total provision for impairment</b>	<b>\$115,626</b>

30 June 2016		30 June 2017
0	Past due 1-60 days	0
302	Past due 61-120 days	0
56,071	Past due > 120 days	5,073
<b>\$56,372</b>	<b>Total individual impairment</b>	<b>\$5,073</b>

30 June 2016		30 June 2017
146,658	At 1 July	184,568
45,996	Additional provisions made during the year	52,012
(8,086)	Provisions reversed during the year	(13,617)
-	Receivables written off during the year	(107,337)
<b>\$184,568</b>	<b>As At 30 June</b>	<b>\$115,626</b>

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

<b>CASH &amp; CASH EQUIVALENTS</b>		<b>\$</b>
<b>30 June 2016</b>		<b>30 June 2017</b>
1,118,732	Cash at bank and in hand	1,840,108
2,500,000	Short term deposits of 3 months or less (from acquisition)	3,000,000
<b>\$3,618,732</b>	<b>Total cash and cash equivalents</b>	<b>\$4,840,108</b>

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 \$224,042 (2016 = \$209,840).

<b>OTHER FINANCIAL ASSETS</b>			<b>\$</b>
<b>30 June 2016</b>	<b>Current</b>	<i>Notes</i>	<b>30 June 2017</b>
3,515,118	Short term deposits - maturities > 3 but less than 12 mths	*2	10,519,320
509,323	Corporate bonds & Borrower Notes (LGFA)	*4	500,880
1,245,146	Investments held by fund manager	*3	0
<b>\$5,269,587</b>	<b>Total Current Portion of Financial Assets</b>		<b>\$11,020,200</b>
	<b>Non-current</b>		
	<b>Investments in CCO's &amp; other similar entities</b>		
285,756	Shares (NZLGFA & Civic Financial Services )		294,662
<b>\$285,756</b>			<b>\$294,662</b>
	<b>Investments in other entities</b>		
21,147	Shares (Airtel)	*1	21,014
1,861,856	Corporate bonds	*4	943,200
778,271	Borrower notes (NZ LGFA)	*5	898,282
90,525	NZ Units - Carbon Credits on forestry	*7	86,700
1,000,000	Long term deposits - maturities > than 12 mths	*8	500,000
6,329,077	NZ fixed interest investments held by fund manager	*3	7,619,948
<b>\$10,080,876</b>			<b>\$10,069,144</b>
<b>\$10,366,632</b>	<b>Total Non-Current Portion of Financial Assets</b>		<b>\$10,363,806</b>
<b>\$15,636,220</b>	<b>Total Other Financial Assets</b>		<b>\$21,384,007</b>
	<b>Internal loans/investments</b>		
\$6,168,013	Balance at 30 June (also see Note 24)	*6	\$6,839,945
<b>\$25,422,964</b>	<b>Total Funds On Hand or Invested (including Cash &amp; Internal)</b>		<b>\$33,064,059</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 Civic Financial Services fully paid ordinary \$1.00 shares valued at \$ 1.53 each, 13,300 Airtel Ltd shares valued at \$1.58 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 five financial institutions, as per the Council's investment policy and are valued as 'held to maturity'.
- \*3 ANZ Investments are contracted to actively manage an investment portfolio that was converted during the year from a segregated mandate to a 50/50 split between two (High Grade and Sovereign) bond funds. This portfolio is 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 \$898,282 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 2017 of \$17.00 per NZU.
- \*8 One bank deposit has a maturity date of 3 years.

**PROPERTY PLANT & EQUIPMENT****2017**

	Original Cost/ Valuation	Accum. Depreciation & Impairment	Carrying Amount	Current Year Additions	Impairment *3	Current Year Disposals *1	Current Year Transfers/ Adjustments *2	Current Year Depreciation	Current Year Revaluation	Original Cost/ Valuation	Accum. Depreciation & Impairment	Carrying Amount
	30-Jun-16	30-Jun-16	30-Jun-16							30-Jun-17	30-Jun-17	30-Jun-17
<b>Operational Assets</b>												
Land	47,539,309	-	47,539,309	2,979,790	(850,000)					50,519,099	(850,000)	49,669,099
Buildings	37,876,918	(1,820,730)	36,056,189	677,182	(2,215,633)	(258,436)		(1,847,631)		38,266,682	(5,855,012)	32,411,671
Plant & vehicles	3,649,469	(2,117,006)	1,532,462	213,789	(12,223)	(12,223)		(255,030)		3,760,421	(2,281,422)	1,478,999
Equipment & furniture	4,759,006	(3,404,942)	1,354,064	436,888	(16,692)	(16,692)	4,880	(297,485)		5,142,554	(3,660,898)	1,481,656
Office equip (finance lease)	49,159	(41,464)	7,695	78,902	(599)	(599)		(25,204)		91,491	(30,697)	60,794
Library books	469,227	-	469,227	169,881	(16,865)	(16,865)		(147,805)	34,441	508,877	-	508,877
Work in progress	18,571	-	18,571	24,998	(4,880)	(4,880)				38,688	-	38,688
<b>Total operational assets</b>	<b>94,361,659</b>	<b>(7,384,142)</b>	<b>86,977,516</b>	<b>4,581,431</b>	<b>(3,065,633)</b>	<b>(304,814)</b>	<b>-</b>	<b>(2,573,155)</b>	<b>34,441</b>	<b>98,327,813</b>	<b>(12,678,028)</b>	<b>85,649,785</b>
<b>Infrastructural Assets</b>												
Land (under roads)	85,151,188	-	85,151,188	5,005					359	85,156,551	-	85,156,551
Roading network	428,934,447	(9,041,033)	419,893,414	4,272,769	(229,992)	(229,992)	356,228	(4,531,036)	8,445,374	428,206,755	-	428,206,756
Water treatment plant - Masterton	9,785,733	(814,899)	8,970,833	0	-	(61,800)	154,157	(406,685)	378,951	8,943,099	-	8,943,099
Water reticulation (incl rural supplies)	28,563,855	(1,521,052)	27,042,803	933,394				(766,233)	3,322,896	30,625,217	-	30,625,217
Sewerage treatment plant - Masterton	32,707,532	(1,158,706)	31,548,827	60,924				(578,347)	2,219,199	33,250,603	-	33,250,603
Sewerage reticulation - Masterton	29,226,348	(2,355,436)	26,870,912	752,566		(31,379)	133,391	(1,186,391)	3,503,124	30,042,223	0	30,042,223
Sewerage systems - rural *4	9,024,981	(452,162)	8,572,819	16,659	-	-		(229,383)	485,232	8,845,328	-	8,845,328
Stormwater assets	15,423,223	(567,549)	14,855,674	170,047				(287,538)	693,012	15,431,196	-	15,431,196
Flood protection & control works	4,234,349	(117,416)	4,116,934	0				(58,247)	6,735	4,065,422	-	4,065,422
Other infrastructure	4,195,000	(150,227)	4,044,773	0				(75,114)	754,393	4,724,052	-	4,724,052
Work in progress	643,776	-	643,776	751,574			(643,776)			751,574	-	751,574
<b>Total infrastructural assets</b>	<b>647,890,433</b>	<b>(16,178,479)</b>	<b>631,711,954</b>	<b>6,962,937</b>	<b>0</b>	<b>(323,170)</b>	<b>(0)</b>	<b>(8,118,972)</b>	<b>19,809,273</b>	<b>650,042,021</b>	<b>0</b>	<b>650,042,023</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>\$ 742,252,091</b>	<b>(\$ 23,562,621)</b>	<b>\$ 718,689,470</b>	<b>\$ 11,544,368</b>	<b>(\$ 3,065,633)</b>	<b>(\$ 627,985)</b>	<b>(\$ 0)</b>	<b>(\$ 10,692,127)</b>	<b>\$ 19,843,714</b>	<b>\$ 748,369,834</b>	<b>(\$ 12,678,028)</b>	<b>\$ 735,691,807</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.

\*1 Disposals are reported net of accumulated depreciation.

\*2 In the Transfers & Adjustments column \$648,656 was transferred out of work in progress as detailed below:

In operational, the Public WiFi projected was implemented.

In infrastructural assets, roading & footpath work included Jetty Road, Castlepoint; First St, Lansdowne; and Colombo Road footpath. There were two water main renewals and one sewer job.

\*3 The Town Hall and District Building value has been impaired on the basis of an engineering assessment placing it below the acceptable standard and the estimated cost to strengthen being

uneconomic to proceed with.

\*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 & EQUIPMENT****2016**

	Original Cost/ Valuation 30-Jun-15	Accum. Depreciation & Impairment 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 Revaluation	Original Cost/ Valuation 30-Jun-16	Accum. Depreciation & Impairment 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)	469,227	-	469,227
Work in progress	24,300	-	24,300	18,571			(24,300)	25,956	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>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>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>\$ 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.

\*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 & EQUIPMENT - NOTES****Critical accounting estimates and assumptions*****Estimating the fair value of land, buildings and infrastructure***

The most recent valuation of land and buildings was performed by an independent registered valuer, Jones Lang LaSalle Ltd. The valuation is effective as at 30 June 2015.

