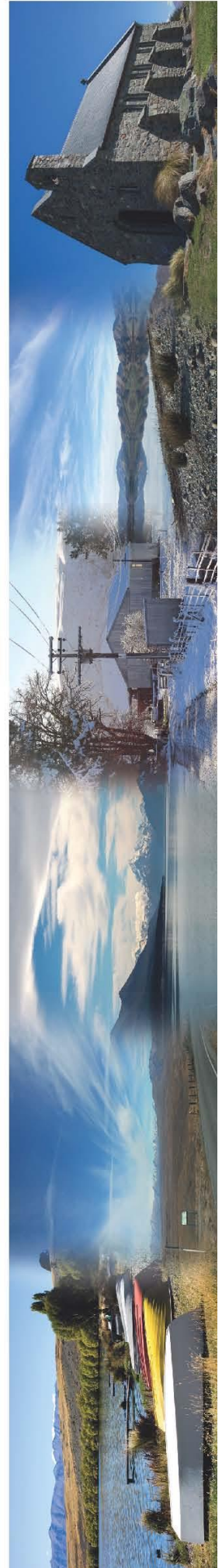


# Mackenzie District Council

ANNUAL REPORT  
2013-2014



## COUNCIL DIRECTORY

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### Location

Head Office

Postal Address: Physical Address:

P O Box 52 Main Street

FAIRLIE 7949 FAIRLIE 7925

Phone: (03) 685 9010

(Office and After Hours)

Free phone: 0800 685 8514

Fax: (03) 685 8533

E-mail: [council@mackenzie.govt.nz](mailto:council@mackenzie.govt.nz)

Website: [www.mackenzie.govt.nz](http://www.mackenzie.govt.nz)

Office Hours: Monday – Friday, 8.30am – 5.00pm

Twizel Service Centre

Market Place

TWIZEL

Phone: (03) 435 0737

After Hours: (03) 435 0636

Fax: (03) 435 0537

Office Hours: Monday – Friday, 8.30am – 5.00pm

### CHIEF EXECUTIVE OFFICER

Wayne Barnett (03) 685 9013

[exec@mackenzie.govt.nz](mailto:exec@mackenzie.govt.nz)

### MANAGERS

#### *Finance & Administration*

Paul Morris (03) 685 9015

[admin@mackenzie.govt.nz](mailto:admin@mackenzie.govt.nz)

#### *Asset Manager*

Bernie Haar (03) 685 9014

[assets@mackenzie.govt.nz](mailto:assets@mackenzie.govt.nz)

#### *Community Facilities*

Garth Nixon (03) 685 9010

[facilities@mackenzie.govt.nz](mailto:facilities@mackenzie.govt.nz)

#### *Planning & Regulations*

Nathan Hole (03) 685 9019

[planning@mackenzie.govt.nz](mailto:planning@mackenzie.govt.nz)

#### *Auditors*

Audit New Zealand on behalf of The Controller and

Auditor-General

CHRISTCHURCH

#### *Solicitors*

Anthony Harper Barristers & Solicitors

Lvl 9 HSBC Tower

62 Worcester Boulevard

CHRISTCHURCH

#### *Bankers*

Westpac

Cnr Stafford and Church Streets

TIMARU

## THE MACKENZIE DISTRICT – 2013-2016 Mayor and Councillors

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**MAYOR**  
**Claire Barlow**

### OPUHA WARD



**Noel Jackson**



**Graham Smith (Deputy Mayor)**



**Evan Williams**

### PUKAKI WARD



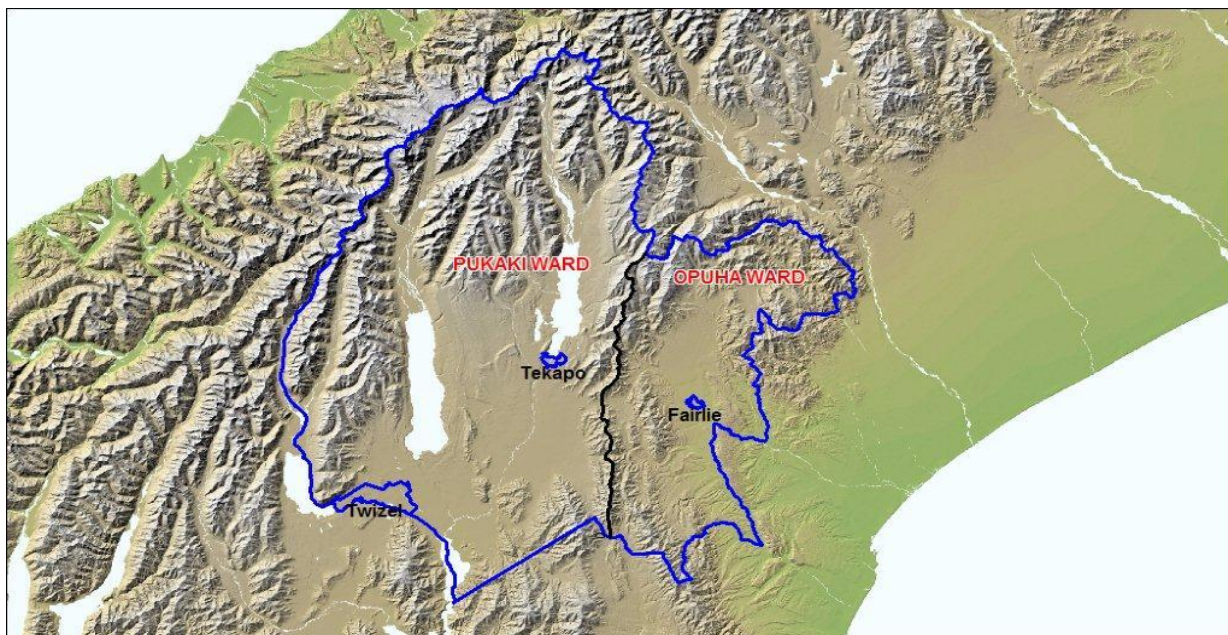
**James Leslie**



**Russell Armstrong**



**Murray Cox**



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## INTRODUCTION BY THE MAYOR AND CHIEF EXECUTIVE

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We are pleased to introduce the Annual Report of the Mackenzie District Council for 2013/2014. Once again it has been a very busy year. The buoyant local economy has driven an increase in demand for services, and our own development projects have also generated a significant workload.

The triennial local body elections were held in October 2013 and this resulted in a significant change around the council table with four new councillors. The process of inducting new members and establishing relationships has been very rewarding. It has created an opportunity for us to take stock of what we do and refresh our wider objectives.

As a result of the election we also said goodbye to four councillors – Graeme Page, Peter Maxwell, Annette Money and John Bishop. We would like to extend our thanks and appreciation to each of you for your service and contribution to the district.

The upgrade of the Twizel Water Supply has been a major focus area for our infrastructure team. The planning and design phase is now well advanced and physical works will begin in the 2014-2015 financial year. The project will provide significant improvements in water quality and a secure water supply for the Twizel community.

Our roading staff have been busy managing a high maintenance and upgrade workload. Storms early in the financial year caused \$600,000 worth of damage to our roads. Once again our contractors performed very well in completing the clearance and repair work. Capital improvement work included sealing approximately 2.2km of Manuka Terrace at Twizel, as well as footpath upgrades at Twizel, Tekapo and Fairlie.

Construction of the new public toilets at Twizel is now nearing completion. This project required some re-design work to ensure that an appropriate building standard could be achieved without excessive cost, and this has caused some delay. However, the project is now well into the construction phase and the final building is a credit to good design. The finished facility will be a significant asset for the whole district.

Another exciting project that started this year is the repair of the Old Library building in Fairlie. The historic building is being strengthened to 100% of current earthquake standards as well as being completely refurbished following a fire in October 2010. The budget for this work is within the insured value, so the costs will not be a burden on the community.

On the economic development front it has been exciting to be a part of a new contract for delivery of support services to local businesses. Our contract with Aoraki Development Business & Tourism (ADBT) began in January. This service enables local businesses to access specialist support. This service meets a well recognised need to assist economic development in the wider business arena. The feedback we have received from businesses using the ADBT service has been extremely positive.

We have continued to focus on improving our communication throughout the year, particularly in relation to high profile or controversial issues. We have held a number of public meetings to allow face-to-face discussions with the community. These have been very helpful in working through some challenging issues and the process has underscored what a great engaged community we have in the Mackenzie district. Some of the projects we have been progressing, particularly in property development, are controversial and we know we will need to keep doing better at engaging the community on these issues.

As we prepare this annual report for 2013/14, we are very aware that the new financial year is sweeping on and we are continuing to build on the progress noted above. It is a very satisfying to reflect on the achievements of this year as an on-going contribution to our community. We would like to extend a very big thank you to staff and elected members for their tireless efforts and contribution throughout 2013/2014. It has been a big year for us all and there have been some fantastic outcomes for our communities.



A handwritten signature in blue ink, appearing to read 'Claire Barlow'.

Claire Barlow  
**Mayor**



A handwritten signature in blue ink, appearing to read 'Wayne Barnett'.

Wayne Barnett  
**Chief Executive Officer**

# STATEMENT OF COMPLIANCE AND RESPONSIBILITY

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## COMPLIANCE

The Council and management of Mackenzie District Council confirm that, in accordance with Schedule 10 Clause 34 of the Local Government Act 2002, all the statutory requirements in relation to the annual report have been complied with.

## RESPONSIBILITY

The Council and management of Mackenzie District Council accept responsibility for the preparation of the annual Financial Statements and the judgments used in them.

The Council and management of Mackenzie 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 financial reporting.

In the opinion of the Council and Management, the annual Financial Statements for the year ended 30 June 2014 fairly reflect the financial position and operations of the Mackenzie District Council.



Claire Barlow  
**Mayor**



Wayne Barnett  
**Chief Executive Officer**

31 October 2014

## Independent Auditor's Report

### To the readers of Mackenzie District Council's annual report for the year ended 30 June 2014

The Auditor-General is the auditor of Mackenzie District Council (the District Council). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand to audit:

- the financial statements of the District Council that comprise:
  - the statement of financial position as at 30 June 2014 on page 64;
  - the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ending 30 June 2014 on pages 62, 63 and 65 respectively;
  - the funding impact statement of the District Council on page 66;
  - the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 20 to 56;
  - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 67 to 116;
  - the statement of service provision (referred to as groups of activities) of the District Council on pages 18 to 54, and the funding impact statements in relation to each group of activities of the District Council on pages 19 to 55; and
  - the disclosures of the District Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 117 to 122.

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

- information about:
  - internal borrowing on page 82;
  - reserve funds on pages 83 to 86;
  - each group of activities carried out by the District Council on pages 17 to 56;
  - remuneration paid to the elected members and certain employees of the District Council on page 106 and 107;
  - employee staffing levels and remuneration on page 107;

- severance payments on page 105;
- rating base units on page 79;
- insurance of assets on page 116;
- a report on the activities undertaken by the District Council to establish and maintain processes to provide opportunities for Maori to contribute to the District Council's decision-making processes on page 59; and
- a statement of compliance signed by the Mayor and Chief Executive of the District Council on page 6.

## **Opinion**

### ***Audited information***

In our opinion:

- the financial statements of the District Council on pages 62 to 65 and pages 67 to 116:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the District Council's financial position as at 30 June 2014; and
    - the results of its operations and cash flows for the year ended on that date.
- the funding impact statement of the District Council on page 66, fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 20 to 56, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's annual plan; and
- the statement of service provision (referred to as Activities) of the District Council on pages 18 to 54:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the District Council's levels of service for the year ended 30 June 2014, including:
    - the levels of service as measured against the intended levels of service adopted in the long-term plan; and
    - the reasons for any significant variances between the actual service and the expected service.
- the funding impact statements in relation to each group of activities of the District Council on pages 19 to 55, fairly reflects by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan.

## ***Compliance with the Other Requirements of schedule 10***

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

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

The basis of our opinion is explained below. In addition, we outline the responsibilities of the District Council and our responsibilities, and we explain our independence.

### **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and Activities of the District Council. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District Council's preparation of the information we audited that fairly reflect the matters to which they relate. We consider internal control in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the District Council;
- the adequacy of all disclosures in the information we audited;
- determining the appropriateness of the reported Activities within the District Council's framework for reporting performance; and
- the overall presentation of the information we audited.

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

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

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

## **Responsibilities of the Council**

The District Council is responsible for preparing:

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

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

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

## **Responsibilities of the Auditor**

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

## Independence

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



Julian Tan  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, New Zealand

# COMMUNITY OUTCOMES

This Annual Report provides a 'point in time' review of Council's progress towards its overall objectives. As such, it is helpful to reflect upon the wider content of this performance as well as the specific measures.

Council has identified six community outcomes that will assist in ensuring that the Mackenzie District remains a thriving area. These can be defined as goals the community, rather than Council, considers essential for the district to thrive. The outcomes and Council's role in achieving them are tabled below:

OUTCOME	COUNCIL ROLE
<b>An attractive and highly valued natural environment</b> The outcome desired by the community is to have the outstanding natural features of the district preserved, enhanced, accessible, and promoted	Regulator through its District Plan. Provider and funder of local reserves. Advocate for environmental issues. Promoter through tourism and economic development support.
<b>A thriving economy</b> The outcome desired by the community is to have a well-balanced economy, providing employment and investment opportunities for all ages, and sustaining a full range of support services	Essentially a support role. Council will provide some limited funding of business advice from 2013/14 through a contractual agreement with Aoraki Business & Development Trust. As a regulatory instrument, the Council's District Plan is seen as enabling, not putting barriers in the way of economic development.
<b>A democracy which upholds the rights of the individual</b> The outcome desired by the community is to have a Council which champions the rights of the individual and represents its community	Advocate on behalf of the District and groups within it.
<b>A fit and healthy community</b> The outcome desired by the community is to have a variety of sporting, recreational, cultural, spiritual, health, welfare and educational resources available to sustain and enrich the lives of its people.	Provider and funder of a range of recreational activities. Supporter of the provision of medical and other social services. Advocate where required.
<b>Safe, effective and sustainable infrastructure</b> The outcome desired by the community is to have safe, effective and sustainable water, waste, communication, energy and transport systems in place when required, through sound long term planning and funding.	The prime provider and funder of roading, water supplies, sewerage, stormwater and solid waste services.
<b>A supportive and contributing community</b> The outcome desired by the community is to foster the unique attributes and strong sense of community that makes the Mackenzie District special, and to encourage people to use their skills and talents for the benefit of the community.	Council plays a supportive role, providing advocacy where needed.

The framework through which Council operates has changed with the amendment of the Local Government Act in December 2012. The purpose of the act no longer includes promotion of economic, social, cultural and environmental well-being. It now directs Council 'to meet the current and future needs of communities for good quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses.'

Council has reviewed all activities that it undertakes to confirm compliance with the amended Act. All new decisions will be taken within the new purpose. Councils view is that the community outcomes fall within the scope of the new purpose and remain legitimate Council objectives. It is expected that Council's role in implementing community goals will be essentially unaltered.

The Mackenzie District has a strong tradition of prudent management and community representation. This has enabled the Council to build a high level of financial security and achieve very close relationships within the community.

Council's must retain this focus going forward but also promote the value proposition implicit within the services offered and decisions taken.

# Groups of Activities

- Overview
- Governance and Corporate Services
- Water Supplies
- Sewerage
- Stormwater
- Roding
- Planning & Regulation
- Community & Township Services
- Commercial Activities

## GROUP OF ACTIVITIES - Overview

---

### **Governance & Corporate Services**

District Council  
Community Boards  
Elections  
Corporate Services  
Plant  
(Pages 17 to 20)

### **Water Supplies**

Fairlie  
Tekapo  
Twizel  
Rural

(Pages 21 to 27)

### **Sewerage**

Fairlie  
Tekapo  
Twizel  
Burkes Pass

(Pages 28 to 31)

### **Stormwater**

Fairlie  
Tekapo  
Twizel

(Pages 32 to 35)

### **Roading**

Fairlie  
Tekapo  
Twizel  
Rural  
Business Unit

(Pages 36 to 41)

### **Planning & Regulation**

Civil Defence  
Animal Control  
Rural Fire Control  
Health & Liquor  
Licencing  
(Pages 42 to 47)

### **Community & Township Services**

Pensioner Housing  
Medical Centres  
Cemeteries  
Public Toilets  
Community Grants  
Parks, Reserves &  
Township Maintenance  
Swimming Pools  
Community Halls  
Libraries  
Solid Waste  
(Pages 48 to 52)

### **Commercial Activities**

Investments  
Forestry  
Rental Properties  
Real Estate  
Tourism  
(Pages 53 to 56)

### **Council Controlled Organisations**

(Pages 57 to 59)

# INTRODUCTION TO GROUP OF ACTIVITIES

We group our many services into activities and groups of activities. This section sets out:

- What each group of activities includes
- How that group of activities contributed to our community outcomes
- How we delivered on what we said we'd deliver
- Commentary about major projects and budget variances

## How to read this section

The Annual Report is best read in conjunction with our 2012-2022 Long Term Plan.

At the start of each Group of Activities section you can find

### Background:

A brief description of what the activity group is and why we provide it and the individual activities that make up this group.

### Community Outcomes to which these Activities Contribute:

Why we are involved in this activity group and how we measured whether we made a contribution to our Council outcomes.

### Statement of Service Provision:

How each of the activities within this activity group performed compared to the Long term Plan.

## GOVERNANCE AND CORPORATE SERVICES

### Background

Governance involves the operation of the District Council and the three Community Boards and the function of elections. Corporate Services provides the administration and accommodation support for all other activities of Council.

### Rationale for Council's Involvement

The governance activity is prescribed by statute. The Council and Community Boards are provided for under the Local Government Act 2002 and the elections function is provided for under the Local Electoral Act 2001.

Corporate services provide managerial and administrative support for all other activities undertaken by the Council. It is generally not practical for a particular activity within Council to solely manage and administer its affairs; therefore, it is appropriate that this work is carried out by the Corporate Services Department.

### Community Outcomes to which these Activities Contribute

Community Outcome	How the Governance Activity Contributes
<i>A democracy which upholds the rights of the individual</i>	It does this by the democratic election and operation of the Council and Community Boards and through Council's advocacy on behalf of the community at regional and national level.
<i>A supportive and contributing community</i>	It does this through its support and encouragement of local voluntary community initiatives and through its regular communication and interaction with the community.

Because the activity of Corporate Services provides support to all the other activities undertaken by Council, by necessity, it indirectly contributes to all six community outcomes:

- An attractive and highly valued natural environment
- A thriving economy
- A democracy which upholds the rights of the individual
- A fit and healthy community
- Safe, effective and sustainable infrastructure.
- A supportive and contributing community.