*Land (except land under roads)* is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Any restrictions on the Council's ability to sell land would not normally impair the value of the land because the Council has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership. The value of the land under the Town Hall and District Building includes an impairment adjustment, allowing for the estimated cost of demolition of the buildings, reducing the land value from \$890,000 to \$40,000.

*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.

*Buildings - specialised buildings* are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings. Straight-line depreciation has been applied in determining the depreciated replacement value of the asset.

*Buildings - non-specialised buildings* (eg residential and office buildings) are valued at fair value using market-based evidence. The Town Hall and a large part of the District Building have been determined to be below the safe earthquake standard and the cost of strengthening exceeds the book value (also see Note 33 Contingencies). The impairment value write-down has been taken to the revaluation reserve while a residual value remains, representing the value of the portion of the office building still in use. This part of the building was added in the 1980s and is above the earthquake code of 33%. The future of this part of the building is yet to be determined.

*Library books* - these are valued at depreciated replacement cost. They are valued annually, in-house using the inventory of book stock as recorded on the library system and the average cost of books purchased, by category.

*Infrastructural assets* - the most recent valuation of infrastructural assets was performed by Opus International Consultants Ltd, with an effective date of 30 June 2017.

Roading, water, sewerage and stormwater infrastructural assets are valued using the depreciated replacement cost method. Road formation, pavements, footpaths, bridges and retaining walls have been valued based on either unit area or unit volume bases. Water, sewer and stormwater assets have been valued based on either unit area or unit volume bases. There are a number of estimates and assumptions exercised when valuing infrastructural assets using this method, including:

\* Replacement cost is the cost of replacing existing infrastructure using present day technology, but maintaining the originally designed level of service. Unit costs have been obtained from a variety of sources, including recent construction contracts, Opus's costing database, contractors, manufacturers and suppliers. On-cost factors have been allowed for all costs incidental to bringing the asset into working condition. Optimisation has been used in the context of provision of the same utility at a minimum overall cost. It has been assumed that current assets are considered to be of an optimal status (no surplus capacity).

\* Depreciated Replacement Value is a function of how far a component is through its economic life. The economic life is the period of time beyond which it is economically worthwhile to replace rather than continue to repair or maintain. The economic life varies for each asset.

**Critical judgements in applying accounting policies*****Classification of property***

The Council owns a number of properties held to provide housing to pensioners. The receipt of below market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of the council's social housing policy. The properties are therefore accounted for as property, plant and equipment rather than rental property.

INTANGIBLE ASSETS	\$		\$	\$		\$
	2016	2016	2016	2017	2017	2017
	Computer Software	Resource Consents	Total	Computer Software	Resource Consents	Total
Opening Original Cost	965,360	6,587,155	7,552,514	947,312	6,655,346	7,602,658
Opening Accum. Amortisation	(852,753)	(2,414,431)	(3,267,184)	(855,221)	(2,655,528)	(3,510,749)
Carrying Amount (start of year)	112,607	4,172,724	4,285,330	92,091	3,999,819	4,091,910
Additions	25,993	79,377	105,371	71,942	143,482	215,424
Disposals (net BV)	(1)	(1)	(2)	-	-	-
Amortisation Change	(46,508)	(252,281)	(298,789)	(53,153)	(261,078)	(314,231)
Transfers/Adjustments				13,500		13,500
Closing Original Cost	947,312	6,655,346	7,602,659	1,032,754	6,798,828	7,831,583
Closing Accum. Amortisation	(855,221)	(2,655,528)	(3,510,749)	(908,374)	(2,916,605)	(3,824,979)
Carrying Amount (end of year)	92,091	3,999,819	\$ 4,091,910	124,380	3,882,223	\$ 4,006,603
Work in progress	13,500	-	\$ 13,500	-	38,474	\$ 38,474
	105,591	3,999,819	\$ 4,105,410	124,380	3,920,697	\$ 4,045,077

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.

FORESTRY ASSETS	Actual 2017	Actual 2016
Opening balance 1 July	450,429	549,203
Gains/(losses) arising from changes in fair value	82,149	226,562
Decreases due to harvest		(325,336)
Balance at 30 June	\$ 532,578	\$ 450,429

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.

Registered valuers Woodnet Ltd (Stuart Orme) have valued the forestry assets as at 30 June 2017, 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.

INVESTMENT PROPERTY	Actual 2017	Actual 2016
Opening balance 1 July	2,087,000	2,087,000
Acquisitions / (Disposals)	-	-
Fair value gains/(losses) on valuation	58,000	-
Balance at 30 June	\$ 2,145,000	\$ 2,087,000

MDC's investment properties are valued at fair value effective 30 June 2017. All investment properties were valued on open market evidence. The valuation was performed by Nigel Fenwick NZIV, of Jones Lang LaSalle in accordance with PBE IPSAS 16. The valuer notes that there is a paucity of comparable recent transactions within the Masterton District, but by going back to 2014 for sales evidence, his conclusion is that the market for investment land has remained relatively static despite a clear increase in market activity and growth for residential housing and land.

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

	2017	2016
Rental Revenue	35,332	28,944
Expenses from investment property generating Revenue	13,298	13,652
Expenses from investment property not generating Revenue	4,650	4,496

CAPITAL EXPENDITURE SUMMARY			2016/17	2016/17	Source of Funding				
Activity	Project		Plan	Actual	Rates	Reserves	Other		
<b>Roading</b>			<i>(Renewal/New)</i>						
Roading - subsidised	Roading renewals - rural	R	2,329,868	2,152,344	854,566	70,942	1,226,836	*2	
	Roading renewals - urban	R	746,710	971,785	417,868		553,918	*2	
	Bridge renewals	R	72,907	40,628		17,470	23,158	*2	
	Rural/Urban minor improvements	N	509,092	390,424	118,194	49,688	222,541	*2	
	Castlepoint - Rural footpath	N	180,000	169,534			169,534	*1	
	Upgrade to LED streetlighting	N	350,000	9,000		1,350	7,650	*2	
	Cycleways	N	70,980	-					
Roading - non- subs.	Car park seal renewals	R	5,000	23,415		23,415			
	Urban footpath renewals	R	370,000	456,947		456,947			
	CBD upgrade	N	108,700	71,292		71,292			
	Streetscape/neighbourhood upgrades	N	105,800	214,937	40,220		174,717	*1&3	
	Land purchase roading strip	N	-	5,005		5,005			
<b>Water Services</b>									
Urban Water Tmt.	Water treatment plant equip. renewal	R	95,000	53,074		53,074			
	Water tmt plant consent renewal	R	175,000	45,934		45,934			
	Fluoride Free - water access	N	10,000	11,171		11,171			
	Water treatment - buildings & grounds	R	30,000						
Urban Water Retic.	Water reticulation - mains renewals	R	2,750,000	805,786		431,456	374,330	*1	
	Water reticulation - connections	R	200,000	112,758		101,878	10,879	*3	
Rural Water	Tinui water supply upgrade	R	5,000	-				*1	
	Opaki water race weir construction	R	-	21,224			21,224	*1	
	Wainuioru water supplies upgrades	R	30,000	25,500		25,500			
<b>Sewerage Services</b>									
Urban Sewerage	Homebush sewerage plant upgrade	R	1,450,000	61,382			61,382	*1	
	Homebush sewerage equipment upgrad	R	40,000	187,840		65,688	122,152	*1&4	
	Homebush contract completion	R	150,000	53,840			53,840	*1	
	Sewerage reticulation mains renewals	R	1,100,000	1,288,150		825,000	463,150	*1	
	Reticulation - hydraulic modelling	N	75,000	-					
	Sewer connections	R	-	7,987		2,201	5,786	*3	
Rural Sewerage	Riversdale sewerage scheme	R	12,000	16,659			16,659	*1	
<b>Stormwater Services</b>									
Stormwater	Stormwater - renewals	R	150,000	37,308		37,308			
<b>Solid Waste Services</b>									
Solid Waste	Special Waste Facilities	N	-	20,083		20,083			
	Nursery Road land fill capping	R	335,000	-					
	Reuse Recovery Store	N	50,000	-					
	Transfer Station Roof & upgrades	N	200,000	-					
<b>Community Facilities/Activities</b>									
Parks & Reserves	Q. E. Park renewal project	N	195,000	24,998		24,998			
	QE Park Playground upgrade	R	50,000	94,504		69,820	24,684	*3	
	QE Park Lake Consent Renewal	R	-	11,839		11,839			
	Street trees additions & replacements	N	12,000	13,764		13,764			
	Henley Lake - intake & outlet	N	500,000	59,287			59,287	*1	
	Henley - landscape development	N	5,000	-					
	Recreational trails	N	194,500	65,964		65,964			
	Chinese Pagoda	N	30,000	-					
	Parks & Open Spaces - Signage	R	10,000	-					
	Clarke Memorial underground services	R	-	19,664		19,664			
	Telemetry & flow meter	N	50,000	-					
	Netball facility upgrade	R	670,000	-					
	Cricket facility upgrade	R	385,000	-					
	Sportsfield buildings renewals	R	253,000	12,000		12,000			
	Urban Reserve upgrades	R	28,000	-					
	Rural Reserve upgrades	R	33,000	-					
	Sports facilities upgrades	N	55,000	13,463		13,463			
	South Park upgrades	R	6,000	-					
	Castlepoint furniture renewals	R	10,000	15,139		15,139			
Recreation Centre	Outdoor pool upgrades	R	45,000	22,584		22,584			
	Plant & equipment	R	85,000	74,803		74,803			
Cemeteries	Cemetery renovation & extension	N	23,000	15,493		15,493			
	Upgrade online services	N	10,000	-					
Library	Library book purchases	R	190,000	169,881		169,881			
	Computer & equipment upgrades	R	25,000	20,412		19,102	1,310	*3	
	Library building & furniture upgrades	R	36,000	10,843		10,843			
	Library extension design provision	N	75,000	-					
	Archives equipment renewal	R	-	3,913		3,913			
<i>sub totals to carry forward to next page</i>			\$ 14,681,556	\$ 7,902,556	\$ 1,430,848	\$ 2,878,671	\$ 3,593,038		

CAPITAL EXPENDITURE SUMMARY		2016/17	2016/17	Source of Funding		
Activity	Project	Plan	Actual	Rates	Reserves	Other
sub totals carried forward		\$ 14,681,556	\$ 7,902,556	\$ 1,430,848	\$ 2,878,671	\$ 3,593,038
District Building	District Building facilities & equip	R 70,900	14,983		14,983	
	Building upgrades	R 404,500	-			
	Town hall renewals (generator)	R 35,000	-			
Elderly Housing	Pensioner housing renewals	R 136,500	51,202		51,202	
	Insulation upgrades Panama	N 10,000	-			
	Window upgrades Panama	N 15,000	16,478		16,478	
	Panama Homestead - renewals	N 5,750	-			
Forestry	Kaituna land - replanting	R 70,000	-			
Other Property	Public conveniences - misc items	R 3,000	-			
	Public conveniences - Riversdale water	N 20,000	18,796		18,796	
	Rental & other property upgrades	R 55,500	23,507		23,507	
	Rural Hall upgrades	R 30,000	13,292		13,292	
	Rural Hall relocation & demolition	N 30,000	-			
	Earthquake strengthen Council building	N 1,225,000	-			
	Land purchases Lees Pakaraka Road	N -	3,042,790			3,042,790 *1
Airport	Runway reseal & remarking	R 160,000	-			
	Other airport development & upgrades	N 45,000	-			
	Runway lights replacement	R 150,000	-			
	Airport land extension	N -	252,000			252,000 *1
Mawley Park	Mawley Park facility upgrades	R 30,000	38,617		38,617	
	Mawley Park - Playground	R 35,000	26,214		26,214	
Economic Devlpmt	CBD security cameras	N 20,000	13,577		13,577	
	CBD - Public Wi-Fi infrastructure	N 19,000	18,719		18,719	
	Town Square - irrigation & trees	N 25,000	-			
	Town Square - light tree renewals	R -	4,346		4,346	
	Christmas decorations	N 28,241	-		28,241	
	Decorative streetlighting (c/fwd)	N 39,050	-		39,050	
<b>Regulatory Services</b>						
Environ. Health	Testing equipment	R 24,000	19,711		19,711	
Rural Fire	Rural fire (Tinui bldg) paid prior year	R 47,000	-			
Building Services	Building control - equipment	R 6,000	-			
Council vehicles	Vehicle replacements	R 80,000	82,440		82,440	
Animal Services	Animal control - equipment	R 1,500	1,254		1,254	
	Dog control - lapel video cameras	N 3,000	1,605		1,605	
	Animal control - pound renewal/replac	R 50,000	-			
<b>Internal Functions</b>						
Corporate Serv.	Computer and office equip upgrades	R 90,000	82,930		82,930	
	GIS aerial photos & data capture	R 58,000	11,280		11,280	
	Website redevelopment	N 40,000	49,917		49,917	
	Document Management system c/fwd	R 62,900	23,584		23,584	
	IT Council Meetings Info systems	N 25,000	-			
Asset Management	Asset Management system (c/fwd)	N -	21,176		21,176	
Roading Advisory Services		R -	-			
<b>Total Capital Expenditure</b>		<b>\$ 17,764,106</b>	<b>\$ 11,798,266</b>	<b>\$ 1,430,848</b>	<b>\$ 3,479,591</b>	<b>\$ 6,887,827</b>

\*1 New external loan funding totals \$3,676,783 and internal loans total \$1,054,858

\*2 NZ Transport Agency subsidies on roading capital and renewals expenditure totals \$2,034,103

\*3 External grants & contributions towards asset purchases \$43,181

\*4 Finance Lease funding tractor Sewerage Tmt Plant \$78,902

Capital Expenditure Analysis		Plan	Actual
Asset Renewals		13,472,284	7,211,503
New Assets (improve level of service)		4,268,822	4,586,763

### Work in Progress

Property, plant and equipment in the course of construction by class of asset is detailed below:

	2017	2016
	\$000	\$000
Water reticulation (incl rural supplies)	43	154
Sewerage reticulation - Masterton	544	133
Roading network	165	356
Buildings	39	14
Equipment & furniture	-	5
Consents applied for but not yet granted	38	-
Computer software & systems under development	-	14
<b>Total work in progress</b>	<b>829</b>	<b>676</b>

### Commentary on variances from Plan

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:**

- \* The Council purchased 35.33 ha of land at 374 Lees Pakaraka Road in August 2016, the vendor being Cr David Holmes. The Council tender of \$1.41 million was successful and submitted via a proxy. Cr Holmes was not involved in the Council's decision to tender for the land.
- \* Wairarapa Community Centre was given a \$15,000 grant for the operation of the Centre & \$10,000 for the Volunteer Centre. Cr. P. Hannon (until Oct 2016) is a member of the Wairarapa Community Centre Board. (2015/16 grants \$10,000 and \$10,000).
- \* Wairarapa Resource Centre was given a \$3,000 Community Development grant. Cr C. Peterson is a committee member, while Cr J. Hooker is a part-time employee. (2016 \$3,500)
- \* Wairarapa Balloon Society Inc. was given a \$10,000 grant towards the annual balloon festival. Cr J. Hooker & Mr D. Paris (Manager Finance) are office holders of the Society. (2015/16 \$12,000)
- \* The Huri Huri Festival of Cycling was given an event grant of \$10,000, via Wairarapa Bike Festival Charitable Trust, which is associated with Promote Communications Ltd, a company jointly owned by Mr S. Rossiter-Stead (Communications & Marketing Advisor) and his wife. (2016 \$10,000)
- \* Wellington Free Ambulance was given a \$11,500 grant - Mr.S. Rossiter-Stead's (Communications & Marketing Advisor) wife is a trustee of the entity (2015/16 \$6,000).
- \* Masterton Trust Lands Trust provides the Library with a grant for books. Cr C. Peterson was a trustee until Oct'16 while Cr. R Johnson and F. Mailman were trustees from Oct '16.
- \* Cr. C. Peterson is a board member of New Pacific Studio and King Street Artworks. These organisations received grants from the Council of \$2,000 and \$5,000 respectively (2015/16 \$4,900 & \$4,000).
- \* The Wairarapa Multi Sport Stadium Trust operates the facility at Cameron & Soldiers Memorial Park and has a Council appointed representative on their Trust. Up until Oct 2016 that was the Chief Executive, Pim Borren and from Oct 2016 it has been Cr J Dalziel. The Council granted \$15,000 to the Trust in 2016/17 to assist with the costs of a summer concert.
- \* The Bring it to Colombo Trust was formed in 2016 with the express purpose to redevelop the Council-owned netball courts at Colombo Road, taking responsibility as a Community-led project. The large Council commitment to the project has seen the appointment of three Council members as trustees. They are the Mayor, Lyn Paterson, Cr G McClymont and (until Oct 2016) Cr D Bracewell. From Oct 2016, Cr R Johnson was appointed a trustee. The Manager Community Facilities & Activities, Andrea Jackson is also a trustee. Council made decisions during the year on the level of Council funding that would be allocated to the project. No payments were made to the Trust during 2016/17.
- \* Synergy Consultants Ltd, owned by Cr J. Hooker is contracted to provide part time services for the planning and management of the EM/CD Welfare function and is a EM/CD alternate Controller.

<b>Transactions with key management personnel</b>	<b>\$ 2016/17</b>	<b>\$ 2015/16</b>
<b>Councillors</b> Remuneration	\$383,308	\$364,446
Number of members	14	11
<b>Senior Management Team, including the Chief Executive</b>		
Remuneration	\$1,155,632	\$1,077,261
Full-time equivalent members	7.2	7.2
<b>Total key management personnel remuneration</b>	<b>\$1,538,941</b>	<b>\$1,441,707</b>
<b>Total full-time equivalent personnel</b>	<b>21.2</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**

\$ 2016/17 \$ 2015/16

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.

Two iwi representatives were appointed in August 2016 and there is a Whaitua rep appointed to that GWRC committee.