### Statement of Service Provision;

Levels of Service	Measure of Service	Target	Result for 2013-2014	Result for 2012-2013
Council meets in accordance with predetermined schedule and in compliance with the Local Government (Official Information and Meetings) Act 1987.	Council and its committees generally meet every six weeks.	At least nine meetings of Council held during the year, and 20 meetings of Council committees.	<b>Achieved</b> Council continued to meet on a 6 weekly cycle. In 2013/14 there were 14 meetings of the full Council and 25 meetings of Council Committees. A total of 39 for the year.	<b>Achieved</b> Council continued to meet on a 6 weekly cycle. In 2012/13 there were 13 meetings of the full Council and 23 meetings of Council Committees. A total of 36 for the year.
	Meetings comply with the Local Government (Official Information and Meetings) Act 1987.	No identified breaches of the Local Government (Official Information and Meetings) Act 1987.	<b>Achieved:</b> There were no identified breaches of the Local Government (Official Information and Meetings) Act during the year.	<b>Achieved:</b> There were no identified breaches of the Local Government (Official Information and Meetings) Act during the year.

# INTRODUCTION TO FUNDING IMPACT STATEMENTS

The Funding Impact Statements ("FIS") have been prepared in accordance with the Local Government (Financial Reporting) Regulations 2011, which came into effect 11 July 2011. This is a reporting requirement unique to Local Government and the disclosures contained within and the presentation of these statements is not prepared in accordance with generally accepted accounting practices ("GAAP"). This is the first year that Council has included the Funding Impact Statement in the Annual Report.

The purpose of these statements is to report the net cost of services for significant groups of activities ("GOA") of the Council, and are represented by the revenue that can be attributed to these activities less the costs of providing the service. They contain all the funding sources for these activities and all the applications of this funding by these activities. The GOA FIS include internal transactions between activities such as internal overheads and charges applied and or recovered and internal borrowings. These GOA FIS are contained in the "Group of Activities" section of this report.

The FIS is also prepared at the whole of Council level summarising the transactions contained within the GOA FIS, eliminating internal transactions, and adding in other transactions not reporting in the GOA statements.

These statements are based on cash transactions prepared on an accrual basis and as such do not include non-cash accounting transactions that are included with the Statement of Comprehensive Income as required under GAAP. These items include but are not limited to Council's depreciation, gain and/or losses on revaluation and vested assets.

They also depart from GAAP as funding sources are disclosed within the FIS as being either for operational or capital purposes. Income such as subsidies received for capital projects, financial contributions and proceeds from the sale of assets are recorded as capital funding sources. Under GAAP these are treated as income in the Statement of Comprehensive Income.

<b>Funding Impact Statement</b>			
<b>Governance and Corporate Services Activity Group</b>			
<b>For the year ended 30 June 2014</b>			
<b>Notes</b>	<b>2013</b>	<b>2014</b>	
	<b>Long Term Plan</b>	<b>Long Term Plan</b>	<b>Actual</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, uniform annual general charges, rates penalties	1,923	1,929	2,222
Targeted rates	29	30	30
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	107	111	102
Local authorities fuel tax, fines, infringement fees, and other receipts	102	136	141
<b>TOTAL OPERATING FUNDING (A)</b>	<b>2,161</b>	<b>2,206</b>	<b>2,495</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	2,028	2,050	2,351
Finance costs	0	0	0
Internal charges and overheads applied	56	66	63
Other operating funding applications	0	0	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>2,084</b>	<b>2,116</b>	<b>2,414</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>77</b>	<b>90</b>	<b>81</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
<b>TOTAL SOURCES OF CAPITAL FUNDING (C)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure			
- To meet additional demand	0	0	
- To improve the level of service	19	0	18
- To replace existing assets	218	141	173
Increase (decrease) in reserves	(160)	(51)	(110)
Increase (decrease) of investments	0	0	0
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>77</b>	<b>90</b>	<b>81</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(77)</b>	<b>(90)</b>	<b>(81)</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>
Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of development contributions is restricted for this specific purpose only. They can not be used to fund operating expenditure.			

# GOVERNANCE AND CORPORATE SERVICES

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## Background

Governance involves the operation of the District Council and the three Community Boards and the function of elections. Corporate Services provides the administration and accommodation support for all other activities of Council.

## Rationale for Council's Involvement

The governance activity is prescribed by statute. The Council and Community Boards are provided for under the Local Government Act 2002 and the elections function is provided for under the Local Electoral Act 2001.

Corporate services provide managerial and administrative support for all other activities undertaken by the Council. It is generally not practical for a particular activity within Council to solely manage and administer its affairs; therefore, it is appropriate that this work is carried out by the Corporate Services Department.

## Community Outcomes to which these Activities Contribute

Community Outcome	How the Governance Activity Contributes
<b><i>A democracy which upholds the rights of the individual</i></b>	It does this by the democratic election and operation of the Council and Community Boards and through Council's advocacy on behalf of the community at regional and national level.
<b><i>A supportive and contributing community</i></b>	It does this through its support and encouragement of local voluntary community initiatives and through its regular communication and interaction with the community.

Because the activity of Corporate Services provides support to all the other activities undertaken by Council, by necessity, it indirectly contributes to all six community outcomes:

- An attractive and highly valued natural environment
- A thriving economy
- A democracy which upholds the rights of the individual
- A fit and healthy community
- Safe, effective and sustainable infrastructure
- A supportive and contributing community.

## Statement of Service Provision;

Levels of Service	Measure of Service	Target	Result for 2013-2014	Result for 2012-2013
<b>Council meets in accordance with predetermined schedule and in compliance with the Local Government (Official Information and Meetings) Act 1987.</b>	<p>Council and its committees generally meet every six weeks.</p> <p>Meetings comply with the Local Government (Official Information and Meetings) Act 1987.</p>	<p>At least nine meetings of Council held during the year, and 20 meetings of Council committees.</p> <p>No identified breaches of the Local Government (Official Information and Meetings) Act 1987.</p>	<p><b>Achieved</b></p> <p>Council continued to meet on a 6 weekly cycle. In 2013/14 there were 14 meetings of the full Council and 25 meetings of Council Committees. A total of 39 for the year.</p> <p><b>Achieved:</b></p> <p>There were no identified breaches of the Local Government (Official Information and Meetings) Act during the year.</p>	<p><b>Achieved</b></p> <p>Council continued to meet on a 6 weekly cycle. In 2012/13 there were 13 meetings of the full Council and 23 meetings of Council Committees. A total of 36 for the year.</p> <p><b>Achieved:</b></p> <p>There were no identified breaches of the Local Government (Official Information and Meetings) Act during the year.</p>
<b>Effective consultation held on Long Term Plan, Annual Plan and other significant issues.</b>	A summary of the Long Term Plan, Annual Plan and Annual Report is sent to all ratepayers within statutory time frames.	There are no breaches of statutory time frames for distribution of summary documents or consultation.	<p><b>Achieved</b></p> <p>Council undertook a consultative process for its Annual Plan which was adopted on 10 June 2014. Council also made publicly available its Summary Annual Report within the statutory timeframe.</p>	<p><b>Achieved</b></p> <p>Council undertook a consultative process for its Annual Plan which was adopted on 13 June 2013. Council also made publicly available its Summary Annual Report within the statutory timeframe.</p>
<b>The three community boards complement the role of the Council by providing local input and advocacy into Council decision making.</b>	Community boards meet regularly and provide recommendations on local issues to Council.	Each community board meets eight times during the year. Recommendations including budget submissions are forwarded to Council for approval.	<p><b>Achieved</b></p> <p>The Community Boards met 27 times during the year as follows: Fairlie 9 Tekapo 9 Twizel 9</p> <p><b>Achieved</b></p> <p>All recommendations including budget submissions were forwarded to Council for approval.</p>	<p><b>Achieved</b></p> <p>The Community Boards met 24 times during the year as follows: Fairlie 9 Tekapo 8 Twizel 7</p> <p><b>Achieved</b></p> <p>All recommendations including budget submissions were forwarded to Council for approval.</p>

### Identified Effects on the Community

The Council believes that the Governance activity affects the social, economic, environmental and cultural well-being of the community; Effective Council policy decisions and direction will both enhance the community and make the Mackenzie a more desirable place to live.

### Capital Expenditure

Under the Council's internal liability management policy, all capital expenditure is funded from the relevant capital reserve.

## Funding Impact Statement

### Governance and Corporate Services Activity Group

For the year ended 30 June 2014

Notes	2013	2014	
	Long Term Plan	Long Term Plan	Actual
	\$000's	\$000's	\$000's
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, uniform annual general charges, rates penalties	1,923	1,929	2,222
Targeted rates	29	30	30
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	107	111	102
Local authorities fuel tax, fines, infringement fees, and other receipts	102	136	141
<b>TOTAL OPERATING FUNDING (A)</b>	<b>2,161</b>	<b>2,206</b>	<b>2,495</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	2,028	2,050	2,351
Finance costs	0	0	0
Internal charges and overheads applied	56	66	63
Other operating funding applications	0	0	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>2,084</b>	<b>2,116</b>	<b>2,414</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>77</b>	<b>90</b>	<b>81</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
<b>TOTAL SOURCES OF CAPITAL FUNDING ( C )</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure			
- To meet additional demand	0	0	
- To improve the level of service	0	0	18
- To replace existing assets	237	141	173
Increase (decrease) in reserves	(160)	(51)	(110)
Increase (decrease) of investments	0	0	0
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>77</b>	<b>90</b>	<b>81</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(77)</b>	<b>(90)</b>	<b>(81)</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of development contributions is restricted for this specific purpose only. They can not be used to fund operating expenditure.

## CAPITAL EXPENDITURE

### Governance and Corporate Services Activity Group

For the year ended 30 June 2014

Projects	Notes	2013	2014	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
IMPROVE LEVEL OF SERVICE				
Corporate Services				
Information Technology				
Software		0	18	18
Web site development		4	4	0
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		4	22	18
REPLACE EXISTING ASSETS				
Corporate Services				
Administration				
Computers		3	0	0
Plant & equipment		1	3	2
Information Technology				
Information Management System		0	0	0
PC Server		36	36	51
Printers, copiers & scanners		4	0	0
Network infrastructure		0	3	5
Software		18	0	0
GIS aerials		0	0	29
Communications equipment		0	37	37
Plant & equipment		2	3	2
Plant & Equipment				
Plant & equipment		0	0	0
Motor vehicles		98	32	0
Fairlie Building				
Plant & equipment		1	0	0
Building - other		0	21	17
Furniture & Fittings - admin		16	25	20
Twizel Building				
Building - other		0	0	5
Furniture & Fittings - other		0	0	5
Plant & equipment		5	0	0
Carpets		9	0	0
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		193	160	173
TOTAL CAPITAL EXPENDITURE		197	182	191

#### Reasons for Undertaking Capital Expenditure Projects

The Council's reasons for undertaking the significant capital expenditure were as follows:

- Purchase of computer and information technology equipment was budgeted as part of a replacement policy.
- Purchase of motor vehicles was budgeted as part of a replacement policy.

#### Results for 2013/14 year

Total capital for the year was budgeted at \$182,000. Actual expenditure was \$191,000 which produced a \$9,000 unfavourable variance.

The key variances from budget were:

1. Council approved spending \$29,000 for GIS Aerials as part of a Canterbury consortium. This was unbudgeted.

# WATER SUPPLIES

## Background

In the Mackenzie District, there are presently five public piped water supplies which are managed by the District Council. They are the urban schemes at Fairlie, Lake Tekapo, Twizel and Burkes Pass and Allandale rural scheme.

Management of the Albury Water Supply is undertaken by the Albury Water Supply Committee under a formal agreement with the Mackenzie District Council. Management of a small piped stock water scheme, Kimbell Rural, for which Council holds resource consent to take water, is carried out by the consumers.

The Downlands water supply scheme is managed by the Timaru District Council; the Mackenzie District Council provides a collection agency for the Mackenzie section of the water scheme. The monies collected and then paid to the Timaru District Council are included in the results provided on the following pages.

There are three public stock water race systems in the District. They are Ashwick/Opuha, School Rd and Puneroa/Eversley stock race systems.

Many homes in the rural areas obtain their water from small private community schemes, individual private bores and surface water takes.

## Rationale for the Council's Involvement

Territorial authorities have numerous responsibilities relating to the supply of water. One such responsibility is the duty under the Health Act 1956 to improve, promote, and protect public health within their districts. This implies that, in the case of the provision of potable water, councils have the obligation to identify where such a service is required, and to either provide it directly themselves, or to maintain an overview of the supply if it is provided by others.

## Community Outcomes to which the Activity Contributes

Community Outcome	How the Water Supply Activity Contributes
<b><i>Safe, effective and sustainable infrastructure</i></b>	By ensuring that public water supplies provide wholesome drinking water and that private supplies are monitored and that adequate supply is provided in "on demand" schemes for fire fighting.
<b><i>A thriving economy</i></b>	By ensuring that adequate public supplies are provided for household and industrial use at an affordable cost.
<b><i>An attractive and highly valued natural environment</i></b>	By endeavouring to provide adequate public supplies to allow for irrigation of gardens and green areas in schemes where a treatment system that will meet the drinking water standards for New Zealand can economically treat the volume of water required.

Statement of Service Provision;

Levels of Service	Measure of Service	Target	Result for 2013-2014	Result for 2012-2013
Water supplies are available and reliable	Time for reinstatement of service for on-demand supplies from notification to contractor:			
	During working hours - 6 hours.	90%	<b>Achieved</b> 100% of on-demand supplies were reinstated within 6 hours.	<b>Achieved</b> 95% of on-demand supplies were reinstated within 6 hours.
	Outside working hours – 9 hours.	90%	<b>Achieved</b> There were no shut downs out of work hours.	<b>Achieved</b> There were no shut downs out of work hours.
	For restricted supplies: - 24 hours.	90%	<b>Achieved</b> 100% of restricted supplies were reinstated within 24 hours.	<b>Achieved</b> 100% of restricted supplies were reinstated within 24 hours.
Water is safe to drink	No detectible E Coli in water leaving water treatment plants or in the distribution network as identified during scheduled monitoring.	100%	<b>Not Achieved</b> 6 transgressions. 2 in the Twizel Supply, 2 in Burkes Pass Supply, 1 in Fairlie Supply and 1 in Kimbell.	<b>Not Achieved</b> 7 transgressions. 2 in the Allandale supply, 2 in the Twizel Supply and 3 in the Burkes Pass Supply.
	Response to any E Coli identified in drinking water leaving the treatment plant (transgression): Take remedial action.	100%	<b>Achieved</b> Re-tests were carried out for each of these transgressions.	<b>Achieved</b> Of the 7 transgressions, all 7 had remedial action but only 6 had follow up testing to confirm water was safe.
	Issue “Boil Water” notice if transgression is likely to exceed 24 hours to rectify.	100%	<b>Achieved</b> 1 “Boil Water” Notices was issued in response to transgressions which were likely to exceed 24 hours.	<b>Achieved</b> 2 “Boil Water” Notices were issued in response to transgressions which were likely to exceed 24 hours. In addition 1 preventative notice was issued.

Water quality is maintained or improved	Time to respond to water demands including low pressure and flow from notification to contractor:			
	During working hours-6 hours	100%	<b>Achieved</b> There were no notifications of low pressure or flow.	<b>Achieved</b> There were no notifications of low pressure or flow.
	Outside working hours-9 hours	100%	<b>Achieved</b> There were no notifications of low pressure or flow.	<b>Achieved</b> There were no notifications of low pressure or flow.
	% of ratepayers satisfied with the water supply service.	80%	<b>Not Achieved</b> 70 % were satisfied.	<b>Not Achieved</b> 72% were satisfied.
	Upgrading the treatment of the following water supplies to comply with the health requirements of the Drinking Water Standards for New Zealand 2008 in accordance with the Health (Drinking Water) Amendment Act 2007 to provide for growth and ensure continuity of supply			
	Target Upgrade Tekapo water supply by June 2013	Upgrade complete.	<b>Achieved</b> Completed	<b>Achieved</b> UV plant installed
	Target Upgrade Twizel water supply by June 2016	Upgrade complete.	Information gathering stage.	Progressing
	Target Upgrade Fairlie water supply by 1 June 2017	Upgrade complete.	Information gathering stage.	Progressing

**Notes:**

1. The time for reinstatement of service is defined as the length there is a break in service. To be less than 6 hours during working hours and less than 9 hours outside working hours.
2. Water Quality is maintained and improved is defined as customer requests for service due to low pressure and or flow.
3. The Albury supply is managed separately by the committee and is not subject to these performance measures.
4. The performance measures identified in this plan are different from those in previous plans following a review of all levels of service and performance measures. In general, Council found that the secondary performance measures noted in previous plans more accurately reflected consumer values and as a consequence have been elevated to the primary measure. The increased level of service to raise the water grading for the various water supplies is a response of this Council's desire to move towards compliance with the Health (Drinking Water) Amendment Act 2007.

#### Frequency of testing for E.coli

Supply	Source	Reticulation
Fairlie	2 x month	1 x week
Kimbell		1 x month
Allandale	1 x month	1 x month
Burkes Pass	1 x month	1 x month
Tekapo	1 x week	1 x week
Twizel	2 x month	1 x week
Albury	Measured by Albury Committee	Measured by Albury Committee

#### Identified Effects on the Community

The absence of E.coli in disinfected supplies assists with the environmental wellbeing of the community.



Photo: The original installation of the Twizel Water Supply wells.

**Funding Impact Statement**  
**Water Supplies Activity Group**  
**For the year ended 30 June 2014**

		2013	2014	
	Notes	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
<b>SOURCES OF OPERATING FUNDING</b>				
General rates, uniform annual general charges, rates penalties		0	0	0
Targeted rates		778	923	747
Subsidies and grants for operating purposes		0	0	0
Fees and charges		0	0	144
Internal charges and overheads recovered		12	48	56
Local authorities fuel tax, fines, infringement fees, and other receipts		81	84	126
<b>TOTAL OPERATING FUNDING (A)</b>		<b>871</b>	<b>1,055</b>	<b>1,073</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>				
Payments to staff and suppliers		430	463	508
Finance costs		0	105	0
Internal charges and overheads applied		66	123	71
Other operating funding applications		0	0	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>		<b>496</b>	<b>691</b>	<b>579</b>
<b>Surplus (deficit) of operating funding (A-B)</b>		<b>375</b>	<b>364</b>	<b>494</b>
<b>SOURCES OF CAPITAL FUNDING</b>				
Subsidies and grants for capital expenditure		0	0	0
Development and financial contributions		0	0	135
Increase (decrease) in debt		0	3,488	0
Gross proceeds from sale of assets		0	0	0
Lump sum contributions		0	0	0
Other dedicated capital funding		0	0	0
<b>TOTAL SOURCES OF CAPITAL FUNDING ( C )</b>		<b>0</b>	<b>3,488</b>	<b>135</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>				
Capital expenditure				
- To meet additional demand		0	727	0
- To improve the level of service		0	1,731	167
- To replace existing assets		1,455	349	211
Increase (decrease) in reserves		(1,078)	1,045	251
Increase (decrease) of investments		0	0	0
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>		<b>375</b>	<b>3,852</b>	<b>629</b>
<b>Surplus (deficit) of capital funding (C-D)</b>		<b>(375)</b>	<b>(364)</b>	<b>(494)</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>		<b>0</b>	<b>0</b>	<b>0</b>

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of development contributions is restricted for this specific purpose only. They can not be used to fund operating expenditure.