Mayor	Lyn Patterson	95,074	93,111
Deputy Mayor	Graham McClymont	33,145	31,415
Councillor & task group chair	Gary Caffell	31,140	27,370
Councillor & committee chair	Jonathan Hooker	32,655	29,750
Councillor (& former TG chair)	Chris Peterson	25,447	27,370
Councillor	Brent Goodwin	24,395	23,800
Councillor	Simon O'Donoghue	24,395	23,800
Councillor	Frazer Mailman (since Oct'16)	17,378	0
Councillor	Bex Johnson (since Oct'16)	17,378	0
Councillor	John Dalziell (since Oct'16)	17,378	0
Councillor	Deborah Davidson (since Oct'16)	17,378	0
Councillor & task group chair	David Holmes (until Oct'16)	8,789	29,290
Councillor	Mark Harris (until Oct'16)	7,017	23,800
Councillor & task group chair	Phillipa Hannon (until Oct'16)	8,069	27,370
Councillor & task group chair	Doug Bracewell (until Oct'16)	8,069	27,370
Whaitua Representative		5,000	0
Iwi Representatives (x2)		10,600	0
		<u>\$ 383,308</u>	<u>\$ 364,446</u>

**REMUNERATION - Chief Executive**

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

	2016/17	2015/16
Dr Pim Borren's total salary paid, including benefits is:	<u>\$240,000</u>	<u>\$235,255</u>

**REMUNERATION - Council employees**

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

	2017		2016
< \$60,000	65	< \$60,000	67
\$60,000- \$79,999	23	\$60,000- \$79,999	20
\$80,000- \$99,999	17	\$80,000- \$99,999	15
\$100,000-\$139,999	7	\$100,000-\$139,999	7
\$140,000-\$239,999	6	\$140,000-\$219,999	3
<b>Total Employees*</b>	<b>118</b>	<b>Total Employees*</b>	<b>112</b>
<b>Total FTEs</b>	<b>98</b>	<b>Total FTEs</b>	<b>85</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 79 (2016 = 68) full-time employees, with the balance of staff representing 19 (2016 = 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 2017, the Council made nil (2015/16 = 1) severance payments to employees totalling \$0 (2016 \$10,019).

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.

## Notes to the Accounts

Note 20

<b>CREDITORS &amp; OTHER PAYABLES</b>		<b>\$</b>
<u>30 June 2016</u>		<u>30 June 2017</u>
3,899,402	Trade payables	4,529,874
173,381	Deposits & bonds	236,811
111,023	Agency rates collected - Greater Wellington Regional Council	124,096
844,996	Revenue received in advance	891,160
91,154	Community organisations - funds held in trust	183,049
<b><u>\$5,119,956</u></b>		<b><u>\$5,964,990</u></b>
<b>Exchange &amp; Non-exchange transactions analysis</b>		
<i>Payables and deferred revenue under exchange transactions:</i>		
3,319,098	Trade payables and accrued expenses	3,980,833
572,899	Contract retentions	533,579
<u>3,891,997</u>		<u>4,514,412</u>
<i>Payables and deferred revenue under non-exchange transactions:</i>		
7,415	Grants Payable	15,462
202,176	Bequests & funds held in Trust	307,146
1,018,368	Payments received in advance (inclgd bonds)	1,127,970
<u>1,227,959</u>		<u>1,450,578</u>
<b><u>\$5,119,956</u></b>	<i>Total payables and deferred revenue</i>	<b><u>\$5,964,990</u></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>\$</b>
<u>30 June 2016</u>		<u>30 June 2017</u>
718,455	Staff holiday provision	738,337
188,953	Salaries & wages accrued	162,455
24,969	Councillor's honorariums payable	25,926
9,690	Staff sick leave provision	8,804
2,425	Staff alternative leave provision	1,319
146,047	Staff retirement gratuities	140,958
<b><u>\$1,090,539</u></b>	Total Employee Benefit Liabilities	<b><u>\$1,077,799</u></b>
1,020,727	Comprising:	1,009,593
69,812	Current	68,205
	Non-current	
The present value of staff retirement gratuities represents the discounted value of long service leave payable to six staff. The entitlement was 'grandfathered' in the 1990s, with the six staff having their entitlement frozen, except for salary movements. The discounted rate for future payments is 3.58% (last year 3.95%) 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>		<b>\$</b>	<b>Actual</b>
<u>30 June 2016</u>	<b>Assets</b>	<u>30 June 2017</u>	
-	<b>Non-current</b>	59,056	
	Interest rate swaps - fair value		
	<b>Liabilities</b>		
7,752	<b>Current</b>	0	
5,249,429	<b>Non-current</b>	3,557,208	
<u>\$5,257,181</u>	Interest rate swaps - fair value	<u>\$3,557,208</u>	
<b>Fair value</b>			
The fair value of interest rate swaps have been determined by calculating the expected future cash flows under the terms of the swaps and discounting these values to present value. The input into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices. 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.			
<b>Interest rate swaps</b>			
The notional principal amounts of the outstanding interest rate swap contracts for the Council were \$54.4m (2016 \$50.4m) Six of these, with a nominal principal totalling \$12m, were forward start date contracts. At 30 Jun 17, the fixed interest rates of interest rate swaps varied from 3.313% to 5.8% (2016:3.49% to 5.8%).			

**PROVISIONS**

30 June 2016		30 June 2017
\$	<b>Landfill Aftercare Provision</b>	\$
290,483	<b>Opening balance</b>	238,162
(66,956)	Amounts used during the year	(60,946)
1,735	Adjustments to provision*	(5,092)
12,900	Discount unwinding (Note 5)	10,328
<b>\$238,162</b>	<b>Closing balance</b>	<b>\$182,452</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 2016/17 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 3 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 2017, NZLGFA had lent \$7.945 billion (2016: \$6.22 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 2017	Amount owing 30 June 2016
Masterton Motorplex Inc.	300,000	238,622	268,244
Wairarapa Multi-Sport Stadium Trust Board	100,000	86,746	89,064
	<b>400,000</b>	<b>325,368</b>	<b>357,308</b>

30 June 2016		30 June 2017
\$	<b>Total Provisions</b>	\$
238,162	Landfill aftercare provision	182,452
0	Financial guarantees provision	0
<b>\$238,162</b>	<b>Closing carrying value - Provisions</b>	<b>\$182,452</b>
66,038	<b>Current</b>	66,038
172,124	<b>Non-current</b>	116,414
<b>\$238,162</b>		<b>\$182,452</b>



FINANCIAL LIABILITIES as at 30 June 2017		\$	\$	\$
		30 June 2016	30 June 2017	Plan 2017
<b>SUMMARY</b>				
	Secured (bank) loans	296,000	0	479,000
	Secure Floating Note (FRN)	5,000,000	5,000,000	5,000,000
	LGFA bonds	47,000,000	54,000,000	52,000,000
	Finance leases	18,993	64,747	0
	Internal loans	6,168,013	6,839,945	3,994,000
	Sub total - all financial liabilities	58,483,006	65,904,692	61,473,000
	Less current portion of external liabilities	(3,000,000)	(7,000,000)	(1,915,979)
	Internal loans/investments reversed	(6,168,013)	(6,839,945)	(3,994,000)
	<b>Total non-current financial liabilities</b>	<b>\$49,314,993</b>	<b>\$52,064,747</b>	<b>\$55,563,021</b>

COST OF DEBT SERVICING		2016/17	\$	\$
			Actual	Plan
	Loan repayments (external)		2,005,931	1,971,283
	Interest expense (external)		2,623,069	2,851,844
	<b>Cost of Debt Servicing (external)</b>		<b>4,629,000</b>	<b>4,823,127</b>
	Loan repayments (internal)		382,927	372,904
	Interest expense (internal)		295,790	162,871
	<b>Cost of Debt Servicing (internal)</b>		<b>678,717</b>	<b>535,775</b>
	<b>Treasury Policy Compliance</b>		Policy Limits	
	Net External Debt to Operating Revenues	82.6%	150%	100.4%
	Interest (external) as % of operating revenue	6.6%	10%	7.2%
	Interest (external) as % of total rates revenue	9.7%	15%	10.6%
	Interest (internal & external) as % of total rates revenue	10.8%	20%	11.2%

MOVEMENTS IN TOTAL DEBT		\$	\$
		Actual	Plan
	<b>Opening Balance 1 July 2016</b>	<b>\$58,483,006</b>	<b>\$60,162,087</b>
	Loan repayments	(2,388,858)	(2,344,187)
	New borrowing (external, internal & finance leases)	9,810,544	3,655,100
	<b>Closing Balance 30 June 2017</b>	<b>\$65,904,692</b>	<b>\$61,473,000</b>

**MATURITY ANALYSIS**

The following is a maturity analysis of MDC's borrowings (excluding finance leases & internal borrowings).

	30 Jun 2016	30 Jun 2017	
Repayments due in less than one year	2,984,323	7,000,000	Weighted average interest on external loans
Later than one year, less than five	7,748,061	8,528,518	
Later than five years	41,563,616	43,471,482	
	<b>\$52,296,000</b>	<b>\$59,000,000</b>	<b>4.95%</b>

**ANALYSIS OF FINANCE LEASE LIABILITIES**

	Actual 2016	Actual 2017
Payable no later than one year	16,546	33,632
Later than one, not later than two years	3,447	31,168
Later than two, not later than five years	0	10,388
Future financing charges	(1,000)	(10,441)
	<b>\$18,993</b>	<b>\$64,747</b>
Representing lease liabilities - Current	16,546	33,632
- Non-current	2,447	31,115

**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 LGFA bond has a term is shorter than the intended 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 drawn and \$10m undrawn. Interest rate swaps have been used to fix interest rates for terms ranging from 2 to 9 years.

**Offset:** The \$5m FRN is due to be repaid in July 17. \$5m has been drawn in advance and is held on deposit.

**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.

**FINANCIAL LIABILITIES as at 30 June 2017**

**New Debt:** The Council borrowed \$20.0 million externally during the year. These loan funds were partly used to repay \$11.3m existing external debt.

**Internal loans:** \$1.05m in new internal borrowing was used to fund 2016/17 capital projects.

Internal interest paid/earned totalled \$295,790 and was charged on the average balance due. The interest rates charged averaged 3.58% for the year to 30 June 2017. 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 External Loan Movements by Groups of Activities**

for the year ended 30 June 2017

Internal Interest \$ 000's		Opening Balance \$ 000's	New Borrowing \$ 000's	Reduction \$ 000's	Closing Balance \$ 000's
6	Roading	139		(4)	135
119	Water	2,490	374	(271)	2,593
2,233	Sewerage Services	45,042	5,486	(1,379)	49,149
40	Stormwater	868	0	(141)	727
79	Solid Waste	1,399		(60)	1,339
156	Community Facilities/ Activities	2,358	2,817	(118)	5,057
2,633		52,296	8,677	(1,973)	59,000

**Schedule of Internal Loan/Investment Movements by Groups of Activities**

for the year ended 30 June 2017

Internal Interest \$ 000's		Opening Balance \$ 000's	New Borrowing \$ 000's	Reduction \$ 000's	Closing Balance \$ 000's
22	Roading	328	344	(17)	655
9	Water	187	21	(5)	203
142	Sewerage Services	3,835	152	(211)	3,776
0	Stormwater	0	0	-	0
18	Solid Waste	523		(32)	491
105	Community Facilities/ Activities	1,295	538	(118)	1,715
296		6,168	1,055	(383)	6,840

**EQUITY****RETAINED EARNINGS**

30 June 2016		\$ 30 June 2017
428,474,415	Opening Balance	424,668,575
4,849,789	Transfers From Special Funds & Reserves	4,617,518
(7,489,469)	Transfers (To) Special Funds & Reserves	(6,654,783)
211,092	Transfer to equity revaluation reserve on disposal assets	232,722
(1,377,252)	Surplus/(Deficit) for the year	1,710,743
<b>\$424,668,575</b>	<b>Closing Balance</b>	<b>\$424,574,774</b>

**REVALUATION RESERVE**

30 June 2016		Notes	Movements due to asset disposals & impairment	Revaluation Movements	30 June 2017
31,205,428	Land	*1	(850,000)		30,355,428
19,438,201	Buildings	*2	(2,415,107)		17,023,094
	Infrastructural Assets	*3			
3,707,400	Land (under roads)			359	3,707,759
155,739,530	Roading & footpath assets		(68,537)	8,445,374	164,116,367
12,109,551	Water supply - urban		(24,904)	3,537,508	15,622,155
251,967	Water supplies - rural			164,339	416,306
10,041,765	Sewerage system - urban		(625)	5,722,322	15,763,463
(118,588)	Sewerage systems - rural			485,232	366,646
2,352,898	Stormwater assets			693,012	3,045,910
1,247,388	Flood Protection & Control Works			6,735	1,254,123
1,781,353	Other infrastructure assets			754,393	2,535,746
(138,293)	Financial assets value change	*4	60,818	22,987	(54,488)
<b>\$ 237,618,599</b>	via comprehensive revenue		<b>(\$3,298,356)</b>	<b>\$ 19,832,261</b>	<b>\$ 254,152,504</b>

*Analysis of Movements*

*1 Revalued portion of Land disposals:	64 Chapel Street write down due to impairment	(\$850,000)
*2 Revalued portion of Buildings disposals:	Manaia Road shed destroyed by wind	(\$7,485)
	Netball Building disposed	(\$200,613)
	Mauriceville Tsf Stn. disposed	\$ 8,623
	Town Hall & District Bldg. write down due to impairment	(\$2,215,633)
*2 Infrastructural assets were revalued as at 30 June 2017 resulting in \$19.8 million (3.1%) increase in depreciated replacement cost (DRC) over 3 years, after taking account of additions and depreciation during that period ending 30th June 2017.		
*3 Revalued portion of infrastructural assets disposed/replaced included the following:		
	Roading assets: - kerb & channel, footpaths, signs, culverts, bridges	(\$68,537)
	Water assets: - water reticulation mains & connections	(\$24,904)
	Sewerage assets: - sewer reticulation, manholes & connections	(\$625)
*4 Revalued portion of investments maturing included the following:		
	Credit Agricole	\$ 72,500
	LGFA Borrower Note	(\$1,506)
	Auckland International Airport	(\$10,176)

**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 2017</b>	<b>30 June 2016</b>
<b>Fair value through profit &amp; loss</b>		
Fund manager - cash and cash equivalents	0	10
Fund manager - current financial assets	0	1,245
Fund manager - non-current financial assets	7,620	6,329
	<u>7,620</u>	<u>7,584</u>
<b>Cash Deposits, Receivables &amp; Community Loans</b>		
Debtors and other receivables	3,479	3,388
Cash and cash equivalents	4,840	3,609
Bank deposits - current financial assets	10,519	3,515
Bank deposits - non current financial assets	500	1,000
	<u>19,339</u>	<u>11,512</u>
<b>Fair value through comprehensive revenue &amp; expense</b>		
Derivative financial instrument assets	59	0
Corporate bonds - current	501	509
Corporate bonds - non-current	1,841	2,640
Unlisted shares	316	307
	<u>2,717</u>	<u>3,456</u>

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

Derivative financial instrument liabilities	3,557	5,257
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**Financial liabilities at amortised cost**

Trade and other payables	5,965	5,120
Borrowings - secured loans	0	296
- LGFA bonds	54,000	47,000
- Secure Floating Note (FRN)	5,000	5,000
	<u>64,965</u>	<u>57,416</u>

## Notes to the Accounts

## Note 26a

**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.

### **Interest rate risk**

The weighted average interest rate that the MDC's investments are earning at 30 June 2017 is 2.19% (last year 4.51%) and on MDC's borrowings (as shown in Note 24) weighted average interest rate is 4.63% (last year 5.1%).

### **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 2017 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 \$258,200 (2016 \$188,600).

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 \$590,600 (2016 \$523,000) 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 \$20m from them during 2016/17. There are two cash advance facilities with Westpac and ANZ. The maximum amount that could be drawn down using these

facilities during 2016/17 was \$10m (2016 \$10m). 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. As at June 2017 no money had been drawn against the CAFs (2016 \$0.3m).

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. The table below shows the financial assets exposed to credit risk and the credit ratings of the investments.

<b>Maximum exposure to credit risk</b>	<b>\$000</b>	<b>\$000</b>
	<b>30 June 2017</b>	<b>30 June 2016</b>
Cash at bank and term deposits	15,859	8,134
Debtors and other receivables	3,479	3,388
Derivative financial instrument assets	59	
Local authority, LGFA and government stock	898	5,540
Corporate bonds/discounted securities/SOEs	9,064	5,184
	<u>29,360</u>	<u>22,246</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>		
<b>Cash at bank and term deposits</b>		
	AA-	14,290
	Not Rated	1,569
		<u>15,859</u>
		8,134
<b>Government and LGFA Stock</b>		
Government stock	AA	0
LGFA	AA+	898
Local authority stock	A	0
		<u>898</u>
		6,196
<b>Listed bonds</b>		
	AAA	661
	AA	6,561
	A- to AA-	0
	A	899
	A1 & A1+	0
	BB+ to BBB+	943
		<u>9,064</u>
		4,528
<b>Derivative financial instrument assets</b>		
	AA-	59
		0
<b>Counterparties without credit ratings</b>		
Debtors and other receivables		3,479
		<u>3,479</u>
		3,388
		<u>3,388</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 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.