## CAPITAL EXPENDITURE

### Water Supplies Activity Group

For the year ended 30 June 2014

Projects	Notes	2013	2014	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
<b>Tekapo Water</b>				
Vested assets		0	68	0
<b>Twizel Water</b>				
Vested assets		0	50	0
Head Works - renewal		16	233	0
Fire hydrant markers		0	5	0
Resource consent costs & land use		0	10	0
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		16	366	0
IMPROVE LEVEL OF SERVICE				
<b>Fairlie Water</b>				
Treatment/Storage - new		11	70	26
<b>Twizel Water</b>				
Town Reticulation - renewal		0	10	6
Head Works - renewal		47	698	58
Treatment - new		0	935	77
Resource consent costs & land use		1	31	0
<b>Allandale Water</b>				
Reticulation extension		0	0	0
Treatment		1	2	0
<b>Burkes Pass Water</b>				
Upgrade treatment		0	5	0
<b>Manuka Terrace Water</b>				
Headworks		0	104	0
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		60	1,855	167
REPLACE EXISTING ASSETS				
<b>Fairlie Water</b>				
Town Reticulation - renewal		250	135	141
Kimbell lines		0	0	0
Service connections		0	32	1
Plant		2	5	4
Resource Consents		13	0	0
Water meters		0	2	0
<b>Tekapo Water</b>				
Service connections		0	1	0
Treatment - new		0	0	19
Plant		2	0	0
Public health risk mgmt plan		0	0	0
Water meters		0	2	1
<b>Twizel Water</b>				
Plant		13	40	0
Service Connections - renewal		61	0	42
Town Reticulation - new & new trunk mains		1	0	0
Fire hydrant markers		0	5	3
Investigation - new water supply		0	0	0
Water conservation strategy		0	0	0
Water meters		3	2	0
<b>Eversley/Puneroa</b>				
Resource consents		0	10	0
<b>Manuka Terrace Water</b>				
Resource consent & land use		0	0	0
Communtiy Assets - water supply		0	0	0
<b>Ashwick\Opuha Water Supply</b>				
Headworks		0	0	0
<b>School Road Water Race</b>				
Resource consents		0	0	0
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		345	234	211
TOTAL CAPITAL EXPENDITURE		421	2,456	378

Under the Council's internal liability management policy, all capital expenditure is funded from the relevant capital reserve.

#### **Reasons for Undertaking Capital Expenditure Projects**

The Council's reasons for undertaking the significant capital expenditure were as follows:

- Sections of the Fairlie reticulation are renewed each year until the failing pipes which were installed in the early 1940's are all replaced.
- All other reticulation in the townships were assessed to ensure continuity of service to the connected properties.
- Amounts were budgeted for investigation in Twizel to determine whether there was a new source available to service Twizel and also to investigate reticulating Manuka Terrace.
- Assets vested in Council are the result of development.

#### **Results for 2013/14 year**

Total capital for the year was budgeted at \$2,456,000. Actual expenditure was \$378,000 which produced a \$2,078,000 positive variance.

The key variances from budget were:

1. Work on the Twizel water supply headworks and treatment commenced at the end of the financial year. The budgeted cost of \$1,633,000 have been put into the new financial year.
2. Council expected \$366,000 of vested assets during the financial year in question. None were received, creating a \$366,000 unfavourable variance. Vested assets are reliant on developers to complete subdivisions and is therefore somewhat out of Council control.
3. Budgeted spend of \$104,000 on the Manuka Terrace water scheme did not eventuate. Council is yet to make a decision on whether this project can go ahead in its proposed form given the engineering issues faced.

# SEWERAGE

## Background

In the Mackenzie District, there are presently four public sewerage schemes: Fairlie, Tekapo, Twizel and Burkes Pass. There are 2,050 properties connected to these four schemes. The other properties in the District dispose of their wastewater by other means – mostly via their own septic tank systems.

This section summarises the Council's long-term strategic and management approach for the provision and maintenance of wastewater services to properties throughout the District, (excluding those that service single premises that have their own septic tanks) - whether they be provided by public or private means.

## Rationale for Council's Involvement

Territorial authorities have numerous responsibilities relating to sewerage services. One such responsibility is the duty under the Health Act 1956 to improve, promote and protect public health within their districts. This implies that; in the case of the provision of sewerage services, councils have the obligation to identify where such a service is required, and to either provide it directly themselves or to maintain an overview of the supply if it is provided by others.

## Community Outcomes to which the Activity Contributes

Community Outcome	How the Wastewater Activity Contributes
<i>Safe, effective and sustainable infrastructure.</i>	By ensuring that adequate public disposal systems are provided and maintained and that private disposal systems are properly installed, Council provides an essential component of the District's infrastructure.
<i>A fit and healthy community.</i>	Every household requires a good wastewater disposal system to avoid exposure to water-borne health risks.
<i>A thriving economy.</i>	By ensuring that adequate public disposal systems are provided and maintained.

## Principal Objectives

- To provide for the collection and disposal of wastewater so as to meet the needs of the community;
- To comply with Canterbury Regional Council resource consent requirements at wastewater treatment plants;
- To anticipate the time when it may be necessary to extend, upgrade or renew the various existing public wastewater schemes and to plan accordingly;
- To anticipate the time when it may be necessary to provide public wastewater schemes in communities at present not serviced and to plan accordingly (unlikely in the next 10 years);
- To ensure the maintenance of the public infrastructure assets in perpetuity, so that there is no diminution in value and to forecast the estimated future cost of so doing; and
- To put in place a sound management regime for all matters relating to the disposal of effluent.

## Statement of Service Provision;

The performance measures identified in this plan are different from those in previous plans following a review of all levels of service and performance measures. In general, Council found that the secondary performance measures noted in previous plans more accurately reflected consumer values and as a consequence have been elevated to the primary measure.

Levels of Service	Measure of Service	Target	Result for 2013-2014	Result for 2012-2013
<b>Sewage is managed without risk to public health.</b>	Number of sewage overflows from pump stations.	Nil	Nil	<b>Achieved</b> There were no sewage overflows from pump stations.
	Number of annual blockages per 10km of sewer.	Less than six	<b>Achieved</b> There were 1.3 blockages per 10 kms	<b>Achieved</b> There were 0.07 blockages per 10kms.
	% of ratepayers satisfied with the sewage treatment and disposal service.	85%	<b>Achieved</b> 96% were satisfied.	<b>Achieved</b> 97% were satisfied.
<b>Sewage is able to be disposed of without significant disruption.</b>	% of temporary or permanent repairs completed within 6 hours (during working hours) or 12 hours (outside working hours).	100%	<b>Achieved</b> 100% of repairs were completed within 6 hours.	<b>Achieved</b> 100% of repairs were completed within 6 hours.
	Normal disruption should not exceed 8 hours. Apart from earthquake or flood, no single disruption should exceed 24 hours.	100%	<b>Achieved</b> 100% no disruption exceeded 8 hours. CSR's received 6, 6 completed & 6 completed in time.	<b>Achieved</b> 100% no disruption exceeded 8 hours.
<b>Safe discharge of wastewater</b>	% of notices of non-compliance, issued by Environment Canterbury, for Council's discharge consents actioned within 20 working days.	100%	<b>Not Achieved</b> Only 78% of notices were actioned. Had non-compliance with DO reading at Tekapo and Fairlie Ponds. Not collecting flow data at Fairlie. In correct samples collect or not collected and results sent to ECAN.	<b>Not Achieved</b> Only 86% of notices issued were actioned. Condition 17 of the consent to discharge treated effluent at Lake Tekapo required a soil sample to be taken and analysed during the year. That sample was not taken and it has taken more than the 20 working days since notification to acquire the containers and train the staff to get that sample.

# Funding Impact Statement

## Sewerage Activity Group

For the year ended 30 June 2014

Notes	2013	2014	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	380	402	426
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	22	43	32
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	6
<b>TOTAL OPERATING FUNDING (A)</b>	<b>402</b>	<b>445</b>	<b>464</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	160	194	150
Finance costs	0	0	0
Internal charges and overheads applied	16	17	12
Other operating funding applications	0	0	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>176</b>	<b>211</b>	<b>162</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>226</b>	<b>234</b>	<b>302</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	160
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
<b>TOTAL SOURCES OF CAPITAL FUNDING ( C )</b>	<b>0</b>	<b>0</b>	<b>160</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	33
- To replace existing assets	51	0	0
Increase (decrease) in reserves	175	234	429
Increase (decrease) of investments	0	0	0
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>226</b>	<b>234</b>	<b>462</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(226)</b>	<b>(234)</b>	<b>(302)</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of development contributions is restricted for this specific purpose only. They can not be used to fund operating expenditure.

## CAPITAL EXPENDITURE

### Sewerage Activity Group

For the year ended 30 June 2014

Projects	Notes	2013	2014	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
<i>Tekapo Sewer</i>				
Vested assets		0	106	0
<i>Twizel Sewer</i>				
Vested assets		53	77	0
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		53	183	0
IMPROVE LEVEL OF SERVICE				
<i>Twizel Sewer</i>				
Sewer Treatment - new		0	50	33
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		0	50	33
REPLACE EXISTING ASSETS				
<i>Fairlie Sewer</i>				
Sewerlines		0	0	0
<i>Twizel Sewer</i>				
Sewer Reticulation - new		25	0	0
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		25	0	0
TOTAL CAPITAL EXPENDITURE		78	233	33

Under the Council's internal liability management policy, all capital expenditure is funded from the relevant capital reserve.

#### Reasons for Undertaking Capital Expenditure Projects

The Council's reasons for undertaking the significant capital expenditure were as follows:

- Work was planned to ensure that the effective disposal of sewage could be maintained in the reticulated areas.
- Assets vested in Council are the result of development.

#### Results for the 2013/2014 year

Total capital expenditure for the year was \$33,000; \$200,000 less than the budget of \$233,000.

The key variances from budget were:

1. There were no sewer assets vested during the year while \$183,000 were budgeted. Assets vested in Council depend on level of developer activity and are difficult to budget.
2. Twizel treatment and disposal upgrade was \$33,000. The budget was \$50,000. The work has been started in the year and the balance of this initial part of the project will be undertaken in the 2014/15 year.

# STORMWATER

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## Background

Tekapo and Twizel have stormwater systems designed for their towns. Twizel in particular is founded on permeable soils that allow good soakage from individual properties. In Fairlie the original stormwater system was open drainage channels. Over the years many of these have been piped and covered over. In a number of cases these pipes are shallow and undersized which contributes to the relatively low level of protection.

## Rationale for the Council's Involvement

Territorial authorities have numerous responsibilities relating to stormwater disposal and land drainage. One such responsibility under the Resource Management Act 1991 requires Council to plan for the avoidance and mitigation of natural hazards. The regular clearance and maintenance of drainage ditches and waterways and the provision of stormwater pipes help prevent flooding.

The Mackenzie District Council maintains stormwater systems relative to the size of the urban area served.

Community Outcomes to which the Activity Contributes

Community Outcome	How the Stormwater Activity Contributes
<b><i>Safe, effective and sustainable infrastructure.</i></b>	By controlling and disposing of stormwater runoff. Ensuring pipework and open channels are maintained to effectively remove stormwater from the residential areas of the District.
<b><i>An attractive and highly valued natural environment</i></b>	By controlling and disposing of stormwater. Run-off is channelled through land drainage systems and stormwater pipes.

## Principal Objectives

To provide satisfactory stormwater services for the urban areas of the District. Council has a policy to reduce the volume and intensity of stormwater flowing from individual properties into the Council's system. As such, all new buildings on suitable free draining land are required to dispose of their own stormwater to land on that site.

To ensure the maintenance of the public infrastructure assets so that there is no reduction in value or service.

## Statement of Service Provision;

Levels of Service	Measure of Service	Target	Result for 2013-2014	Result for 2012-2013
<b>Council provides a reliable stormwater system which prevents houses from flooding.</b>	Number of reported house flooding incidents in a 1 in 5 year event.	Nil	<b>Achieved</b>	<b>Achieved</b> There were no reports of flood waters entering houses.
<b>Council will respond promptly to reports of flooding and customer requests</b>	<p>% of localised flooding events responded to within 1 hour of notification.</p> <p>% of blockages causing minor disruption responded to within 6 hours of notification during working hours or 12 hours outside working hours.</p>	<p>100%</p> <p>100%</p>	<p><b>Achieved</b> 100% of events were responded to within 1 hour.</p> <p><b>Achieved</b> There were a couple of significant rain events in 2013/14 and the contractor had staff patrolling the district immediately the extent became known to address any issues.</p> <p>Customer Service Requests: Received 2 Completed 2 Completed in time 2.</p>	<p><b>Achieved</b> 100% of events were responded to within 1 hour.</p> <p><b>Achieved</b> There were a couple of significant rain events in 2012/13 and the contractor had staff patrolling the district immediately the extent became known to address any issues.</p>

Note: This service provision relates to the stormwater network that is independent of the road drainage system

### Identified Effects on the Community

No specific effects identified.

**Funding Impact Statement**  
**Stormwater Activity Group**  
**For the year ended 30 June 2014**

Notes	2013	2014	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	79	84	72
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	9	17	9
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0
<b>TOTAL OPERATING FUNDING (A)</b>	<b>88</b>	<b>101</b>	<b>81</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	29	43	27
Finance costs	0	0	0
Internal charges and overheads applied	0	0	0
Other operating funding applications	0	0	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>29</b>	<b>43</b>	<b>27</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>59</b>	<b>58</b>	<b>54</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	4
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
<b>TOTAL SOURCES OF CAPITAL FUNDING ( C )</b>	<b>0</b>	<b>0</b>	<b>4</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	0
- To replace existing assets	0	0	0
Increase (decrease) in reserves	59	58	58
Increase (decrease) of investments	0	0	0
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>59</b>	<b>58</b>	<b>58</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(59)</b>	<b>(58)</b>	<b>(54)</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of development contributions is restricted for this specific purpose only. They can not be used to fund operating expenditure.

*\*Depreciation funded via rates is deposited into the appropriate capital reserve, which is used for capital expenditure purposes.*

## CAPITAL EXPENDITURE

### Stormwater Activity Group

For the year ended 30 June 2014

Projects	Notes	2013	2014	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
<i>Tekapo Stormwater</i>				
Vested assets		26	0	0
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		26	0	0
TOTAL CAPITAL EXPENDITURE		26	0	0

Under the Council's internal liability management policy, all capital expenditure is funded from the relevant capital reserve.

#### Reasons for Undertaking Capital Expenditure Projects

The Council's reasons for undertaking the significant capital expenditure were as follows:

- Assets vested in Council are the result of development.

# ROADING – Including Land Transport Programme

## Background

The backbone of the roading network in the Mackenzie District is provided by the following state highways which are the responsibility of the New Zealand Transport Agency.

State Highway 8 Timaru - Fairlie - Lake Tekapo - Twizel - Omarama

State Highway 79 Fairlie - Geraldine

State Highway 80 Pukaki Corner - Mt Cook Village

The Mackenzie District local roading network consists of principal roads that lead from the state highways to reach many remote localities. Local roads provide roading networks between the principal roads. There are also three main townships in the District; Fairlie, Lake Tekapo and Twizel, which have urban roading networks. Mount Cook village is administered by the Department of Conservation, which takes responsibility for the village's roading network.

The Mackenzie District roading network comprises 187km of sealed roads and 517km of unsealed roads. The network contains 91 bridges and 55km of all weather footpaths. It is managed, maintained and regulated by the Council's Asset Management Department and Roding Business Unit.

## Rationale for Council's Involvement:

Council provides a safe, efficient, convenient and comfortable roading network to ensure appropriate property access and freedom of travel for all people including pedestrians. The provision of a roading corridor also accommodates the infrastructure of utility service providers throughout the District.

## Community Outcomes to Which the Activity Contributes:

This activity contributes to community outcomes established by the District's communities as described in the following table:

Community Outcome	How the Roding Activity Contributes
<i><b>An attractive and highly valued natural environment</b></i>	By providing vehicular access to areas while minimising the effect on the natural environment.
<i><b>A thriving economy</b></i>	By providing a safe and efficient highway network for the transport of people and goods.
<i><b>A fit and healthy community</b></i>	By providing safe roads that provide access to sporting, recreational, social and medical amenities.
<i><b>Safe, effective and sustainable infrastructure</b></i>	By ensuring appropriate maintenance standards for roads and footpaths are adhered to and the network is steadily improved. By ensuring that sufficient funds are allocated to meet this philosophy.

## Principal Objectives:

- To develop an activity management plan for roading.
- To contract cost-effective service delivery.
- To ensure all roads are adequately maintained.
- To identify and prioritise key areas for minor improvements and progressively implement these.
- To develop and implement a planned programme of seal extension.
- To establish footpath standards and implement them over time.
- To be proactive in ensuring adequate funds are provided to maintain and develop the District's roading network.

## Statement of Service Provision;

Levels of Service	Measure of Service	Target	Result for 2013-2014	Result for 2012-2013
<b>Council provides safe, smooth, quality sealed roads in order to reduce travel times and vehicle wear.</b>	Smoothness of urban and rural sealed roads as compared with rest of New Zealand.	Smoothness higher than national average.	<b>Achieved</b> Mackenzie DC smoothness rating is 97% (completed May 2014). Compared to the national average of 91% (2012/13). This is a biennial measure.	<b>Achieved</b> Mackenzie DC smoothness rating is 95% (completed May 2012). Compared to the national average of 85.73% (2011/12). This is a biennial measure.
	The average roughness of urban roads as measured by NAASRA counts.	Average <100 counts with less than 10% exceeding 150 counts.	<b>Achieved</b> Average of 86 counts (completed May 2014) Trending Downwards, last count 88 May 2012 3.3% counts exceeding 150 (completed May 2014) Trending upwards last measure May 2012: 2.6%. This is a biennial measure as per NZTA requirements.	<b>Achieved</b> Average of 88 counts (completed May 2012) Trending upwards - last measure November 2008: 83 Counts. A minor change, not any noticeable change in ride to the road user. 2.6% counts exceeding 150 (completed May 2012) Trending upwards last measure November 2008: 0%. This is a biennial measure as per NZTA requirements.
	The average roughness of rural roads as measured by NAASRA counts.	Average <80 counts with less than 10% exceeding 110 counts.	<b>Achieved</b> Average of 66 counts (completed May 2014). 5.9% of counts exceeding 110. This is a biennial measure	<b>Achieved</b> Average of 68 counts (completed May 2012). NAASRA has not provided information for us to calculate percentage of counts exceeding 110. Report shows 0.4% exceed 140 counts. This is a biennial measure
	% of road users are satisfied with the roading network.	85%	<b>Achieved</b> 88% were satisfied.	<b>Achieved</b> 85% were satisfied.
<b>Council provides a safe and efficient roading network.</b>	Minor improvements to the network identified that will benefit the road user and programmed for completion.	Two projects completed each year.	<b>Achieved</b> Manuka Terrace Seal Extension was completed. Market Place Contract 1212 was completed this financial year.	<b>Achieved - 4 Projects Completed</b> Lilybank Road Curve Re-alignment Plantation Road Curve Re-alignment Grey Street Fairlie Widening Aorangi Crescent Safety footpath. Market Place Contract 1212 (\$73,773.31) has been delayed this financial year due to the contractor offering a saving if completion date could be extended to 30 <sup>th</sup> November 2013
	Number of fatal accidents due solely to road factors.	Nil.	<b>Achieved</b> There were no fatal accidents on local roads in the district caused solely by road conditions	<b>Achieved</b> There were no fatal accidents on local roads in the district caused solely by road conditions See below link;

Levels of Service	Measure of Service	Target	Result for 2013-2014	Result for 2012-2013
				<a href="http://www.nzta.govt.nz/resources/crash-analysis-reports/statistical-statements.html">http://www.nzta.govt.nz/resources/crash-analysis-reports/statistical-statements.html</a>
<b>Ready access is provided around the District except in extreme weather conditions.</b>	The roading network is trafficable and contracted emergency response times are met – on site within 1.5 hours to begin reinstatement	100%.	<b>Not Achieved</b> 92%. We did not achieve this measure as we had four callouts that exceeded 1.5 hours. One was for a hole in a privately owned car park, a further for a fallen tree on Plantation Road, and another was a blocked ford on Glen Lyon Road. All were attended to the day of reported incident.	<b>Not Achieved</b> 96%. We did not achieve this measure as we had two callouts that exceeded 1.5 hours. One was installation of signs due to a hazard caused by high lake levels (Meridians issue to remedy, but our contractor attended within 2 hours) The other was a tree down partially obscuring road and was attended within 2 hours
<b>Footpaths are maintained in good condition and are fit for purpose</b>	% of footpaths defects made safe within 48 hours.	95%	<b>Achieved</b> 100%. Six faults deemed as a trip hazard and were programmed to be remedied within 48 hours	<b>Achieved</b> 100%. Three faults deemed as a trip hazard and were remedied within 48 hours
	% of road users satisfied with the condition of Council footpaths.	70% with improving trend	<b>Not Achieved</b> 81% were satisfied, a drop on 2012/2013 so the trend is not currently improving.	<b>Achieved</b> 83% were satisfied.

**Note:**

\* National Association of Australian State Road Authorities (NAASRA) counts are generated utilising a laser profile meter fitted to a vehicle travelling at speed on the Districts sealed roads, which records the road profile and converts the results into a roughness count/kilometre. The higher the roughness count/kilometre, the rougher the road surface which may lead to reconstruction of the surface.

\*\* This measure is specifically for identifying trip hazards, meaning areas are to be “made safe” within 48 hours.

**Identified Effects on the Community**

The completed safety improvements will affect the social wellbeing of the community.

**Funding Impact Statement**  
**Roads Activity Group**  
**For the year ended 30 June 2014**

Notes	2013	2014	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	1,364	1,395	1,320
Subsidies and grants for operating purposes	672	690	1,129
Fees and charges	0	0	0
Internal charges and overheads recovered	67	99	35
Local authorities fuel tax, fines, infringement fees, and other receipts	28	28	144
<b>TOTAL OPERATING FUNDING (A)</b>	<b>2,131</b>	<b>2,212</b>	<b>2,628</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	1,276	1,334	1,837
Finance costs	0	0	0
Internal charges and overheads applied	79	112	49
Other operating funding applications	0	0	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>1,355</b>	<b>1,446</b>	<b>1,886</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>776</b>	<b>766</b>	<b>742</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	800	800	708
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
<b>TOTAL SOURCES OF CAPITAL FUNDING ( C )</b>	<b>800</b>	<b>800</b>	<b>708</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	567	0	581
- To replace existing assets	1,581	1,716	1,320
Increase (decrease) in reserves	(572)	(150)	(451)
Increase (decrease) of investments	0	0	0
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>1,576</b>	<b>1,566</b>	<b>1,450</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(776)</b>	<b>(766)</b>	<b>(742)</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of development contributions is restricted for this specific purpose only. They can not be used to fund operating expenditure.

## CAPITAL EXPENDITURE

### Roads Activity Group

For the year ended 30 June 2014

Projects	Notes	2013	2014	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
<i>District Roothing</i>				
Vested assets		0	115	0
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		0	115	0
IMPROVE LEVEL OF SERVICE				
<i>District Roothing</i>				
Footpaths - surfacing		68	60	229
Unsubsidised discretionary improvements		63	0	0
Sealing past houses		0	10	0
Manuka Terrace		24	350	343
<i>Professional Roothing Business Unit</i>				
Computers		9	10	9
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		164	430	581
REPLACE EXISTING ASSETS				
<i>District Roothing</i>				
Twizel cemetery overflow parking		9	0	0
Unsealed road metalling		492	425	447
Sealed road resurfacing		668	520	590
Bridges - Lake Alex outlet		0	0	0
Drainage culverts		0	0	0
Drainage renewal		44	43	140
Market Place entrance upgrade		0	0	0
Minor safety works		0	0	0
Other projects		0	0	0
Roothing Ruataniwha Reserve		0	0	0
Signs		0	0	0
Street lighting		0	0	0
Sealed road pavement rehabilitation		0	121	0
Structures component replacements bridges		8	16	4
Structures component replacements cattlestops		7	10	3
Traffic services renewals		70	74	55
Associated improvements		0	5	0
Minor improvements		175	210	81
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		1,473	1,424	1,320
TOTAL CAPITAL EXPENDITURE		1,637	1,969	1,901

Under the Council's internal liability management policy, all capital expenditure is funded from the relevant capital reserve.

#### Reasons for Undertaking Capital Expenditure Projects

The Council's reasons for undertaking the significant capital expenditure were as follows:

- Roothing projects were budgeted to maintain an appropriate level of service to the District's rooothing network.
- Assets vested in Council are the result of development.

**Results for the 2013/2014 year**

Total capital expenditure for the year was \$1,901,000; \$68,000 less than the budget of \$1,969,000. The key variances from budget were:

1. Minor improvements expenditure was \$81,000, \$129,000 lower than the budget of \$210,000. This is due to delaying of bridge replacement planned for this financial year into the 2014/2015 year.
2. Manuka Terrace sealing expenditure was \$345,000 which is \$7,000 less than the budget of \$350,000.
3. Footpaths – surfacing expenditure was \$229,000 compared to a budget of \$60,000. This is due to the three townships using township specific roading reserves to upgrade footpaths during the year.

# PLANNING AND REGULATION

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## **Background:**

The Council is responsible for town planning and resource management under the provisions of the Resource Management Act 1991. The Council's key document for this is its District Plan, which outlines the issues facing the District and then details the objectives, policies and rules for ensuring sustainable management of its natural and physical resources.

The Council's building control service administers the Building Act 2004 and the Building Code. It processes building consent applications, checks plans and conducts site inspections to ensure buildings are soundly constructed in accordance with the plans supplied.

Council is responsible for administering a range of regulatory functions set down by legislation. It enforces, by way of contract with Timaru District Council, the provisions of the Health Act 1956, Health (Registration of Premises) Regulations 1966 and the Food Act 1981 to ensure food premises in the District are safe and hygienic for public use. It also licenses premises under the Sale of Liquor Act 1989 and issues management certificates to individuals who sell liquor.

Council's regulatory services administer legislative requirements set out in a number of acts. They include:

- Civil Defence and Emergency Management Act 2002
- Dog Control Act 1996
- Health Act 1956
- Sale of Liquor Act 1989
- Forest and Rural Fires Act 1977
- Gambling Act 2003

Council employs a part time Civil Defence Officer to co-ordinate its responsibilities under the Civil Defence and Emergency Management Act 2002. This includes liaising with, and maintaining a network of volunteers in the District, and contributing to the Canterbury Civil Defence Group.

Council contracts out animal control services in the District to respond to animal nuisance complaints (dogs and wandering stock).

The Council is part of the South Canterbury Rural Fire Authority, a joint venture of Mackenzie, Timaru and Waimate District Councils, the Department of Conservation, the New Zealand Fire Service and the forest managers of Blakely Pacific Ltd and Waimate Forest Group. The costs of maintaining the rural fire authority are split evenly amongst the three councils and the forest owners group.

The Building Act 2004 has replaced the Building Act 1991 and was enacted partly as a response to the "leaky building" syndrome which has affected some types of buildings, mainly in metropolitan areas. The new Act emphasises building design assessment, inspections, workmanship and risk management. It aims to provide greater assurance to anyone commissioning building work that what is built will be safe and meet the required standards

Under the Building Act 2004, Council became an accredited building consent authority in July 2008 in order to continue to carry out its building control functions. It was audited this year and has maintained its accreditation.

## **Rationale for Council's Involvement:**

Council's role is prescribed by statute. Section 31 of the Resource Management Act 1991 requires all territorial authorities such as the Mackenzie District Council to undertake certain functions under the Act.

Council's role is prescribed by statute. Certain functions are required to be undertaken by territorial authorities under the Building Act 2004. More substantive functions are laid down under this Act.

Council's involvement in these regulatory activities is prescribed by statute. Parliament has determined that such types of regulation are best delegated to the local level.

**Community Outcome to which the Activity contributes:**

Community Outcome	How the Environmental Management Activity Contributes
<i><b>An attractive and highly valued natural environment</b></i>	Keeping the District Plan up to date with the changing pressures that is facing the District will ensure that development that occurs in the District does not have a detrimental impact on its attractiveness and scenic beauty. Well planned and managed development is seen by the community as an important outcome.

Community Outcome	How the Building Control Activity Contributes
<i><b>A thriving economy</b></i>	New building and alterations provides economic prosperity for local architects and builders involved in these projects within the District. New building also adds capital value to the District which is important for growth and helps to encourage other commercial investment opportunities.
<i><b>A safe, effective and sustainable infrastructure.</b></i>	Inspection of building work will ensure that builders comply with the plans provided to the Council and that they meet safety and sanitary standards specified in the Building Code and the building requirements of the Council. The buildings constructed will therefore become part of the District's safe, effective and sustainable infrastructure.

Community Outcome	How the Regulatory Services Activity Contributes
<i><b>A attractive and highly valued natural environment</b></i>	<p>Maintaining a high ready response system for rural fire and civil defence will assist in promoting the highly natural environment that we all enjoy in the Mackenzie District.</p> <p>Maintaining high levels of food hygiene standards will encourage people to not only enjoy the food but to also take in the natural beauty of our natural environment that will encourage people to return to the District.</p>

<i><b>A fit and healthy community.</b></i>	<p>Monitoring food premises for hygiene standards and issuing management certificates for the sale of liquor on licensed premises, will ensure that the consumption of food is safe for the general public and that managers are skilled and educated on the legislative requirements for the sale of liquor.</p> <p>Maintaining our readiness and volunteer groups for civil defence and rural fire events will ensure that our communities are prepared to respond to an event.</p> <p>Controlling the nuisance effects of dogs will ensure that people who use footpaths and recreation areas for health/fitness and general enjoyment will be safe and will be able to continue with their personal fitness and wellbeing</p>
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**Principal Objectives:**

- To maintain an up to date District Plan, providing for sustainable management of the resources of the District in the face of changing development pressures.
- To process 95% of resource consents within the statutory timeframe of 20 working days.
- That all buildings constructed in the District are built to the building code and Council alternative solutions (the means of complying with the building code that take into account particular issues or materials relevant to building in the Mackenzie), thereby providing comfort to existing and new owners that their homes or buildings are safe.
- That Mackenzie District Council maintains its accreditation as a building consent authority.
- To control the nuisance caused by dogs and wandering stock;
- To provide an effective and efficient response to any civil defence emergency in the District;
- To control fire risks in the rural area and to respond to those rural fires that do occur.
- To regularly inspect food premises to ensure the safety of food prepared for sale and consumption; and
- To control the sale and consumption of liquor within the District.

## Statement of Service Provision;

Level of Service	Measure of Service	Target	Result for 2013-2014	Result for 2012-2013
<b>To maintain an up to date District Plan that enables a vibrant community while sustainably managing the District's resources.</b>	<p>To review the provisions of the District Plan within 10 years of those parts of the Plan becoming operative.</p> <p>80% or greater of those surveyed are satisfied by the belief that the Council is adequately managing resource management issues in the District.</p>	<p>To have initiated a review of the District Plan and publicly notified proposed changes by 30 April 2014.</p> <p>80% positive feedback to a customer survey.</p>	<p><b>Not Achieved</b> The Council has initiated its review of the District Plan and is working through this process.</p> <p><b>Not Achieved</b> CINTA Survey October 2014 showed 69% satisfaction.</p>	<p><b>Achieved</b> The Council has initiated its review of the District Plan and is working through this process.</p> <p><b>Not Achieved</b> CINTA Survey October 2013 showed 50% satisfaction.</p>
<b>To provide a technically sound but customer focused service when processing resource consents while achieving our obligations under the Resource Management Act.</b>	<p>Non-notified and notified resource consents are processed within the statutory timeframe of 20 and 70 working days respectively.</p> <p>80% or greater of those applying for resource consents are satisfied with the quality of the service they receive.</p>	<p>100% compliance</p> <p>80% positive feedback to a customer survey.</p>	<p><b>Not Achieved</b> 99% of consents were processed within the timeframe.</p> <p><b>Not Achieved</b> CINTA Survey October 2014 showed 61% satisfaction. Note: This survey was conducted with a sample of the entire population not just those that were applying for consents.</p>	<p><b>Not Achieved</b> 92% of consents were processed within the timeframe.</p> <p><b>Not Achieved</b> CINTA Survey October 2013 showed 72% satisfaction. Note: This survey was conducted with a sample of the entire population not just those that were applying for consents.</p>
<b>To provide a customer focussed building control service that is efficient and cost effective while achieving our obligations under the Building Act 2004.</b>	<p>Building consents are processed within the statutory timeframe of 20 working days.</p> <p>Land Information Memoranda (LIMs) and Property Information Memoranda (PIMs) are processed within the statutory timeframes of 10 and 20 working days respectively.</p> <p>80% or greater of those applying for building consents are satisfied with the quality of the service they receive.</p>	<p>100% compliance</p> <p>100% compliance</p> <p>80% positive feedback to a customer survey.</p>	<p><b>Not Achieved</b> 95% of consents were processed within the timeframe.</p> <p><b>Not Achieved</b> 99% of LIMs &amp; 100% of PIMs were processed within the timeframe.</p> <p><b>Not Achieved</b> CINTA Survey October 2014 showed 72% satisfaction. Note: This survey was conducted with a sample of the entire population not just those that were applying for consents.</p>	<p><b>Not Achieved</b> 94% of consents were processed within the timeframe.</p> <p><b>Not Achieved</b> 99% of LIMs &amp; 100% of PIMs were processed within the timeframe.</p> <p><b>Achieved</b> CINTA Survey October 2013 showed 81% satisfaction. Note: This survey was conducted with a sample of the entire population not just those that were applying for consents.</p>

## Identified Effects on the Community

To provide a safe environment for dogs and the public to co-exist.	<p>Maintain a record of all dogs in the District by ensuring that they are registered.</p> <p>Respond to all complaints relating to dogs with 12 hours.</p> <p>80% or greater of those surveyed believe the Council is adequately managing dog control issues in the District.</p>	<p>100% registration for all recorded dogs.</p> <p>100%</p> <p>80% positive feedback to a customer survey.</p>	<p><b>Not Achieved</b> At year end there were approximately 117 dogs unregistered.</p> <p><b>Not Achieved</b> Due to the contractor not being available at all times.</p> <p><b>Achieved</b> CINTA survey October 2014 showed 86% were satisfied.</p>	<p><b>Not Achieved</b> At year end there were approximately 135 dogs unregistered.</p> <p><b>Not Achieved</b> Due to the contractor not being available at all times.</p> <p><b>Achieved</b> CINTA survey October 2013 showed 81% were satisfied.</p>
For the Council and the community to be prepared to respond to a civil defence emergency.	<p>Council staff and volunteers are familiar with their roles and are adequately trained.</p> <p>80% or greater of the community surveyed has faith in the Council's preparedness and individual community members understand how they should prepare themselves and their family for the events of a civil defence emergency.</p>	<p>Training is attended as required, and the Council will participate in one training exercise per year.</p> <p>80% favourable response from a customer survey.</p>	<p><b>Achieved</b> The Council participated in Exercise Te Ripahapa – a South Island wide Civil Defence exercise.</p> <p><b>Achieved</b> 92% of those surveyed had faith in Council's preparedness.</p>	<p><b>Achieved</b> The Council participated in Exercise Te Ripahapa – a South Island wide Civil Defence exercise.</p> <p><b>Achieved</b> 86% of those surveyed had faith in Council's preparedness.</p>
To manage a fire risk and to be able to provide a ready and capable response to rural fires.	<p>For Council to remain as an active member of an enlarged rural fire district with other partner councils and agencies.</p> <p>Council has a capable and well equipped rural fire response teams across the Mackenzie District.</p>	<p>Attend all South Canterbury Rural Fire meetings.</p> <p>All volunteer rural fire teams are trained to industry standards.</p> <p>A capital replacement programme for tankers and other equipment is implemented.</p>	<p><b>Achieved</b> The Council has been represented at all SCRFC meetings.</p> <p><b>Achieved</b> All volunteers trained to the industry standards.</p> <p><b>Achieved</b> The Albury Tanker was replaced.</p>	<p><b>Achieved</b> The Council has been represented at all SCRFC meetings.</p> <p><b>Achieved</b> Burkes Pass Rural Fire Team completed training this year.</p> <p><b>Achieved</b> The Council has approved funding for the replacement of the Albury Tanker, which is the next tanker to be replaced in the programme.</p>

The control of unplanned subdivision in the Mackenzie Basin and the rationalisation of zoning around Twizel will have impacts upon the economic and environmental wellbeing of the community.