<b>Note 26a</b>					
<b>Contractual maturity analysis of financial liabilities</b>					
	Carrying amount	Contractual cash flows	Less than 1 year	1 -5 years	More than 5 years
	\$000	\$000	\$000	\$000	\$000
<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	
	62,692	71,724	10,770	45,536	15,417
<b>As at 30 June 2017</b>					
Creditors and other payables	5,965	5,965	5,965		
Net settled derivative liabilities*	3,557	11,612	1,914	6,651	3,047
Committed cash advances	0	0	0	0	
Secure Floating Note (FRN)	5,000	5,014	5,014		
LGFA bonds	54,000	62,360	2,726	37,148	22,486
Finance leases	65	65	34	31	
	68,587	85,017	15,653	43,830	25,534

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

## 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	2017 000's				2016 \$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	-48		48		-36		36	
Other financial assets <sup>1</sup>	308	0	-308	0	396	0	-396	
Other financial assets <sup>2</sup>		104		-104		243		-243
Derivatives <sup>3</sup>	-59		437		0			
<b>Financial Liabilities</b>								
Term Debt	590		-590		523		-523	
Derivatives <sup>3</sup>	-2,386		1,823		-2,577		2,391	
Total Sensitivity	-1,595	104	1,411	-104	-1,694	243	1,508	-243
<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)								

**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 - 2016/17</b>					
	<b>Opening Balance</b>	<b>Transfers Out</b>	<b>Transfers In</b>	<b>Closing Balance</b>	<b>Plan</b>
Plant & Equipment Funds	1,683,907	(437,398)	452,743	1,699,252	1,429,208
General Capital Funds	3,379,441	(27,000)	0	3,352,441	2,280,276
Investment Interest Fund	106,664	(562,500)	321,754	(134,082)	96,702
Reserves & Development Funds	975,248	(175,532)	148,647	948,363	817,685
Building Depreciation Funds	6,366,089	(635,933)	1,558,983	7,289,139	5,493,412
Roading, Bridges & Flood Damage	4,806,093	(482,055)	1,071,086	5,395,124	4,765,943
Urban Infrastructural Depreciation	2,638,039	(1,494,399)	2,172,794	3,316,434	2,107,215
Miscellaneous Funds	1,926,800	(802,701)	928,776	2,052,875	1,333,135
<b>Total</b>	<b>\$21,882,281</b>	<b>(\$4,617,518)</b>	<b>\$6,654,783</b>	<b>\$23,919,547</b>	<b>\$18,323,576</b>
				<b>Actual 2016/17</b>	<b>Plan 2016/17</b>
<b>Analysis of Transfers 'OUT' of Funds &amp; Reserves</b>					
Funding of Capital Expenditure from special funds & reserves				3,479,591	6,633,315
Funding of Operating Expenditure from special funds & reserves				1,137,927	1,561,500
				<b>4,617,518</b>	<b>8,194,815</b>
<b>Analysis of Transfers 'IN' to Funds &amp; Reserves</b>					
Reserves & Development Contributions received				148,647	115,000
Infrastructure & Roothing Contributions received				369,149	145,000
Carry forward funding for on-going project commitments				876,498	117,000
Interest earned and retained in special funds				2,000	4,000
Interest earned and allocated to Investment Interest fund				321,754	701,000
			Sub Total	1,718,048	1,082,000
Depreciation funded into asset replacement reserves funds				4,869,452	4,926,913
			<b>Total of Transfers into funds from Operations</b>	<b>6,587,499</b>	<b>6,008,913</b>
Proceeds from sale of plant & equipment assets				41,687	
Proceeds from sale of land & building assets (including forestry harvested)				25,597	0
			<b>Total Transfers into funds from Asset Sales</b>	<b>67,284</b>	<b>0</b>
				<b>6,654,783</b>	<b>6,008,913</b>

**Explanation of variances from Plan:**

The balance of Special Funds & Reserves, at \$23.9 million, is \$5.7 million or 31% more than planned.

**Plant & Equipment Funds - 19.8% more than Plan**

Savings were made on some IT projects, while the Plan anticipated a lower opening balance.

**General Capital Funds - 47% more than Plan**

Most planned drawings from this fund for projects did not occur - in particular the netball upgrade project and the replanting of the Kaituna forestry block.

**Investment Interest Fund - \$231k less than planned**

Interest earnings on investments were less than expected. The fund deficit is expected to be eliminated by 2019.

**Reserves & Development Funds - 16% more than Plan**

Use of this fund was less than Planned as some parks, reserves and recreation projects were delayed.

**Building Depreciation Funds - 32.7% more than Plan, \$1.9 million**

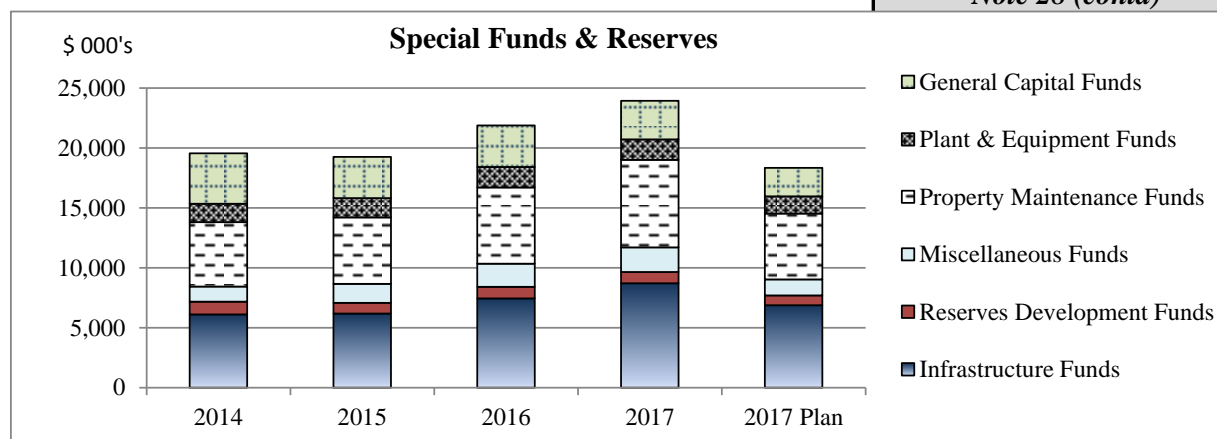
A number of renewals projects were not progressed, including airport runway, district building offices and pensioner housing rooves.

**Infrastructural Assets Funds**

Roothing funds are 13% more than planned, some \$629k, due to opening balance of the plan understated and the LED streetlighting project being deferred until 2017/18. The Flood Damage Fund has a balance of \$804k. Urban infrastructure fund is 57% more than planned. Some \$1.5m was applied to capital renewals while \$2.2m was planned. More infrastructure contributions were received than planned.

**Miscellaneous Funds**

These funds have ended the year \$720k above the planned level due to carrying forward more surplus funding than planned.



Notes to the Accounts

Note 29

\$ 2015/16	<b>RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	\$ 2016/17
<b>(\$1,377,252)</b>	<b>Operating Surplus / (Deficit)</b>	<b>\$ 1,710,743</b>
	- Add (less) non-cash items	
10,898,320	Depreciation and amortisation	11,006,358
(556,340)	Vested asset gains	-
(226,562)	(Gains)/losses in fair value of biological assets (forestry)	(82,149)
-	(Gains)/losses in fair value of investment property	(58,000)
(84,351)	Other non-cash items	(30,616)
	- Add (less) items classified as investing or financing	
724,929	(Gains)/losses on disposal of property, plant & equipment	526,693
2,177,734	(Gains)/losses on change in fair value of financial assets/liabilities	(1,759,029)
	- Add (less) movements in working capital items	
(1,100,454)	(Increase)/decrease in receivables	(38,448)
35,858	(Increase)/decrease in prepayments	(52,431)
(5,484)	(Increase)/decrease in Inventories	(102,483)
270,405	Increase/(decrease) accounts payable	600,405
141,541	Increase/(decrease) in employee entitlements	(12,741)
(378,025)	Increase/(decrease) in other current liabilities	115,000
<b>\$ 10,520,320</b>	<b>Net Cash Inflow from Operating Activities</b>	<b>\$ 11,823,302</b>

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

	2016/17		2015/16	
	No.	\$	No.	\$
The cost of the Council's Rates Remission Policy is summarised below.				
Rates remissions were given on:				
Community halls, volunteer & charitable groups	62	79,152	61	76,976
Sporting, arts and cultural use	24	45,417	24	44,768
Land protected for conservation or heritage purposes	75	9,637	74	9,305
Rate penalty remissions*	9,714	226,321 *	9,083	201,671
Uniform charges on non-contiguous units	6	2,115	6	2,088
Urban land with rural use	7	3,371	7	3,355
Total (as per Note 3)	9,888	\$366,014	9,255	\$338,163

\* 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. 9,714 is the number of transactions, and these relate to penalty remissions on 2,802 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 (2016 = 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 2016/17, no properties (2015/16 = 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****Treasury Policy**

		2016/17	2016/17	2015/16
	Policy Limit	Actual	Plan	Actual
Net External Debt* as % of Operating revenue	150%	82.6%	100.4%	83.6%
Interest expense (external) as % of Op revenue	10%	6.6%	7.2%	7.2%
Interest expense as % of Rates revenue	15%	9.7%	10.6%	10.9%
Interest (external & internal) as % Rates revenue	20%	10.8%	11.2%	11.7%
Long Term Debt (external) per capita		\$2,401	\$2,461	\$2,144

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

## PLAN COMPARISON & BUDGET VARIATIONS

### Major Variations from Plan

Explanations for major variations in the Financial Statements from the Council's 2016/17 Annual Plan are as follows:

#### Statement of Comprehensive Revenue & Expense

The accounting surplus of \$1.71m compares to the planned figure of \$0.1m deficit, but after excluding Other Gains & Losses, there was a net overall surplus of **\$0.3m**

**Total Operating Revenue of \$41.7m is more than plan by \$2.26 m 5.7%**

- Revenue recognised but not budgeted includes gains from revaluation of cash flow hedges of \$1.76m and a range of other asset revaluations totalling \$0.22m
- Financial contributions of \$555,081 were more than planned by 52% or \$191,481
- Subsidies & grants were 7.3% or \$321,490 less than planned due to subsidised roading expenditure being less than planned, particularly the flood damage provision.
- Other operating revenue of \$7.6m was \$0.55m (7.84%) more than planned, with the biggest proportion of the variance coming from waste transfer station gate fees and building services fees ahead of the level planned.
- Interest revenue of \$423,011 was only 57% of planned due to lower returns on bond fund investments.