**Funding Impact Statement**  
**Planning and Regulatory Activity Group**  
**For the year ended 30 June 2014**

Notes	2013	2014	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, uniform annual general charges, rates penalties	309	362	251
Targeted rates	135	143	148
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	2	0	1
Local authorities fuel tax, fines, infringement fees, and other receipts	378	392	585
<b>TOTAL OPERATING FUNDING (A)</b>	<b>824</b>	<b>897</b>	<b>985</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	899	844	1,012
Finance costs	0	0	0
Internal charges and overheads applied	39	42	37
Other operating funding applications	0	0	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>938</b>	<b>886</b>	<b>1,049</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(114)</b>	<b>11</b>	<b>(64)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	134	20	187
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	21
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
<b>TOTAL SOURCES OF CAPITAL FUNDING ( C )</b>	<b>134</b>	<b>20</b>	<b>208</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	0
- To replace existing assets	29	72	87
Increase (decrease) in reserves	(9)	(41)	57
Increase (decrease) of investments	0	0	0
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>20</b>	<b>31</b>	<b>144</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>114</b>	<b>(11)</b>	<b>64</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of development contributions is restricted for this specific purpose only. They can not be used to fund operating expenditure.

## CAPITAL EXPENDITURE

### Planning and Regulatory Activity Group

For the year ended 30 June 2014

Projects	Notes	2013	2014	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
Vested assets		0	0	0
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		0	0	0
IMPROVE LEVEL OF SERVICE				
Regulatory Services				
Animal Control				
Plant & equipment		8	5	0
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		8	5	0
REPLACE EXISTING ASSETS				
Regulatory Services				
Civil Defence				
Plant & equipment		0	23	11
Rural Fire				
Plant & equipment		0	8	8
Vehicles		12	50	68
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		12	81	87
TOTAL CAPITAL EXPENDITURE		20	86	87

#### Results for the 2013/2014 year

Total capital expenditure for the year was \$87,000; \$1,000 more than the budget of \$86,000.

Under the Council's internal liability management policy, all capital expenditure is funded from the relevant capital reserve.

The key variances from budget were:

1. Civil Defence generator budgeted cost of \$23,000, cost \$11,000.
2. Replacement tanker for Albury cost \$68,000 which was \$18,000 more than the budget of \$50,000.

# COMMUNITY AND TOWNSHIP

## Background

Community services provides for pensioner housing, cemeteries, doctors rooms and accommodation, public toilets and grants to the resource centres in Fairlie and Twizel as well as the administration and distribution of grants from SPARC and Creative Communities New Zealand.

Refuse and recycling collections are available at Fairlie, Lake Tekapo and Twizel and for rural properties adjacent to State Highway 8. Resource Recovery Parks are available at Fairlie, Lake Tekapo and Twizel.

There are no longer any active District landfills. The Fairlie, Lake Tekapo and Twizel closed landfill sites are now only used for hardfill disposal and are controlled sites that do not permit public access. Residual waste is disposed of at a landfill in Winton, Southland.

Recreational facilities comprise the District's pools, parks, reserves and amenity areas, libraries, community centres and halls.

## Rationale for Council's Involvement

There is a statutory requirement for councils to provide cemeteries, coupled with the fact that they have been providing these services for over a century.

Public toilets are provided because of public expectation or demand and for public health and safety reasons; Council at this point is the only economical provider.

Council supports a range of community services in the Mackenzie that would not otherwise be viable. In order to support the health and welfare of the community it provides or helps finance medical centres, pensioner housing and social and information centres and makes grants to various community organisations.

The Council is required, by Part 31 of the Local Government Act 1974 still in force, to promote effective and efficient waste management within its District. In doing so, it must have regard to environmental and economic costs and benefits and ensure that the management of waste does not cause a nuisance or be injurious to health. It must also prepare and adopt a Waste Management Plan. This implies that, in the case of Council providing refuse collections and solid waste disposal services, it must detail its intentions with regard to the five accepted levels of activity, being: Reduction, Reuse, Recycling, Recovery and Residual Disposal. The Mackenzie District Council adopted its Waste Management Plan on 22 October 1999, which was revised during 2010/11.

Council provides these recreational facilities as it believes that they contribute to several positive community outcomes as listed below. This is coupled with the community's expectation that these assets will continue to be provided as they always have been. Some of the facilities were originally built by the community and then gifted to Council in the expectation that they would be maintained.

## Community Outcomes to which the Activities Contribute

Community Outcome	How the Community Services Activity Contributes
<b><i>A supportive contributing community</i></b>	The grants provided to the resource centres in Fairlie and Twizel provide services that would otherwise not be provided. Pensioner housing contributes to this outcome by providing housing at a subsidised rate.
<b><i>A fit and healthy community</i></b>	The provision of the medical centres provides for local access to medical services.
<b><i>A thriving economy</i></b>	The provision of the public toilets is primarily for tourists who contribute to the economy.

Community Outcome	How the Solid Waste Management Activity Contributes
<b><i>A fit and healthy community</i></b> <b><i>An attractive and highly valued natural environment</i></b>	By using methods of safe waste handling, transport and final disposal to ensure that public health is not jeopardised and that no environmental pollution occurs.
<b><i>A thriving economy</i></b>	By handling, sorting and processing solid waste in an affordable manner and in a way that maximises returns from recovered material.

Community Outcome	How the Community Services Activity Contributes
<b><i>A thriving economy</i></b>	Having a range of facilities at their doorsteps, encourages people to live in the District. The facilities also provide space for commercial activities or events that encourage visitors to the District.

<b><i>A fit and healthy community</i></b>	Halls, community centres, swimming pools, parks and reserves provide opportunities for structured and informal exercise.  District libraries contribute from an educational, cultural and recreational point of view by allowing people to read and research from local sources.
<b><i>A supportive contributing community</i></b>	Halls and community centres provide focal points for the community and centres for celebrations and cultural activities. These activities are generally driven by volunteers and are well supported by the community.
<b><i>An attractive and highly valued natural environment</i></b>	Parks, reserves and amenity areas contribute through providing access via walkways, maintaining and enhancing natural environments and by developing existing reserves to protect and enhance these assets.

#### Principal Objectives

- To maintain existing community service buildings and facilities to a standard that ensures they are safe and clean and sustainable for the purposes they are designed.
- To provide clean public toilet facilities in townships and other specified areas.
- To provide well maintained cemeteries in Albury, Fairlie, Burkes Pass and Twizel and to support development proposals for the Tekapo Cemetery.
- To maintain an up to date accurate cemetery records system.
- To maximise the diversion of material from the waste stream;
- To maximise the recovery of resources from the waste stream;
- To ensure that any residual waste is disposed of as efficiently and effectively as possible, in accordance with current environmental and health practices;
- To maximise the diversion of green waste and putrescible material to Council's composting facility; and
- To encourage the community through education and promotion to adopt sustainable waste minimisation practices.
- To maintain existing recreational facilities to a standard that ensures they are safe, clean and sustainable;
- To enable a range of activities to take place within these facilities in order to maximise usage;
- To develop and enhance facilities as guided by community planning exercises; and
- To employ and train staff to standards appropriate for the management of these facilities

#### Statement of Service Provision;

Levels of Service	Measure of Service	Target	Result for 2013-2014	Result for 2012-2013
<b>Township Services and Facilities are provided and maintained to an acceptable level</b>	Maintain or improve average customer user satisfaction rating.  Residents regularly use at least two community facilities.	84% or above  100%	<b>Achieved</b> 88% of those surveyed are satisfied with the service and facilities provided. The large decrease with Public Toilets satisfaction is noted with capital programmes addressing this.  <b>Not Achieved</b> 97.5%. 7 out of 275 people surveyed said they did not use any Community Facility.	<b>Achieved</b> 90% of those surveyed are satisfied with the service and facilities provided. The large decrease with Public Toilets satisfaction is noted with capital programmes addressing this.  <b>Not Achieved</b> 95%. 14 out of 275 people surveyed said they did not use any Community Facility.
<b>A reliable weekly kerbside recycling and rubbish collection service is provided.</b>	% of waste bins collected within 48 hours of a genuine missed collection being reported.  % of users satisfied with the waste collection and recycling service	100%  75% with an upward trend	<b>Achieved</b> 100%  <b>Achieved</b> CINTA survey 2014 indicated 93% of users were satisfied.	<b>Achieved</b> 100%  <b>Achieved</b> CINTA survey 2013 indicated 93% of users were satisfied.
<b>Solid waste is collected and disposed of without causing any environmental harm.</b>	The percentage of solid waste from the District resource recovery parks diverted from landfills.	70% diverted with an expectation of 80% by 2019.	<b>Not Achieved</b> 38% of solid waste diverted from landfills. This is a slight improvement on the previous year, continued	<b>Not Achieved</b> 37% of waste diverted from landfills. The kerbside collection has now changed to a wheelie bin system

Levels of Service	Measure of Service	Target	Result for 2013-2014	Result for 2012-2013
			improvements are expected over the coming year as a result of new education initiatives and an improved sorting process for recycling that will be established towards the end of 2014.	from a bag collection and our data systems are now more accurate. There is a new arrangement in place for glass recycling and possible changes to the process for sorting recycling that are expected to increase the amount of waste that is being diverted from landfill.

- Benchmarking for these performance measures was the customer satisfaction survey undertaken by Cinta Survey in October 2011.
- To specifically measure the second measure some additional questions will need to be covered in the next survey.
- The Intention is to re-survey on an annual basis

**Funding Impact Statement**  
**Community and Township Services Activity Group**  
**For the year ended 30 June 2014**

Notes	2013	2014	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, uniform annual general charges, rates penalties	496	574	602
Targeted rates	1,614	1,630	1,652
Subsidies and grants for operating purposes	28	29	17
Fees and charges	0	0	0
Internal charges and overheads recovered	17	31	5
Local authorities fuel tax, fines, infringement fees, and other receipts	434	419	477
<b>TOTAL OPERATING FUNDING (A)</b>	<b>2,589</b>	<b>2,683</b>	<b>2,753</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	2,390	2,331	2,227
Finance costs	0	0	0
Internal charges and overheads applied	58	78	57
Other operating funding applications	0	0	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>2,448</b>	<b>2,409</b>	<b>2,284</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>141</b>	<b>274</b>	<b>469</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
<b>TOTAL SOURCES OF CAPITAL FUNDING ( C )</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	22
- To replace existing assets	255	20	165
Increase (decrease) in reserves	(114)	254	282
Increase (decrease) of investments	0	0	0
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>141</b>	<b>274</b>	<b>469</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(141)</b>	<b>(274)</b>	<b>(469)</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of development contributions is restricted for this specific purpose only. They can not be used to fund operating expenditure.

## CAPITAL EXPENDITURE

### Community and Township Services Activity Group

For the year ended 30 June 2014

Projects	Notes	2013	2014	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
Vested assets		0	0	0
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		0	0	0
IMPROVE LEVEL OF SERVICE				
Recreational Facilities				
Fairlie Township				
Comm Asset - public amenities		0	30	1
Twizel Reserves				
Other projects		0	40	11
Fairlie Pool				
Plant & equipment		16	3	5
Twizel Swimming Pool				
Plant & equipment		8	3	5
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		24	76	22
REPLACE EXISTING ASSETS				
Community Services				
Pensioner Housing				
Buildings		0	0	0
Public Toilets				
Fairlie toilets		0	0	0
Twizel public toilets		4	301	120
Recreational Facilities				
Fairlie Township				
Village Green upgrade		0	0	0
Playground upgrade		5	0	0
Development and financial contributions		0	0	0
Tekapo Community Centre				
Buildings		556	0	10
Furniture & fittings		0	15	20
Tennis courts		0	0	15
Twizel Township				
Implementation of development plan		71	0	0
Furniture & fittings		0	0	0
Twizel Community Centre				
Furniture & fittings		17	0	0
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		653	316	165
TOTAL CAPITAL EXPENDITURE		677	392	187

#### Results for the 2013/2014 year

Total Capital Expenditure for the year was \$187,000; \$205,000 less than the budget of \$392,000.

Under the Council's internal liability management policy, all capital expenditure is funded from the relevant capital reserve. The major variances were:

1. Council commenced the upgrade of the Twizel Public Toilets. Cost was \$120,000 against a budget of \$301,000. The balance of the project will be completed in the 2014/15 year.

# Commercial Activities

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## Background

These include: operating the investments function of Council; overseeing the Mackenzie Forestry Board's activities; developing and selling of real estate; managing rental properties; overseeing Council's tourism activities through a contract with Christchurch and Canterbury Tourism.

## Rationale for Council's Involvement

### Investments

The Council holds cash and equity Investments that provide interest and dividend returns for the Council, which are used to offset the rate requirement.

### Mackenzie Forestry Board

In 1996, the Council formed the Mackenzie Forestry Board, whose purpose was to actively manage and grow the Council's forestry estate as a commercial operation. The Board pays a rent to the Council for the freehold land that it occupies, which is used to offset the rate requirement.

### Real Estate

The Council is a significant land owner in the District. Much of the land has potential for development for commercial, residential and agricultural purposes. The Council holds this land to develop, sell or lease as it sees fit to provide the best possible return for the District as a whole.

### Rental Properties

The Council owns land and buildings that it leases on a commercial basis. The rentals received from these leases are used to offset rate requirements.

### Pukaki Airport Board

Council has a separate Committee charged with the responsibility of operating the Pukaki Airfield and developing areas of land that have been deemed appropriate.

## Community outcomes to which the Activities Contribute

Community Outcome	How Commercial Activities Contribute
<i>A thriving economy</i>	<ul style="list-style-type: none"><li>• The income derived from investments is used to offset the rate requirement and as such reduces the rates charged.</li><li>• The Council is committed to investing in the District through the forestry activity as all plantations must be within the District.</li><li>• By actively managing the Council's real estate portfolio, the Council has the opportunity to sell or lease various areas of land that will assist in promoting development throughout the District. Such development has the potential to increase employment opportunities within the District.</li><li>• By leasing the commercial areas of land, the Council is assisting the lessees in running their businesses as well as providing rental returns.</li></ul>

## Principal Objectives

To ensure all commercial activities contribute positively to the economic well-being and affordable rating levels for the District's ratepayers.

## Statement of Service Provision;

Levels of Service	Measure of Service	Target	Result for 2013-2014	Result for 2012-2013
<b>Investments</b> The Community expects the investments of the Council to be managed wisely.	Council's cash investment portfolio independently reviewed each quarter.	Investments out-perform the Bancorp Ltd benchmark portfolio.	<b>Not Achieved</b> The Councils investment portfolio outperformed the benchmark (as measured by Bancorp Ltd) in three of the four quarters.	<b>Achieved</b> The Councils investment portfolio outperformed the benchmark (as measured by Bancorp Ltd) in all four quarters.
<b>Mackenzie Forestry Board</b> The Board is required to operate and administer the Council's forestry estate as a successful business.	Council approves the Statement of Intent for the Forestry Board annually.	Approval obtained prior to 30 June each year.	<b>Not Achieved</b> Council did not approve the Statement of Intent of the Forestry Board.	<b>Not Achieved</b> Council did not receive a Statement of Intent to review due to a serious accident involving Council's Forestry Advisor, who was put out of action for 3-4 months.
<b>Rental Properties</b> It is expected that the relevant conditions placed upon a commercial lease agreement have been adhered to.	All lease agreements are reviewed on a regular basis.	Council will ensure that the terms of each commercial lease agreement are adhered to.	<b>Achieved</b> Terms of all commercial leases were adhered to. Review of these agreements coincides with rent review periods.	<b>Achieved</b> Terms of all commercial leases were adhered to. Review of these agreements coincides with rent review periods.
<b>Pukaki Airport Board</b> Operation of the Pukaki Airfield as a public facility.	The Board will report to Council on a regular basis on its activities and progress towards meeting its goals.	The Board achieves the goals set in its statement of intent.	<b>Achieved</b> Council reviewed the Statement of Intent for 2014-2017 on 26 June 2014.	<b>Achieved</b> Council did not receive a Statement of Intent.
<b>Real Estate</b> The community expects the Council to achieve the best economic return for any land that the Council deems appropriate to place on the market.	Market analysis is undertaken on a regular basis for the land identified for disposal as scheduled in the significance policy.	<p>Council will progress the disposal of the areas of land identified for sale.</p> <p>Council will progress a land rationalisation process to identify further areas of land deemed surplus to its requirements.</p>	<p><b>Achieved</b> Council has a sub-committee to assist with this. It has also employed consultants to assist.</p> <p><b>Not Achieved</b> The land rationalisation process was deferred. Council will review to undertake a full rationalisation review for incorporation in the next LTP.</p>	<p><b>Achieved</b> The board continually identify land for sale and continue to progress land sales. It has also employed consultants to assist.</p> <p><b>Not Achieved</b> The land rationalisation process was deferred. Council will review to undertake a full rationalisation review for incorporation in the next LTP.</p>

### Identified Effects on the Community

The development of the Pukaki Airfield and the receipt of carbon credits will enhance the economic wellbeing of the District.

**Funding Impact Statement**  
**Commercial Activities**  
For the year ended 30 June 2014

Notes	2013	2014	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
<b>SOURCES OF OPERATING FUNDING</b>			
General rates, uniform annual general charges, rates penalties	(1,083)	(1,027)	(1,354)
Targeted rates	105	112	272
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	153	249	176
Local authorities fuel tax, fines, infringement fees, and other receipts	1,332	1,424	1,266
<b>TOTAL OPERATING FUNDING (A)</b>	<b>507</b>	<b>758</b>	<b>360</b>
<b>APPLICATIONS OF OPERATING FUNDING</b>			
Payments to staff and suppliers	606	1,855	667
Finance costs	0	0	0
Internal charges and overheads applied	75	175	127
Other operating funding applications	0	0	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>681</b>	<b>2,030</b>	<b>794</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(174)</b>	<b>(1,272)</b>	<b>(434)</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	1,345	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
<b>TOTAL SOURCES OF CAPITAL FUNDING ( C )</b>	<b>0</b>	<b>1,345</b>	<b>0</b>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	0
- To replace existing assets	0	640	249
Increase (decrease) in reserves	(174)	(567)	(683)
Increase (decrease) of investments	0	0	0
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>(174)</b>	<b>73</b>	<b>(434)</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>174</b>	<b>1,272</b>	<b>434</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>

Financial and development contributions enable Council to fund likely and foreseeable capital projects that are expected to occur from growth and new development in the District. The use of development contributions is restricted for this specific purpose only. They can not be used to fund operating expenditure.

## CAPITAL EXPENDITURE

### Commercial Activities Activity Group

For the year ended 30 June 2014

Projects	Notes	2013	2014	
		Actual \$000's	Annual Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
<i>Commercial</i>				
Alps 2 Ocean Cycleway		642	0	0
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		642	0	0
REPLACE EXISTING ASSETS				
<i>Pukaki Airport Board</i>				
Airport development		7	0	0
<i>Real Estate</i>				
Development costs		49	0	249
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		56	0	249
TOTAL CAPITAL EXPENDITURE		698	0	249

#### Reasons for Undertaking Capital Expenditure Projects

The Council's reason for undertaking the significant capital expenditure was as follows:

- To complete the land development project at the Tekapo Lake Front.

Under the Council's internal liability management policy, all capital expenditure is funded from the relevant capital reserve.

#### Results for the 2013/2014 year

Total capital expenditure for the year was \$698,000; \$698,000 greater than the budget of \$nil.

The key variance from budget was:

1. Council has commenced capitalisation of land subdivision costs totalling \$249,000 for the Tekapo Lakefront development. The budget was \$nil.

# Council Controlled Organisations

**Mackenzie Holdings Limited**  
**Mackenzie Tourism & Development Trust**  
**South Canterbury Rural Fire District Committee**

# COUNCIL CONTROLLED ORGANISATIONS

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## **Mackenzie Holdings Limited**

The Mackenzie District Council holds 100% ownership of Mackenzie Holdings Limited.

Mackenzie Holdings Limited is now a dormant company from the Inland Revenue Department and Companies Office perspectives. Council also resolved on April 12<sup>th</sup> 2012 to exempt the Company under Sec 7 of the Local Government Act 2002 from the requirements of that Act in relation to Mackenzie Holdings Ltd status as a Council Controlled Organisation.

## **Mackenzie Tourism and Development Trust**

The Mackenzie District Council holds 100% ownership of Mackenzie Tourism & Development Trust.

Mackenzie Tourism & Development Trust is now a dormant organisation from the Inland Revenue Department. Council also resolved on June 13<sup>th</sup> 2013 to exempt the Company under Sec 7 of the Local Government Act 2002 from the requirements of that Act in relation to Mackenzie Tourism and Development Trust status as a Council Controlled Organisation.

## **South Canterbury Rural Fire**

This Committee was established in 1999 by this Council and its neighbours in Timaru and Waimate. All three were fire authorities in their own right under the Forest and Rural Fires Act 1977. In the interests of efficiency it was agreed they would combine and establish a new rural fire committee, together with the New Zealand Fire Service, the Department of Conservation and other forest owners. The South Canterbury Rural Fire Committee undertakes all of the responsibility under the Act within the South Canterbury Rural Fire District.

Council's objective in being part of this committee is to more effectively and efficiently discharge its responsibilities for rural fire control.

The Fire Committee employs a full time Principal Rural Fire Officer who administers the functions of the three local authorities over the Fire District. The administration costs of the committee are shared by the local authorities; however each local authority funds capital expenditure projects within its own District, such as rural fire appliances, hoses and other equipment, and rural fire stations.

## **Objectives and Performance Targets 2012/2022**

- To provide for education on rural fire safety in South Canterbury
- To ensure rural fire suppression is coordinated and effective
- To maintain all operational equipment to a state of readiness meet the standards set by the industry
- To ensure all staff are trained to the standards set by the industry.

# MAORI CAPACITY TO PARTICIPATE IN THE DECISION MAKING PROCESS

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## Local Government Act 2002

Section 4 of the Local Government Act 2002 recognises and respects the Crown's responsibility to take appropriate account of the principles of the Treaty of Waitangi and to maintain and improve opportunities for Māori to contribute to local government decision-making processes. Parts 2 and 6 of the Act provide principles and requirements for local authorities that are intended to facilitate participation by Māori in local authority decision-making processes.

Further sections of the Local Government Act 2002 that are relevant are:

- Section 14(1) (d) states that in performing its role, a local authority must act in accordance with the principle that a local authority should provide opportunities for Māori to contribute to its decision-making processes.
- Section 77(1) (c) states a local authority must in the course of the decision-making process, - if any of the options identified involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga.
- Section 81(1) states that a local authority must:
  - (a) Establish and maintain processes to provide opportunities for Māori to contribute to decision-making processes of the local authority; and
  - (b) Consider ways in which it may foster the development of Māori capacity to contribute to the decision-making processes of the local authority; and
  - (c) Provide relevant information to Māori for the purposes of paragraphs (a) and (b).
- Section 82(2) states:  
A local authority must ensure that it has in place processes for consulting with Māori.

## Te Runaka O Arowhenua

The key relationship Council has in ensuring that Māori has capacity to contribute to the decision-making process is with the local Iwi, Te Runaka O Arowhenua. Council will provide copies of all plans, including the long-term council community plans and Annual Plans, with opportunities for the Runaka to make submissions on any issues it deems appropriate.

The Council will seek to meet with the Runaka at least twice a year to discuss matters of common interest.

## Result for the year

To ensure that there was capacity for Māori to contribute to the decision-making processes of Council, it provided Te Runaka O Arowhenua with copies of its 2012-2022 Long Term Plan and encouraged comment.

During the 2013/2014 year, the Council did not formally meet with the Runanga (2012/2013 nil).

# Financial Statements

**Guide to Financial Statements**  
**Statement of Comprehensive Income**  
**Statement of Changes in Equity**  
**Statement of Financial Position**  
**Statement of Cashflows**  
**Funding Impact Statement**  
**Notes to the Accounts**

# FINANCIAL STATEMENTS – A Guide

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## Introduction

The Local Government Act 2002 requires the Council to report its actual performance compared to targets published in the Long Term Plan and Annual Plan. We report against both financial and non-financial measures. The main purpose of providing financial statements is to enable stakeholders (residents and ratepayers, other local authorities, business community groups, Government regulatory bodies etc) to assess our performance and make decisions regarding the Council and how it conducts its business.

The financial information includes the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the accompanying Statement of Accounting Policies and Notes to the Financial Statements. This information must be prepared according to generally accepted accounting practice and recognised accounting standards.

## Statement of Accounting Policies

These explain the basis upon which the financial statements are prepared. They explain the methods adopted by the Council used to measure the transactions incorporated into the financial statements above.

## Statement of Comprehensive Income

The Statement of Comprehensive Income shows all of the Council's revenue earned and expenses incurred for the 12 months up to 30 June 2014. Revenue includes income received from rates and other income such as investment income, rent and fees while expenses paid includes costs such as operating costs and depreciation. This statement shows how total comprehensive income is arrived at. Total comprehensive income is then added or subtracted from the Council's equity as shown in the Statement of Changes in Equity.

## Statement of Changes in Equity

This statement provides information about the nature of changes in the Council's ratepayers equity during the year.

## Statement of Financial Position

The Statement of Financial Position shows the assets and liabilities of the Council as at 30 June 2014. Assets include cash, accounts receivable (money owed to the Council but not yet received), investments, land, buildings, operational and infrastructural assets. Current assets are amounts owed to the Council that are expected to be received within the next 12 months while current liabilities are the Council's debts that are due to be paid within the next 12 months. Investments are the Council funds held in income earning securities while property, plant and equipment are of a permanent nature and are held for the benefit of the community. Non-current liabilities represent money owed by the Council that does not have to be paid within the next 12 months.

## Statement of Cash Flows

This statement covers all the inflows and outflows of cash during the year covered by the Statement of Comprehensive Income.

The Statement of Cash Flows identifies the sources and application of cash in respect of the Council's operating, investing and financing activities.

## Notes to the Financial Statements

These notes to the accounts provide further details of what the summarised amounts reported on in the above financial statements are comprised of. The reference to the note is included in the financial statements 'Notes' column, beside the dollar values for the current financial year.

# Statement of Comprehensive Income

For the year ended 30 June 2014

		2013	2014	
	Notes to Accounts	Actual \$000's	Annual Plan \$000's	Actual \$000's
REVENUE				
General Rates	2	1,539	2,190	1,691
Targeted Rates	2	4,435	4,492	4,671
Water Supplies: Targeted rates for volumetric water supply	2	161	0	140
Subsidies and Grants	2	2,537	1,573	1,930
Investment Revenue	2	928	922	854
Other Revenue	2	1,684	1,191	1,830
Real Estate Sales	2	0	2,464	208
Contributions	2	665	40	504
Gain on Sale of Assets	2	6	0	21
Other Gains	2	543	0	196
Assets Vested	2	761	416	0
TOTAL REVENUE		13,259	13,289	12,045
EXPENDITURE				
Personnel Costs	3	1,816	1,917	2,000
Member Expenses	3	295	319	368
Consultancy Expenses		549	778	656
Administration		806	901	841
Operational and Maintenance		2,847	3,193	3,245
Roading Expenses		2,242	1,143	1,668
Depreciation and Amortisation	3	2,978	2,835	3,317
Real Estate Cost of Sales	3	0	1,470	122
Loss on Sale and Assets Written Off	3	1	0	0
Asset Impairment	3	51	0	0
Other Losses		0	0	389
TOTAL OPERATING EXPENDITURE		11,585	12,556	12,606
Surplus/(Deficit) Before Taxation		1,674	733	(561)
Provision for Taxation		0	0	0
Surplus/(Deficit) After Taxation		1,674	733	(561)
OTHER COMPREHENSIVE INCOME				
Financial assets at fair value through other comprehensive income		2,187	0	(104)
Gain on infrastructure revaluations		0	5,214	21,334
NET COMPREHENSIVE INCOME		3,861	5,947	20,669

Explanations of significant variances against budget are detailed in Note 31.

The accompanying Statement of Accounting Policies and Notes form an integral part of these financial statements

## Statement of Changes in Equity

For the year ended 30 June 2014

	Notes to Accounts	2013	2014	
		Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
<b>EQUITY AT START OF THE YEAR</b>		183,324	177,602	187,185
Property, plant and equipment				
Valuation gains/(losses) taken to equity		0	0	(131)
Net income/(expense) recognised directly in equity		0	0	(131)
Net comprehensive income		3,861	5,947	20,669
<b>Total recognised revenue for the year</b>		3,861	5,947	20,538
<b>TOTAL EQUITY AT END OF THE YEAR</b>	<b>7</b>	<b>187,185</b>	<b>183,549</b>	<b>207,723</b>

The accompanying Statement of Accounting Policies and Notes form an integral part of these financial statements

# Statement of Financial Position

As at 30 June 2014

		2013	2014	
	Notes to Accounts	Actual	Annual Plan	Actual
		\$000's	\$000's	\$000's
ASSETS				
Current Assets				
Cash and cash equivalents	8	7,950	6,009	9,408
Debtors and other receivables	9	2,241	2,763	1,617
Inventories	13	3,891	1,279	4,143
Current portion property intended for resale		105	0	0
Other Financial assets	11	1,059	1,000	1,092
TOTAL CURRENT ASSETS		15,246	11,051	16,260
Non-current Assets				
Other Financial assets	11	12,037	9,716	10,891
Intangible assets	15	176	0	414
Forestry assets	14	2,638	2,388	2,250
Property, plant and equipment	16	159,221	162,001	180,005
TOTAL NON-CURRENT ASSETS		174,072	174,105	193,560
Total Assets		189,318	185,156	209,820
LIABILITIES				
Current Liabilities				
Creditors and other payables	18	1,933	1,511	1,874
Employee entitlements	19	118	63	139
Provisions	20	6	0	6
TOTAL CURRENT LIABILITIES		2,057	1,574	2,019
Non-current Liabilities				
Employee entitlements	19	15	0	17
Provisions	20	61	33	61
Borrowings		0	0	0
TOTAL NON-CURRENT LIABILITIES		76	33	78
Total Liabilities		2,133	1,607	2,097
NET ASSETS		187,185	183,549	207,723
EQUITY				
Accumulated Funds	7	96,733	92,080	96,507
Capital Reserves	7	1,922	(1,042)	1,728
Operating Reserves	7	(893)	(1,276)	(1,185)
Special Funds	7	5,918	7,606	6,097
Other Reserves	7	40	50	42
Asset Revaluation Reserves	7	83,465	86,132	104,534
TOTAL EQUITY		187,185	183,549	207,723

The accompanying Statement of Accounting Policies and Notes form an integral part of these financial statements.

## Statement of Cash Flows

For the year ended 30 June 2014

Notes to Accounts	2013	2014	
	Actual \$000's	Annual Plan \$000's	Actual \$000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Receipts from rates revenue	6,403	6,682	6,495
Subsidies and grants received	2,537	1,573	2,330
Receipts from other revenue	1,811	1,231	2,660
Interest received	595	545	490
Dividends received	380	377	377
Property sales	0	2,464	0
Goods and services tax (GST) received	0	0	0
	<b>11,726</b>	<b>12,873</b>	<b>12,352</b>
<b>Cash was applied to:</b>			
Payments to suppliers and employees	8,503	8,250	8,942
Net goods and services tax (GST) paid	0	0	0
Finance costs	0	0	0
	<b>8,503</b>	<b>8,250</b>	<b>8,942</b>
<b>Net cashflow from operating activities</b>	<b>21</b>	<b>4,623</b>	<b>3,410</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Sale of assets	970	0	334
Redemption of investments	1,875	13	1,060
	<b>2,845</b>	<b>13</b>	<b>1,394</b>
<b>Cash was applied to:</b>			
Purchase of property, plant and equipment	2,927	2,428	3,346
Purchase of investments	0	0	0
	<b>2,927</b>	<b>2,428</b>	<b>3,346</b>
<b>Net cashflow from investing activities</b>	<b>(82)</b>	<b>(2,415)</b>	<b>(1,952)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Proceeds from borrowings	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash was applied to:</b>			
Repayment of borrowings	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net cashflow from financing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net Cashflows from operating activities	3,223	4,622	3,410
Net Cashflows from Investing Activities	(82)	(2,415)	(1,952)
Net Cashflows from Financing Activities	0	0	0
Net decrease in cash, cash equivalents and bank overdrafts	<b>3,141</b>	<b>2,207</b>	<b>1,458</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year	4,809	3,802	7,950
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>8</b>	<b>7,950</b>	<b>6,009</b>
			<b>9,408</b>

The accompanying Statement of Accounting Policies and Notes form an integral part of these financial statements.

## Funding Impact Statement for Whole of Council

For the year ended 30 June 2014

	2013		2014	
	Long Term Plan	Actual	Annual Plan	Actual
	\$000's	\$000's	\$000's	\$000's
<b>Sources of Operating Funding</b>				
General rates, uniform annual general charges, rates pen	1,668	1,571	2,190	1,721
Targeted rates (other than a targeted rate for water suppl	4,469	4,596	4,492	4,667
Subsidies and grants for operating purposes	755	1,743	747	1,146
Fees, charges, and targeted rates for water supply	0	0	0	144
Interest and dividends from investments	1,074	928	68	854
Local authorities fuel tax, fines, infringement fees, and ot	1,214	1,652	2,047	1,891
<b>TOTAL OPERATING FUNDING (A)</b>	<b>9,180</b>	<b>10,490</b>	<b>9,544</b>	<b>10,423</b>
<b>Application of Operating Funding</b>				
Payments to staff and suppliers	7,809	8,553	9,718	8,779
Finance costs	0	0	0	0
Other operating funding applications	0	0	0	0
<b>TOTAL APPLICATIONS OF OPERATING FUNDING (B)</b>	<b>7,809</b>	<b>8,553</b>	<b>9,718</b>	<b>8,779</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>1,371</b>	<b>1,937</b>	<b>(174)</b>	<b>1,644</b>
<b>Sources of Capital Funding</b>				
Subsidies and grants for capital expenditure	800	794	826	708
Development and financial contributions	134	666	40	486
Increase (decrease) in debt	0	0	0	0
Gross proceeds from sale of assets	0	6	2,464	21
Lump sum contributions	0	0	0	0
Other dedicated capital funding	0	0	0	0
<b>TOTAL SOURCES OF CAPITAL FUNDING ( C )</b>	<b>934</b>	<b>1,466</b>	<b>3,330</b>	<b>1,215</b>
<b>Application of Capital Funding</b>				
Capital expenditure				
- To meet additional demand	0	16	664	0
- To improve the level of service	0	260	2,739	821
- To replace existing assets	4,175	2,757	1,914	2,205
Increase (decrease) in reserves	(1,870)	370	(2,163)	(167)
Increase (decrease) of investments	0	0	2	0
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING (D)</b>	<b>2,305</b>	<b>3,403</b>	<b>3,156</b>	<b>2,859</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(1,371)</b>	<b>(1,937)</b>	<b>174</b>	<b>(1,644)</b>
<b>FUNDING BALANCE ((A-B) + (C-D))</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus For Whole of Council

For the year ended 30 June 2014

<b>Surplus (deficit) of operating funding</b>	<b>1,371</b>	<b>1,937</b>	<b>(189)</b>	<b>1,644</b>
Add back:				
Contributions	134	665	0	487
Gain on Sale Assets	0	6	0	21
Real Estate Sales	0	0	2,464	209
Other Gains/Losses	0	543	55	197
Increase/(decrease) revaluation	0	2,187	5,214	21,231
Subsidies treated as Capital	800	794	826	709
Vested Assets	0	761	416	0
	<b>934</b>	<b>4,956</b>	<b>8,975</b>	<b>22,854</b>
Less:				
Depreciation	2,716	2,978	2,839	3,317
Asset Impairment	0	51	0	0
Loss on Sale and Assets Written off	0	1	0	0
Real Estate Cost of Sales	0	0	0	122
Other Losses	0	0	0	389
	<b>2,716</b>	<b>3,030</b>	<b>2,839</b>	<b>3,828</b>
<b>Net Comprehensive Income</b>	<b>(411)</b>	<b>3,861</b>	<b>5,947</b>	<b>20,669</b>

The accompanying Statement of Accounting Policies and Notes form an integral part of these financial statements.

# Notes to the Financial Statements For the Year Ended 30 June 2014

## NOTE 1 – Statement of accounting policies

### REPORTING ENTITY

The Mackenzie District Council (the Council) is a territorial local authority governed by the Local Government Act 2002 and qualifies as a public benefit entity' (PBE) under the New Zealand equivalents of International Financial Reporting Standards (NZ IFRS).

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

The financial statements of the Council are for the year ended 30 June 2014. The financial statements were authorised by Council on 31<sup>st</sup> October 2014.

### BASIS OF PREPARATION

#### Statement of Compliance

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

#### Measurement Base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructure assets, investment property forestry, assets and financial assets.

#### Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of the Council is New Zealand dollars.

#### Subsidiaries

Previously the Group consisted of the ultimate parent, Council and two subsidiaries including Mackenzie Tourism Development Trust and Mackenzie Holdings Ltd. On the 12<sup>th</sup> June 2014, Council instructed the Trustees of Mackenzie Tourism Development Trust to dissolve the Trust and Mackenzie Holdings Ltd has been dormant for and exempted under section 7 of the Local Government Act 2002. Therefore consolidated financial statements have not been prepared.

#### Joint Venture

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. For jointly controlled assets, the Council recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of income that it earns from the joint venture.

### **STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED THAT ARE NOT YET EFFECTIVE AND HAVE NOT BEEN EARLY ADOPTED**

Standards, amendments, and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Council, are:

- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Council is classified as a Tier 2 reporting entity and it will be required to apply New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR). The effective date for the new standards for public sector entities is for reporting period

beginning on or after 1 July 2014. Therefore, the Council will transition to the new standards in preparing its 30 June 2015 financial statements. The Council has not assessed the implications of the new Accounting Standards Framework at this time.