**Personnel Costs are more than plan by (\$0.54) m (7.6%)**

- This variance has arisen due to three main factors: some salaries have increased by more than the Plan allowed for, several new positions were added during the year and the plan for Other Expenses included a provision for the People Development work which has been spent partly on personnel costs.

**Other Expenses are less than plan by \$0.58 m 3.1%**

- Roading costs were some \$0.6m less due largely to planned flood damage costs not being incurred.
- Operational costs savings were made in the stormwater area, particularly a study which was not done.
- There were higher than planned costs in Building Services, Rural Fire and Representation (elections), all of which were offset by higher than planned income/recoveries.
- In the property area, there were unplanned costs relating to paying rent on a number of office premises, setting up those premises and investigating the earthquake status and options for the town hall & district building.
- In the corporate area, some advertising costs and publication costs exceeded the planned levels.

**Finance costs were less than plan by \$0.22 m 7.7%**

- Lower than planned average interest rates and not needing to borrow for all planned projects resulted in savings.

**Depreciation & amortisation is close to plan (\$0.07) m 0.0%**

**Other Losses more than planned by (\$0.60) m**

- Other losses were not allowed for in the Plan or LTP. These include writing off residual value of assets renewed during the year (\$0.32m) and the loss from writing down the netball building (\$0.21m).
- Infrastructural assets were revalued as at 30 June 2017 and resulted in a \$19.8m increase (3.6%)
- The value of the town hall and district building was recognised as being impaired following an engineering assessment against the earthquake code. An adjustment of \$3.1m has been made through the revaluation reserve.

#### Statement of Financial Position as at 30 June 2017

- Current assets include \$5m of funds drawn early in anticipation of making a loan repayment in July 2017. Also, more short term investments are held as the flat yield curve has not justified using longer term deposits.
- The Annual Plan allowed for \$17.76m of capital expenditure, but only \$11.8m was spent. Some asset values are lower than plan as a result, but the revaluation of infrastructural assets of \$19m was not planned and offsets this.
- In Current liabilities creditors and employee liabilities are consistent with Plan and prior year. Current portion of financial liabilities includes a \$5m bond due for repayment in July 2017.
- Non-current Financial liabilities are less than planned due some of the capital expenditure that was planned to be loan funded was not progressed during the year (eg water trunk main and Homebush irrigation area).

#### Statement of Movements in Equity

- Overall the Council's Equity is \$15.7 (2.3%) more than anticipated in the Plan. This is largely from the revaluation of infrastructural assets not being anticipated in the Plan figures.
- Special funds and reserves are \$5.6m (30.6%) more than planned due to the Plan being under-estimated and less drawing on depreciation funds for renewal work and more rates surplus funding carried forward than planned.

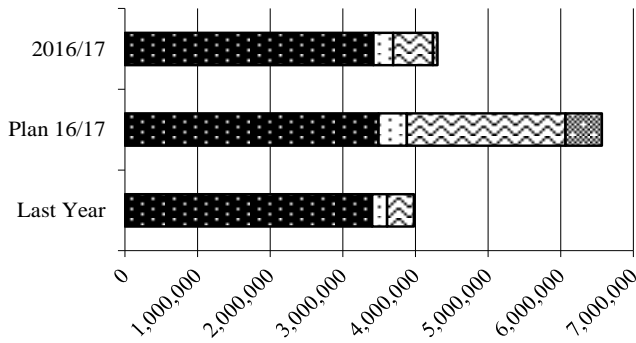
#### Statement of Cashflows

- Cash from operating activities was \$0.52m (4.6%) more than planned due to the factors noted above.
- The early drawdown of \$5m to repay a July'17 debt maturity has increased both proceeds from financial liabilities and acquisition of investments as these funds were held on deposit at 30 June.

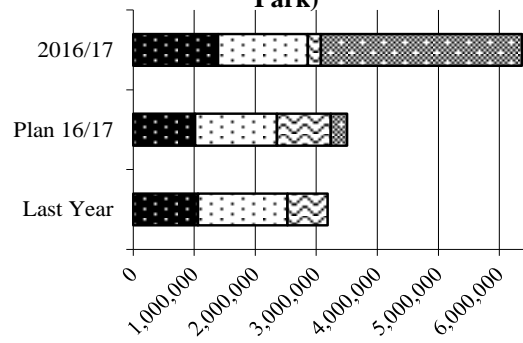
**Funding Comparisons by Activity**

■ Rates      □ Other revenue  
 ▨ Reserves      ▩ Loans

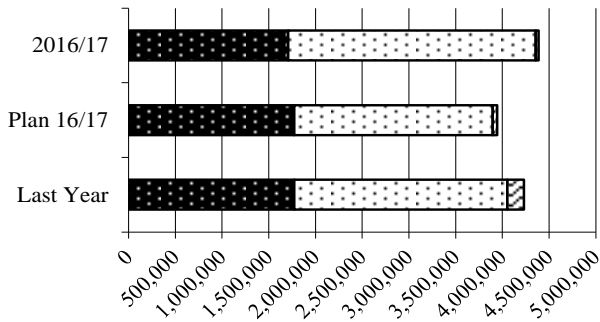
**Parks & Recreation**



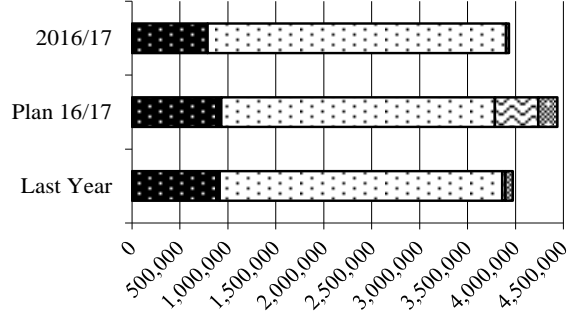
**Property Mgmt (including Mawley Park)**



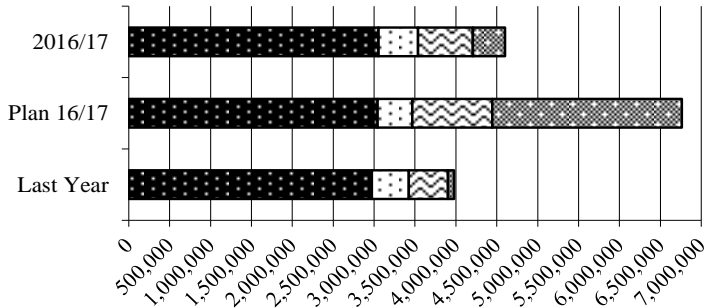
**Regulatory Services**



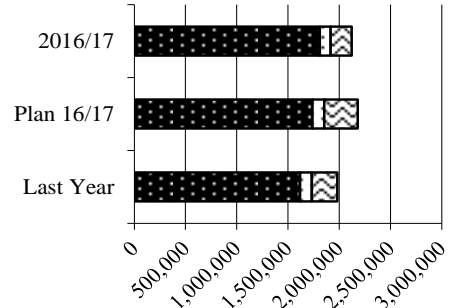
**Solid Waste Services**



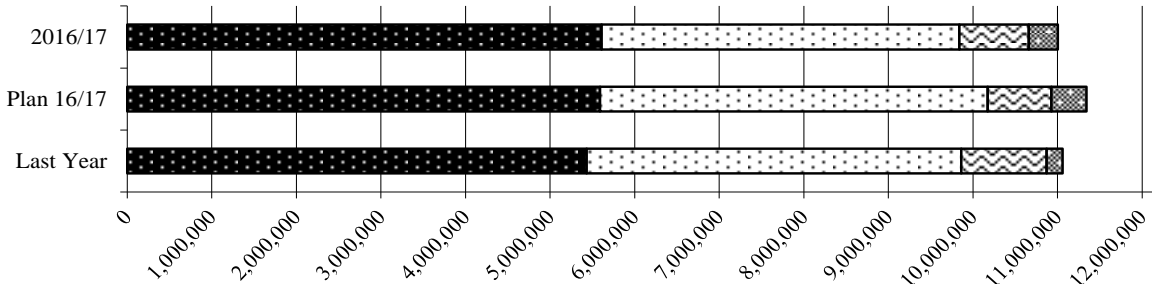
**Water Supplies**



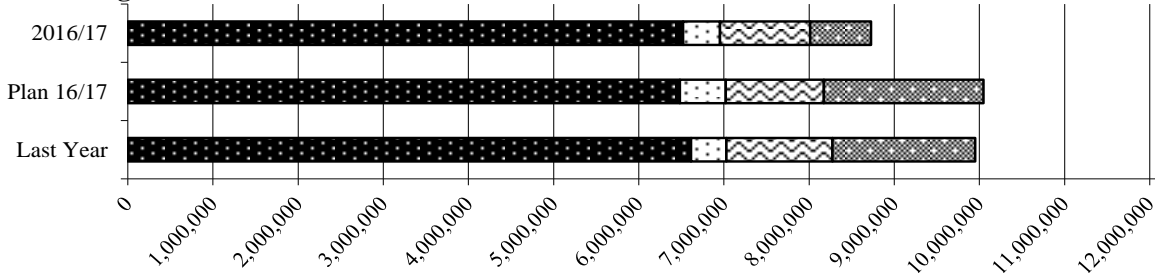
**Library & Archives**



**Roading**



**Sewerage Services**



**STATEMENT OF COMMITMENTS AND CONTINGENCIES**

As at 30 June 2017

**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	2017	2017	2016
	No. Of Contracts	\$	\$
Roading	2	174,023	1,371,703
Water Services	5	227,274	369,677
Sewerage Services	3	163,019	266,278
Solid Waste Services	0	0	54,005
Community Facilities	0	0	22,388
	10	564,316	2,084,052

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

There are 9 significant construction contracts in progress at 30 June 2017 (2016 = 13). These were:

One roading renewal contract was partially complete at year end with Lees Pakaraka Road rehabilitation a work in progress with commitments of \$132,563. This contract is with Higgins Contractors.