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

#### **CHANGES IN ACCOUNTING POLICIES**

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

#### **CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### **Landfill closure costs:**

As the former operator of the various closed landfills in the Mackenzie District, the Council has a legal obligation under the resource consents to provide ongoing maintenance and monitoring services at the landfill sites after closure. A provision for post-closure costs was initially recognised as a liability when the obligation for post-closure costs arose. The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements, and known improvements in technology, where there is sufficient evidence that these events will occur. The provision includes all other costs associated with landfill post-closure. The discount rate used is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

##### **Infrastructural assets:**

There are a number of assumptions and estimates used when performing Depreciated Replacement Cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, sewerage and water supply pipes which are underground. This risk is minimised by inspection of a range of infrastructural assets. Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted 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 Council could be over or under estimating the annual depreciation charge recognised as an expense in net surplus or deficit. To minimise this risk Council's infrastructural asset useful 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 and experience with other entities. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

##### **Fair Value of Carbon Credits**

Carbon credits of the Group are valued at fair value. This requires the estimation of current market values.

##### **Value of investments carried at fair value**

Council holds unlisted investments and these require the use of assumptions to determine their fair value.

## SIGNIFICANT ACCOUNTING POLICIES

### 1. Goods and Services Tax (GST)

These financial statements have been prepared exclusive of GST, except for receivables and payables, which are GST inclusive. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

### 2. Revenue Recognition

Revenue is measured at the fair value of consideration received.

- Sales of goods are recognised when the significant risks and rewards of ownership of the assets have been transferred to the buyer which is usually when the goods are delivered and title has passed.
- Rates revenue is recognised by Council as income on a straight line basis over the rating period.
- Excess water charges are recognised based on the volumes delivered. Revenue is recognised on an accrual basis.
- Development, land subdivision reserve and financial contributions are recognised when the relevant development receives sign-off from the Council in terms of the Resource Management Act 1991.
- Revenue from a contract to provide services is recognised by reference to the stage of completion.
- Dividends are recognised, net of imputation credits, as revenue when the shareholders' rights to receive payment have been established.
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.
- Lease incentives granted are recognised as part of the total rental income. Rental income from investment and other property is recognised in the Statement of Financial Performance on a straight-line basis over the term of the lease.
- New Zealand Transport Agency roading subsidies are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.
- Revenue from assets vested in Council, with or without restrictions, are recognised when control over the assets is obtained.
- Revenue from commission and booking fees from the sale of tours and accommodation is recognised when the booking is made by the customer, payment has been received and the voucher has been issued.

### 3. Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Public equity is disaggregated and classified into a number of reserves to enable clearer identification of the specified uses that the Council make of its accumulated surpluses.

The components of equity are:

- Operating reserves
- Capital reserves
- Asset revaluation reserve
- Other reserves & special funds reserves
- Accumulated general funds

#### Operating Reserves

Operating reserves consist of surpluses earned over time, and funds set aside for special purposes. These reserves represent funds available for the use in trading and operation of Council for special purposes. All special purpose funds and assets are separately accounted for and balanced with the cash resources retained by Council for special purposes.

#### Capital Reserves

Pursuant to the policy for funding of capital expenditure adopted by the Council as part of the long-term council community plan, a Capital Reserve has been created for all activities of Council that involve assets. The movements within the capital reserves involve all capital income received for the activity and any capital expenditure incurred within that activity.

The capital income includes depreciation funded from rates, financial contributions, upgrade contributions and grants. Depending on the movements in the capital reserve, the balance can be in funds or in deficit. An interest component is applied to the capital reserve depending on whether the particular reserve is in funds or deficit. The Council policy is to charge interest on deficit capital reserves at the average of Councils external bond investment rates and to pay interest for capital reserves with funds at a rate of 25 basis points less than the Official Cash Rate.

## **Asset Revaluation Reserve**

Revaluation reserves comprise accumulated revaluation increments/decrements.

## **Other Reserves & Special Funds Reserves**

Other reserves consist of funds which have been received over time by the Council, usually by way of a donation or bequest, the terms of which restrict the use of funds. Each amount has been set up as a trust fund to maintain a degree of independence from general Council funds. All such funds are separately accounted for and are not available for any other purpose.

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by the Council 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.

Council-created reserves are reserves established by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

## **Accumulated General Funds**

Accumulated General Funds consist of all other equity transactions not classified as operating reserves, capital reserves, asset revaluation reserves, other reserves or special reserves.

### **4. Trade and Other Receivables**

Trade and other receivables include rates and water charges and are recorded at their amortised cost which approximates their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. As there are statutory remedies to recover unpaid rates, penalties and water meter charges, no provision has been made for doubtful debts in respect of rates receivables.

Trade receivables are stated at their amortised cost which approximates their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### **5. Inventories**

Inventories are valued at the lower of net realisable value and cost determined on a first-in, first-out basis. Cost of work in progress includes the cost of materials, direct labour and overheads.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. The write down from cost to net realisable value is recognised in the statement of financial performance.

### **6. Other financial assets**

Financial assets are initially recognised 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 surplus or deficit.

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

Financial assets are classified into the following categories for the purpose of measurement<sup>23</sup>:

- fair value through surplus or deficit;
- loans and receivables;
- held-to-maturity investments; and
- fair value through other comprehensive income.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

### **Financial assets at fair value through surplus or deficit**

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on remeasurement recognised in the surplus or deficit.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in 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.

### **Loans and receivables**

Loans to community organisations made 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 financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant.

### **Held-to-maturity Investments**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after 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.

### **Fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. The Council and group includes in this category:

- investments that it intends to hold long-term but which may be realised before maturity; and
- shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive income, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

### **Impairment of financial assets**

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

### ***Loans and other receivables, and held-to-maturity investments***

Impairment is established when there is objective evidence that the Council and group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government bonds, and community loans, are recognised directly against the instrument's carrying amount.

#### **Financial assets at fair value through other comprehensive income**

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

## **7. Property, Plant and Equipment and Depreciation**

Property, plant and equipment have been separated into operational and restricted assets. Operational and restricted assets are defined as follows:

- *Operational Assets:* Tangible assets able to be dealt with as part of the operating strategy.
- *Restricted Assets:* These cannot be disposed of because of legal or other restrictions. They include reserves vested under the Reserves Act, and endowments and other property held in trust for specific purposes.

The cost of an item of plant, property 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 the Council and the cost of the item can be measured reliably.

### **Revaluation**

Property, plant and equipment are stated at their revalued amounts except for furniture and equipment; motor vehicles, plant and machinery, heritage assets, rural water races, landfills and village projects. Furniture and equipment; motor vehicles, plant and machinery, heritage assets, rural water races, landfills and village projects are stated at their cost or deemed cost.

The revalued amounts are their fair values at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance date.

Additions between valuations are recorded at cost, except for vested assets. Certain infrastructure assets and land have been vested in the Council as part of the subdivisional consent process. The vested reserve land has been initially recognised at the most recent appropriately certified government valuation. Vested infrastructure assets have been valued based on the actual quantities of infrastructure components vested and the current “in the ground” cost of providing identical services.

Revaluation increments and decrements are credited or debited to the asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the income statement. Any subsequent increase on revaluation that offsets a previous decrease in value recognised in the Statement of Financial Performance will be recognised first in the income statement up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset. On disposal, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

### **Disposals**

Gains and losses on disposals are determined by comparing the proceeds with the net book value of the asset. Gains and losses on disposals are included in the Statement of Financial Performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to Accumulated General Funds.

### **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 the Council and the cost of the item can be measured reliably.

## **Vested Assets**

In addition, infrastructural assets will be vested to Council from developers as the relevant developments have been completed. The Council will record the cost of those vested assets at the current cost when received and the assets will be revalued in line with the Council's other infrastructural assets. These assets will also be subject to depreciation.

## **Depreciation**

### ***Land***

Land is not depreciated.

### ***Motor Vehicles***

Motor vehicles are depreciated at 20% per annum on a straight line basis.

### ***Infrastructural Assets and Buildings***

Depreciation is provided on a straight line basis at rates that will write off the cost (or valuation) of the asset over their estimated useful lives. The estimated useful lives of the assets are as follows:

#### ***Roading/Bridge Network***

▪ Land under roads	Not depreciated
▪ Formation	Not depreciated
▪ Sub base	Not depreciated
▪ Base Course	75 - 100 years
▪ Surfacing	0 - 17 years
▪ Kerb & Channelling	10 - 100 years
▪ Street Signs	13 years
▪ Street Lighting	20 - 40 years
▪ Bridges	80 years

#### ***Water Network***

▪ Piping Mains	60 - 80 years
▪ Pumps	15 years
▪ Servicelines	80 - 100 years
▪ Hydrants	100 years
▪ Valves and Air Valves	80 years
▪ Meters	25 years
▪ Reservoirs	80 years

#### ***Sewerage Network***

▪ Mains	60 - 80 years
▪ Pumps	15 years
▪ Oxidation Ponds	Not depreciated
▪ Box Culverts	100 years
▪ Manholes	100 years

#### ***Stormwater Network***

▪ Lines	100 years
▪ Manholes	100 years
▪ Open Drains	Not depreciated

#### ***Alps 2 Ocean Cycleway***

▪ Formation	Not depreciated
▪ Surfacing	0 - 17 years

#### ***Buildings***

▪ Structure	80 years
▪ Services	45 years
▪ Internal Fitout	25 years

### Other Assets

All other assets are depreciated on a straight line basis at rates that will write off their costs, less any estimated final sales value, over their expected useful economic life. The expected useful lives of major classes of assets are as follows:

▪	Light Plant & Machinery	5-10 years
▪	Plant & Machinery	5-10 years
▪	Office Equipment	2-10 years
▪	Furniture & Fittings	5-10 years
▪	Computer Equipment	3-5 years
▪	Computer Network Cabling	10 years
▪	Heritage Assets	60-150 years
▪	Village Projects	5-80 years
▪	Landfills	33-50 years
	<b>Resource Recovery Parks:</b>	
▪	Formation/Site Development	35 years
▪	Surfacing/Metalling	15 years
▪	Signage, Plant & Equipment	5-10 years

### 8. Forestry

Forests were valued as at 30 June 2014, by Terry O'Neill (Bachelor of Forestry Science) Forester, Ashburton District Council in accordance with NZ IAS 41. All forests have been valued 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 of 8% (2013 the discount rate was 8%).

Council has a policy to revalue its forests annually. Any increase or decrease in the valuation is reflected in the Statement of Comprehensive Income as a net surplus or deficit on revaluation.

### 9. Intangible Assets

#### Software

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

#### Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the statement of financial performance.

The useful lives and associated amortisation values of major classes of intangible assets have been estimated as follows:

Computer Software	3 years
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#### Carbon Credits

Carbon Credits acquired by way of a government grant are initially recognised at the date of entitlement at fair value. Subsequent to initial recognition, carbon credits are measured at the original fair value less any accumulated impairment losses.

Carbon credits have an indefinite useful life and are tested for impairment annually or when an indication of impairment exists. The useful life of carbon credits with an indefinite life is reviewed each reporting period to determine whether the indefinite life assessment continues to be supportable.

### 10. Impairment

At each balance date, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, and for indefinite life intangibles, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The Council measures the value in use of assets whose future economic benefits are not directly related to their ability to generate net cash inflows held, at depreciated replacement cost. Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the greater of fair value less costs to sell, and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

For non-revalued assets, impairment losses are recognised as an expense immediately.

For revalued assets, the impairment loss is treated as a revaluation decrease to the extent it reverses previous accumulated revaluation increments for that asset class.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount and the impairment loss reverses a previous revaluation increment. In this case the reversal of the impairment loss is treated as a revaluation increase. An impairment loss recognised for Goodwill is not reversed in a subsequent period.

#### **11. Employee Entitlements**

Employee entitlements include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date and sick leave. A liability for sick leave is measured as a rolling average of sick leave paid out over the previous two financial years and the current financial year.

Liabilities for accumulated annual leave are measured as the additional amount of unused entitlement accumulated at the balance date.

#### **12. Borrowings**

Interest-bearing bank loans and overdrafts and other term borrowings, are initially recorded at fair value which is usually the proceeds received, net of direct issue costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

All borrowing costs are recognised in net profit or loss in the period in which they are incurred.

#### **13. Trade and other Payables**

Trade payables are stated at their amortised cost which approximates their nominal value given their short term nature.

#### **14. Leases**

##### **Finance Leases**

Leases which effectively transfer to the lessee substantially all of the risks and benefits incident to ownership of the leased item are classified as finance leases. These are capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments. The leased assets and corresponding lease liabilities are recognised in the Statement of Financial Position. Lease payments are apportioned between finance charges and the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement. The leased assets are depreciated over the period the Council is expected to benefit from their use.

##### **Operating Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are charged as expenses on a straight line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight line basis.

#### **15. Financial Instruments**

The Council is party to financial instrument arrangements as part of its everyday operations. These financial arrangements include bank deposits, investments, bonds, accounts receivable, bank overdraft facility, accounts payable and term loans.

Revenue and expenditure in relation to all financial instruments are recognised in the Statement of Comprehensive Income. All financial instruments are recognised in the Statement of Financial Position, at their fair value when the Council becomes a party to the contractual provisions of the instrument.

16. **Statement of Cash Flows**

**Cash and cash equivalents** comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, and with original maturities of three months or less, in which the Council invests as part of its day-to-day cash management.

**Operating activities** include cash received from all income sources of the Council and record the cash payments made for the supply of goods and services. Agency transactions are recognised as receipts and payments in the Statement of Cash Flows given that they flow through the Council's main bank account.

**Investing activities** are those activities relating to the acquisition and disposal of non-current assets.

**Financing activities** comprise activities that change the equity and debt capital structure of the Council.

17. **Cost of Service Statements**

The Cost of Service Statements as provided in the Statement of Service Performance, report the net cost of service for significant activities of the Council, and are represented by the costs of providing the service less all directly related revenue that can be allocated to these activities.

18. **Cost Allocation**

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

▪ **Cost Allocation Policy**

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information.

**Criteria for Direct and Indirect Costs**

**Direct costs:** are those costs directly attributable to a significant activity.

**Indirect costs:** are those costs, which cannot be identified in an economically feasible manner with a specific significant activity.

**Cost Drivers for Allocation of Indirect Costs**

The costs of internal services not directly charged to activities are allocated as overheads using appropriate cost drivers such as actual usage.

19. **Cash and Cash Equivalents**

Cash and Cash Equivalents includes, cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

20. **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 the Council 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 Council's decision.

21. **Income Tax**

Income tax expense is the aggregate of current period movements in relation to both current and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Council expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting surplus nor taxable surplus.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

## **22. Property Intended for Resale**

Council has several properties that it considers surplus to its core business requirements. The assets are valued after appropriate assessments are made at the lower of cost or net realisable value.

### **NEW PUBLIC BENEFIT ENTITY STANDARDS**

From 1 July 2014 the public sector in New Zealand moves to new Public Benefit Entity accounting standards (PBE standards). These standards are issued by the New Zealand Accounting Standards Board (NZASB) of the External Reporting Board comprising:

- Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS);
- Public Benefit Entity International Financial Reporting Standards (PBE IFRS), including Public Benefit Entity International Accounting Standards (PBE IAS); and
- Public Benefit Entity Financial Reporting Standards (PBE FRS).

There are new standards that have not been part of the current NZ IFRS PBE suite. In particular there are new standards that deal with exchange and non-exchange revenue and service concession assets. The financial impacts of any changes at 1 July 2014 will be accounted for through opening retained earnings and will not have a material effect on Council's financial performance in the 2014/15 year.

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 2 - Revenue

	2013	2014
	Actual	Actual
	\$000's	\$000's
<b>Note 2a. General rates</b>	1,539	1,691
<b>Note 2b. TARGETED RATES<sup>2</sup></b>		
Governance and Corporate Services	29	30
Water Supplies: Targeted rates for volumetric water supply	161	140
Water Supplies: Targeted Rates for metered water supply	629	751
Sewerage	403	426
Stormwater	80	72
Roading	1,305	1,320
Planning and Regulatory Services	136	148
Community and Towns	1,746	1,652
Commercial Activities	139	304
<b>TOTAL TARGETED RATES REQUIRED</b>	4,628	4,843
<i>Less Distribution of Investment Income</i>		
Budgeted contribution to rates from commercial activities	(32)	(32)
<b>Targeted rates struck</b>	<b>4,596</b>	<b>4,811</b>
<b>Note 2c. SUBSIDIES AND GRANTS</b>		
Grants	22	17
NZTA subsidies <sup>1</sup>	2,443	1,838
Petroleum tax	72	75
<b>Total subsidies and grants</b>	<b>2,537</b>	<b>1,930</b>
<b>Note 2d. INVESTMENT REVENUE</b>		
Dividend	380	377
External interest	548	477
Internal interest	6	283
<b>TOTAL INVESTMENT REVENUE</b>	934	1,137
Less Internal Interest	(6)	(283)
<b>Total investment revenue</b>	<b>928</b>	<b>854</b>
<b>Note 2e. OTHER REVENUE</b>		
Rental income	329	311
User fees and donations	794	930
Other	561	589
<b>Total other revenue</b>	<b>1,684</b>	<b>1,830</b>
<b>Note 2f. CONTRIBUTIONS</b>		
Financial contributions	313	299
Upgrade contributions	141	18
Reserve contributions	211	187
<b>Total subsidies and grants</b>	<b>665</b>	<b>504</b>
<b>Note 2g. OTHER GAINS</b>		
Gain on changes in fair value of forestry assets	498	0
Sale of operational land and buildings	40	0
Revalue assets for disposal	0	0
Carbon credits	0	145
Albury Water Supply - Aorangi Securities	5	51
<b>Total other gains</b>	<b>543</b>	<b>196</b>
Gain on sale of assets including real estate	6	229
Assets vested <sup>3</sup>	761	0
<b>TOTAL REVENUE</b>	<b>13,259</b>	<b>12,045</b>

<sup>1</sup>There are no unfulfilled conditions and other contingencies attached to New Zealand Transport Agency subsidies recognised.

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## <sup>2</sup>TARGETED RATES REVENUE

Each significant activity's separate rates are stated at gross, excluding the distribution of investment income. Income from Council's investments is distributed to each community in the District; Fairlie, Lake Tekapo, Twizel and Rural. This distribution reduces the total Works and Services Rate to be levied over each community. The distribution of investment income is on the basis of each community's capital values. In order to fairly reflect the total external operations for the Council in the surplus or deficit, these transactions are eliminated.

## <sup>3</sup>ASSETS VESTED

There were no assets vested in Council during 2014

In 2013, a swingset valued at \$6,000 was gifted to Council towards the upgrade of the Royal Billy Point Playground.

The Council has had vested to it certain infrastructural assets and land as part of the subdivisional process. Council recognises the value of these assets as income in the Statement of Financial Performance with an equivalent increase in property, plant and equipment in the Statement of Financial Position.