The large variance between years is due to contracts not started or completed on footpath reseals, Castlepoint footpaths and the Landsdowne project having high value contract commitments at the 2016 balance date.

Three sewer renewal contracts were committed but not complete. These relate to Cornwall Street sewer main with a commitment of \$50,388 outstanding at balance date (Higgins), Dixon Street sewer main renewal (G & C Diggers), commitment of \$41,192 and Te Ore Ore/Nursery sewer realignment commitment \$71439.

Five water services contracts have commitments, two were partially completed and three have not started.

The partially completed contracts were South-Belt Harley Street water main with \$49,000 committed (Higgins) and Pownall Street water main with \$101,000 commitment remaining (G & C Diggers). The contracts not started relate to three Stormwater Upgrades (all with G & C Diggers):

Jones Place to Kuripuni Stream

Alton Grove to Michael Street

Makora Road to Kuripuni Stream

**Contract Commitments**

There were a number of professional and maintenance contracts commitments in operation at 30 June 2017.

**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 has 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. Six of these leases have non-cancellable terms; the Wairarapa Archive, the Genealogy Centre at 79 Queen Street, the old ANZ Bank at 161 Queen Street, the two floors in the old Public Trust building and the offices above the Hannah's shop. The earthquake risk identified on parts of the main Council building has meant relocating staff to other rented buildings.

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

	2017	2016
Not later than one year	233,956	203,447
Later than one year and not later than five years	70,174	47,437
Later than five years	0	0
Total Non-cancellable operating leases	\$304,130	\$250,883

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

**STATEMENT OF COMMITMENTS AND CONTINGENCIES****As at 30 June 2017****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 16 for grazing (2016, 15), 14 sporting groups (including a mix of ground & building rentals) (2016,15), 23 airport sites (2016, 23) and 16 other properties (2016, 13). 12 of these leases expire in the next 12 months (2016, 14), 31 within five years (2016, 24) and 11 have a term greater than five years (2016, 12). 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:

	2017	2016
Not later than one year	379,730	309,994
Later than one year and not later than five years	592,923	388,035
Later than five years	87,752	100,334
<b>Total Non-cancellable operating leases</b>	<b>\$1,060,405</b>	<b>\$798,363</b>

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

**Contingencies****Town Hall & District Building - Earthquake Prone Impairment**

Comprehensive assessments of the earthquake rating of the Town Hall & District Building were received from a qualified structural engineer during 2016 and as a result of being below code, the older parts of the buildings were closed to the public and most Council staff relocated to alternate premises. A written report which provided remediation and strengthening recommendations has been received and costed. The estimated cost of the work is between four and five times the value of the buildings. At the 30 June 2017 the Council was considering its options which include strengthening, rebuilding on the current site, building on an alternate site or leasing or purchasing an office building. An impairment adjustment to the old buildings' value has been made through the revaluation reserve. The 2017/18 Annual Plan has allowed \$4.5 million (loan funded) to progress building and design options.

**Weather-tight buildings**

The Council is not aware of any residential properties with potential unresolved weather-tightness issues within the District. In relation to non-residential buildings, in April 2013 the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 Councils, including MDC alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code of Compliance Certificates. The Councils have applied for orders setting aside and striking out CHH's claims against them. The MOE's claim against CHH is for 833 school buildings, 2 of which are located with Masterton District. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

**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 2017****Court proceedings**

The Council has been named as second defendant in High Court proceedings brought by Masterton Trust Lands Trust (MTLT). The matter relates to 3 separate buildings where the first defendant, Kevin O'Conner & Associates is alleged to have not designed the buildings to meet earthquake standards. The Council, as second defendant, is alleged to have breached the duty of care in processing building consents, undertaking building inspections and issuing Code of Compliance Certificates. The third defendant is the engineering firm who provided the Council with peer reviews of the engineering designs of the buildings. The Council's insurers (Civic Liability Pool) have appointed lawyers, Heaney & Associates to act for the Council in defence of the claim. Parties have filed and served statements of defence and the legal process is proceeding. As at the 30th June 2017, there is no indication of the likelihood of the Council's defence being successful or otherwise, so no financial provision has been made.

**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****Wairarapa Council Amalgamation**

On 19 July 2017, the Local Government Commission (LGC) released the final proposal on the amalgamation of Carterton District Council, Masterton District Council and South Wairarapa District Council to create the Wairarapa District Council. A valid petition was submitted to the LGC calling for a poll to be held. Postal ballots will be sent out three weeks ahead of the poll which closes at midday on Tuesday 12 December. If 50 percent or more of ballots from across the Wairarapa oppose the proposal, it will not go ahead and there is no further action. If more than 50 percent support the proposal it goes ahead and the process of setting up a new combined Wairarapa District Council will start. The proposed new Wairarapa District Council would come into existence no earlier than 1 November 2018 and until that point in time the existing Councils would continue to be responsible for carrying out the day-to-day operations until their disestablishment. All assets, liabilities and services delivered by the three Councils are assumed to be taken over by the new Council entity. For more information please refer to the Local Government Commission.

The outcome of the amalgamation proposal and the impact on Masterton District Council's long term future will only be known once the poll results are known. Therefore, at the time of adopting this Annual Report, there remains uncertainty about the future of the District Council arising from the amalgamation proposal.

**Office Building**

As stated elsewhere in this report, the Council has recognised the impairment of the Town Hall and District Building due to the low earthquake rating and high projected cost of strengthening. In order for the Council to move forward with consulting our community on the options for the replacement of the Town Hall, the decision was made in September 2017 to purchase an office building (Waiata House). The purchase price of \$4m has been confirmed and settlement is expected to be in early April 2018.

**Rural Fire**

On 1 July 2017 Fire & Emergency New Zealand (FENZ) took over responsibility for the the delivery of all rural fire services in New Zealand. Prior to that time the Masterton District Council was a funder of the Wairarapa Rural Fire District (WRFD) who provided the rural fire response services and ran five volunteer fire parties in our District. The assets of the WRFD have been transferred to FENZ, the Council has retained ownership of four small rural fire stations and, from 1 July 2017, no further funding will be required directly from the Council to fund rural fire services.

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

# Audit & Compliance

# Statement of Compliance and Responsibility

## 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 as 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 as per the regulations for the year ended 30 June 2017, fairly reflect the financial position and operations of Masterton District Council.



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Lyn Patterson  
Mayor



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Pim Borren  
Chief Executive



.....

David Paris  
Manager Finance

Date: 25<sup>th</sup> October 2017

## Independent Auditor's Report

### To the readers of Masterton District Council's annual report for the year ended 30 June 2017

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, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the District Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the District Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 25 October 2017. This is the date on which we give our report.

### Opinion on the audited information

In our opinion:

- the financial statements on pages 100 to 150:
  - ℞ present fairly, in all material respects:
    - the District Council's financial position as at 30 June 2017;
    - 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 in accordance with Public Benefit Entity Standards;
- the funding impact statement on page 87, 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 annual plan;
- the Statements of Service Performance on pages 16 to 79:
  - ℞ presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2017, 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; and
- the statement about capital expenditure for each group of activities on pages 20 to 79, and 89 to 97 presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's annual plan; and
- the funding impact statement for each group of activities on pages 89 to 97, 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.

### **Proposal for an amalgamated Wairarapa District Council**

Without modifying our opinion, we draw attention to note 34 on page 150 which explains the proposal to amalgamate Carterton, Masterton and South Wairarapa District Councils into a single Wairarapa District Council. As the outcome of the amalgamation proposal will not be determined until poll results are known, there is uncertainty about the future of the Masterton District Council arising from the amalgamation proposal.

We consider the disclosures on this matter to be adequate.

### **Report on the disclosure requirements**

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 84 to 86, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information and, where applicable, the District Council's long-term plan and annual plans.

### **Basis for opinion on the audited information**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

### **Responsibilities of the Council for the audited information**

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 enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the District Council or there is no realistic alternative but to do so.

## **Responsibilities of the auditor for the audited information**

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's annual plan and Long-term plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the [description used for the statement of service provision], as a reasonable basis for assessing the levels of service achieved and reported by the District Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the District Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the District Council to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 3 to 14, 82 and 83 and page 152, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have carried out a limited assurance engagement in respect of the District Council's Debenture Trust Deed, which is compatible with those independence requirements. Other than this engagement 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