## RATES REMISSIONS

The objective of rates remissions is to facilitate the continuing provision of non-commercial community services and recreational opportunities in the Mackenzie District. The different type of rates remissions and the specific objectives of each type of rates remission are set in accordance with the policy outlined in the Long Term Plan

2013	2014
Actual	Actual
\$000's	\$000's

### Rates remissions are comprised of:

Community sporting and non-profit organisations	9	7
<b>TOTAL REMISSIONS</b>	<b>9</b>	<b>7</b>

Revenue is shown net of rates remissions and non-rateable land. Under the Local Government (Rating) Act 2002 a number of properties cannot be rated for general rates. In addition, under Council's Rate Remissions Policies which provide for rates to be remitted for sporting and community organisations, the Council committed itself at the start of the year to certain remissions which at year end totalled \$7,290.60 (2013: 8,520.85).

### Non-rateable land

Under the Local Government (Rating) Act 2002, certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens, and reserves. These non-rateable properties may be subject to targeted rates in respect of sewerage, water, refuse and sanitation. The non-rateable land does not constitute a remission under the Council's rates remission policy.

## RATING BASE INFORMATION

30 June 2013

Rating units within the district or region of the local authority at the end of the preceding financial year:

The number of rating units	4,349
The total land value of rating units	\$1,355,845,250
The total capital value of rating units	\$2,736,695,250

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 3 - Expenditure

	2013	2014
	Actual	Actual
	\$'000's	\$'000's
<b>Note 3a. Personnel costs</b>	1,816	2,000
<b>Note 3b. Elected members fees and reimbursements</b>	295	368
<b>Note 3c. DEPRECIATION AND AMORTISATION</b>		
Building	226	304
Plant and machinery	28	30
Motor vehicles	60	64
Office equipment	3	3
Furniture and fittings	12	12
Computer equipment	12	37
Resource recovery parks	13	9
Resource consents	13	13
Sewerage schemes	249	318
Stormwater schemes	61	63
Rural and urban water supplies	376	473
Landfills	4	4
Village projects	68	69
Alps 2 Ocean Cycleway	1	13
Roads	1,823	1,884
<b>TOTAL DEPRECIATION</b>	<b>2,949</b>	<b>3,296</b>
Computer software	29	21
<b>TOTAL AMORTISATION</b>	<b>29</b>	<b>21</b>
<b>Total depreciation and amortisation expense</b>	<b>2,978</b>	<b>3,317</b>
<b>Note 3d. OTHER EXPENSES</b>		
Audit fees		
Fees for financial statement audit	80	85
Fees paid for 2012-2022 Long Term Plan audit	0	0
Impairment of trade receivables	0	3
Insurance	198	157
Subscriptions	32	50
Donations and grants	126	98
Other operating expenses	6,008	6,139
<b>Total other operating expenses</b>	<b>6,444</b>	<b>6,532</b>
<b>Note 3e. Real Estate cost of sales</b>	<b>0</b>	<b>122</b>
<b>Note 3f. Loss on sale of assets and assets written off</b>	<b>1</b>	<b>0</b>
<b>Note 3g. ASSET IMPAIRMENT</b>		
Carbon credits	29	0
Mackenzie Tourism and Development Trust Loan	22	0
<b>Total Asset impairment</b>	<b>51</b>	<b>0</b>
<b>Note 3h. OTHER LOSSES</b>		
Losses on changes in fair value of forestry assets	0	389
<b>Total other losses</b>	<b>0</b>	<b>389</b>
<b>TOTAL EXPENDITURE</b>	<b>11,585</b>	<b>12,606</b>

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 4 - Depreciation and amortisation

Depreciation and amortisation for each Group of Activities:

	2013	2014
	Actual	Actual
	\$000's	\$000's
Governance and Corporate Services	99	134
Water supplies	380	477
Sewerage	249	318
Stormwater	58	61
Roading	1,800	1,860
Planning and Regulatory	39	50
Community and Township Services	291	347
Commercial Activities	62	70
<b>Total depreciation and amortisation expense</b>	<b>2,978</b>	<b>3,317</b>

## NOTE 5 - Reconciliation of Internal Income and Internal Expenses

Each significant activity is stated gross of internal income and expenditure. In order to fairly reflect the total external operations for the Council in the surplus or deficit, these transactions are eliminated as shown below:

### Internal Expenses

Internal support and administration operations (support activities) have been allocated to each significant on the basis of various cost drivers relative to the usage of services.

	2013	2014
	Actual	Actual
	\$000's	\$000's
<b>INTERNAL INCOME</b>		
Governance and Corporate Services	150	102
Water supplies	3	3
Sewerage	0	0
Stormwater	0	0
Roading	1	38
Planning and Regulatory	0	0
Community and Towns	0	0
Commercial activities	0	0
<b>Total Internal Income</b>	<b>154</b>	<b>143</b>
<b>INTERNAL EXPENSES</b>		
Governance and Corporate Services	75	56
Water supplies	3	3
Sewerage	0	0
Stormwater	0	0
Roading	25	48
Planning and Regulatory	45	31
Community and Towns	6	5
Commercial activities	0	0
<b>Total Internal Expenses</b>	<b>154</b>	<b>143</b>

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 6 - Internal Borrowing

2014					
Activity	Opening Balance \$000's	Repayments	Borrowings	Closing Balance \$000's	Interest Paid \$000's
<b>Planning and Regulatory Activity Group</b>					
Resource management	943	0	293	1,236	0
<b>Community and Township Services Activity Group</b>					
Twizel township	788	(92)	0	696	28
Waste management operating reserve	421	(77)	0	344	0
<b>Total internal borrowing</b>	<b>2,152</b>	<b>(169)</b>	<b>293</b>	<b>2,276</b>	<b>28</b>

2013					
Activity	Opening Balance	Repayments	Borrowings	Closing Balance	Interest Paid \$000's
<b>Planning and Regulatory Activity Group</b>					
Resource management	842	(110)	211	943	0
<b>Community and Township Services Activity Group</b>					
Twizel township	879	(162)	71	788	51
Waste management operating reserve	430	(9)	0	421	0
<b>Total internal borrowing</b>	<b>2,151</b>	<b>(281)</b>	<b>282</b>	<b>2,152</b>	<b>51</b>

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 7 - Equity

Reserves	Activity to which the fund relates	Purpose	2013				2014			
			Opening Balance	Movement Into Reserve	Movement from Reserve	Closing Balance	Opening Balance	Movement Into Reserve	Movement from Reserve	Closing Balance
			Actual	Actual	Reserve	Actual	Actual	Reserve	Reserve	Actual
			\$000's	\$000's	Actual \$000's	\$000's	\$000's	Actual \$000's	Actual \$000's	\$000's
ACCUMULATED GENERAL FUNDS			95,955	1,674	(896)	96,733	96,733	(561)	335	96,507
Total accumulated general funds			95,955	1,674	(896)	96,733	96,733	(561)	335	96,507
REVALUATION RESERVES										
Share revaluation reserve	Commercial	Accumulate changes in value of Councils Share investments	2,941	2,276	0	5,217	5,217	0	0	5,217
Investment revaluation reserve	Commercial	Accumulate movements in Councils long term investments	361	0	(89)	272	272	0	(164)	108
Infrastructural assets revaluation reserves									0	
Land	Governance and Corporate	Accumulate changes in value of Councils land holdings	26,999	0	0	26,999	26,999	3,396	(101)	30,294
Water supplies	Water	Accumulate changes in value of Councils water infrastructure	9,621	0	0	9,621	9,621	3,989	0	13,610
Wastewater schemes	Sewerage	Accumulate changes in value of Councils wastewater infrastructure	4,305	0	0	4,305	4,305	2,259	0	6,564
Stormwater schemes	Stormwater	Accumulate changes in value of Councils stormwater infrastructure	1,937	0	0	1,937	1,937	530	0	2,467
Roading	Roading	Accumulate changes in value of Councils roading infrastructure	27,501	0	0	27,501	27,501	10,594	0	38,095
Plant	Communities and Towns	Accumulate changes in value of Councils plant assets	32	0	0	32	32	3	0	35
Buildings	Governance and Corporate	Accumulate changes in value of Councils buildings	7,581	0	0	7,581	7,581	563	0	8,144
Total revaluation reserves			81,278	2,276	(89)	83,465	83,465	21,334	(265)	104,534
SPECIAL FUND RESERVES										
Albury water fund	Communities and Towns	To fund Albury Water	40	0	0	40	40	0	0	40
Ashwick/Opuha water fund	Communities and Towns	To fund Ashwick/Opuha Water	(40)	0	0	(40)	(40)	0	0	(40)
Building maintenance	Communities and Towns	To fund repairs and maintenance of certain council amenity assets	(89)	89	0	0	0	0	0	0
Housing replacement	Communities and Towns	To fund district housing	7	0	0	7	7	0	0	7
Insurance reserve	Governance and Corporate	To fund disaster cover	200	0	0	200	200	0	0	200
Land subdivision	Communities and Towns	To fund district wide projects	629	211	0	840	840	189	0	1,029
Pensioner housing amenities	Communities and Towns	To fund pensioner housing amenities	2	0	0	2	2	0	0	2
Watertight building reserve	Governance and Corporate	Held to cover increased insurance costs of Riskpool	44	0	0	44	44	0	0	44
Mackenzie County Scholarship Trust	Governance and Corporate	Held on behalf of Mackenzie County Scholarship Trust	83	0	0	83	83	0	0	83
Masonic Lodge Scholarship Fund	Governance and Corporate	Held on behalf of Masonic Scholarship Fund	17	0	0	17	17	0	(10)	7
Real estate investment	Commercial	Accumulate operating results from Councils Real Estate activities	5,461	0	(737)	4,724	4,724	0	0	4,724
Strathconan pool capital	Communities and Towns	To fund Strathconan pool capital	1	0	0	1	1	0	0	1
Total special funds reserves			6,355	300	(737)	5,918	5,918	189	(10)	6,097
OTHER RESERVES										
Albury war memorial	Communities and Towns	Funding of maintenance of the districts war memorials	4	0	0	4	4	0	0	4
Ashwick/Allandale war memorial	Communities and Towns	Funding of maintenance of the districts war memorials	4	0	0	4	4	0	0	4
Davidson bequest: cemetery	Communities and Towns	Bequests for cemetery maintenance	1	0	0	1	1	0	0	1
Gillingham bequest: library	Communities and Towns	Bequests for library books	0	0	0	0	0	0	0	0
Gould bequest: cemetery	Communities and Towns	Bequests for cemetery maintenance	1	0	0	1	1	0	0	1
Paterson ponds	Communities and Towns	Funding of maintenance at Paterson Ponds	10	0	0	10	10	0	0	10
Enid Hutt Fairlie beautifying fund	Communities and Towns	To fund expenditure in the Fairlie township	30	2	(12)	20	20	2	0	22
Total other reserves			50	2	(12)	40	40	2	0	42

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

Reserves	Activity to which the fund relates	Purpose	2013				2014			
			Opening Balance Actual \$000's	Movement Into Reserve Actual \$000's	Movement from Reserve Actual \$000's	Closing Balance Actual \$000's	Opening Balance Actual \$000's	Movement Into Reserve Actual \$000's	Movement from Reserve Actual \$000's	Closing Balance Actual \$000's
CAPITAL RESERVES										
Administration	Governance and Corporate	To fund capital replacements of Administration Assets	-58	2	-4	-60	-60	3	-2	-59
Allandale water	Water	To Fund debt repayment of the Allandale Water Scheme construction and to fund its eventual replacement.	-481	50	-1	-432	-432	38	-2	-396
Animal control	Regulatory	To fund capital requirements of animal control	-8	0	-7	-15	-15	0	0	-15
Ashwick/Opuha water	Water	To fund capital requirements of the Ashwick/Opuha Water scheme	38	10	0	48	48	0	2	50
Asset management	Governance and Corporate	To fund capital requirements of asset management	7	0	0	7	7	0	0	7
Burkes Pass sewer	Sewerage	To fund sewer capital works in Burkes Pass	-6	4	-1	-3	-3	0	5	2
Burkes Pass water	Water	To fund capital requirements of the Burkes Pass Water scheme	-10	7	-1	-4	-4	0	3	-1
CEO department	Governance and Corporate	To fund capital requirements of the CEO department	-1	1	0	0	0	0	0	0
Civil defence	Regulatory	To fund capital requirements of Civil Defence	30	4	0	34	34	4	-11	27
Community facilities	Communities and Towns	To fund capital requirements of community facilities	4	0	-4	0	0	0	0	0
District Council	Governance and Corporate	To fund capital requirements of the Governance Activity	-5	0	0	-5	-5	0	0	-5
Council building: Fairlie	Governance and Corporate	To fund replacement of Councils Administration Building in Fairlie	0	9	-18	-9	-9	24	-37	-22
Council building: Twizel	Governance and Corporate	To fund replacement of Councils Administration Building in Twizel	0	4	-14	-10	-10	12	-10	-8
District general	Communities and Towns	To fund capital requirements of the District	42	1	0	43	43	0	0	43
District wide roading	Roading	To fund roading capital works district wide.	0	1,724	-1,631	93	93	1,978	-1,891	180
Downlands water	Water	Councils share of a Joint Venture to fund the capital requirements of the Downlands Water Scheme	93	0	0	93	93	0	0	93
Eversley sewer	Sewerage	To fund capital requirements of the Eversley water scheme	-1	0	0	-1	-1	0	0	-1
Fairlie medical centre	Communities and Towns	To fund replacement of medical facilities in Fairlie	0	2	0	2	2	5	0	7
Fairlie pensioner housing	Communities and Towns	To fund the eventual replacement of the pensioner housing stock in Fairlie	73	4	0	77	77	5	0	82
Fairlie roading	Roading	To fund roading projects in Fairlie	106	0	0	106	106	0	-106	0
Fairlie resource recovery park	Communities and Towns	To fund capital upgrades and replacement for Fairlie Recovery Park	-75	4	0	-71	-71	4	0	-67
Fairlie sewer	Sewerage	To fund sewer capital works in Fairlie	-243	66	0	-177	-177	60	-9	-126
Fairlie stormwater	Stormwater	To fund stormwater capital works in Fairlie	-34	34	0	0	0	18	0	18
Fairlie township	Communities and Towns	To fund capital works in the Fairlie Township	-15	20	-5	0	0	8	-1	7
Fairlie water	Water	To fund capital requirements of the Fairlie Water scheme	-815	137	-276	-954	-954	137	-171	-988
Forestry	Commercial	To fund the operations of Councils Forestry Assets	127	444	0	571	571	0	-77	494
Hardfill sites	Communities and Towns	To fund costs arising from operations of the Councils Hardfill sites	-2	1	0	-1	-1	0	0	-1
Inspectorate	Regulatory	Fund the capital requirements of the inspectorate department	1	0	0	1	1	0	0	1
Information technology department	Governance and Corporate	To Fund capital replacement of Councils IT assets	24	43	-82	-15	-15	58	-164	-121
Kimbell water	Water	To fund capital requirements of the Kimbell Water scheme	11	2	0	13	13	0	1	14
Lake Tekapo community hall	Communities and Towns	To fund replacement of the Tekapo Community Hall	505	52	-556	1	1	4	-45	-40
Lake Tekapo roading	Roading	To fund roading projects in Tekapo	31	0	0	31	31	0	-31	0
Lake Tekapo resource recovery park	Communities and Towns	To fund capital upgrades and replacements for Tekapo Recovery Park	-113	5	0	-108	-108	5	0	-103
Lake Tekapo sewer	Sewerage	To fund sewer capital works in Tekapo	-344	379	0	35	35	225	0	260
Lake Tekapo stormwater	Stormwater	To fund stormwater capital works in Tekapo	95	39	0	134	134	15	-3	146
Lake Tekapo township	Communities and Towns	To fund capital works in the Tekapo Township	-60	111	-51	0	0	0	0	0
Lake Tekapo water	Water	To fund water capital works in Tekapo	562	284	-161	685	685	156	-19	822
Mackenzie community centre	Communities and Towns	To fund the capital works at the Fairlie community centre	0	7	0	7	7	12	0	19
Manuka Terrace water	Water	To Fund investigation and construction of a new water supply for Manuka Terrace	-18	28	0	10	10	0	8	18

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

Reserves	Activity to which the fund relates	Purpose	2013				2014			
			Opening Balance	Movement Into Reserve	Movement from Reserve	Closing Balance	Opening Balance	Movement Into Reserve	Movement from Reserve	Closing Balance
			Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's
Plant account	Governance and Corporate	To fund capital replacement of Councils Motor Vehicle assets	48	72	(98)	22	22	0	68	90
Public Toilets	Communities and Towns	To fund replacement of Public Toilets within the district	0	4	(4)	0	0	12	(120)	(108)
Pukaki airport board	Commercial	To fund the operations of Councils Airport Assets	(575)	7	0	(568)	(568)	0	(51)	(619)
Real estate	Commercial	To fund subdivision of Councils real estate assets	0	0	(49)	(49)	(49)	0	(257)	(306)
Roading professional business unit	Roading	To fund capital requirements of the Roding Business unit	3	2	(9)	(4)	(4)	2	(9)	(11)
Rural fire control	Regulatory	To fund capital requirements of Rural fire	(95)	35	(9)	(69)	(69)	46	(76)	(99)
Rural roading	Roading	To fund roading projects in Rural area	780	0	(24)	756	756	0	(343)	413
School Road water	Water	To fund capital requirements of the School Road Water scheme	1	4	0	5	5	2	0	7
Sherwood Downs hall	Communities and Towns	To fund capital requirements of the Sherwood Downs Reserves	17	1	0	18	18	1	(2)	17
Sherwood Downs recreation reserve	Communities and Towns	To fund capital requirements of the Sherwood Downs Hall	37	0	(1)	36	36	0	0	36
Spur Road water	Water	To fund Spur Road capital debt	(23)	22	0	(1)	(1)	0	(3)	(4)
Swimming pool: Strathconan	Communities and Towns	To fund replacement of the Fairlie swimming pool	0	3	(16)	(13)	(13)	3	(5)	(15)
Swimming pool: Twizel	Communities and Towns	To fund replacement of the Twizel swimming pool	0	2	(8)	(6)	(6)	4	(5)	(7)
Treatment of organic waste	Communities and Towns	To fund treatment of organic waste	(170)	0	0	(170)	(170)	0	0	(170)
Twizel community centre	Communities and Towns	To fund replacement of the Twizel Events Centre	0	18	0	18	18	29	0	47
Twizel medical centre	Communities and Towns	To fund replacement of medical facilities in Twizel	1	1	(1)	1	1	4	0	5
Twizel pensioner housing	Communities and Towns	To fund the eventual replacement of the pensioner housing stock in Twizel	18	1	0	19	19	3	0	22
Twizel roading	Roading	To fund roading projects in Twizel	49	0	0	49	49	0	(49)	0
Twizel resource recovery park	Communities and Towns	To fund capital upgrades and replacement for Twizel Recovery Park	(122)	8	0	(114)	(114)	6	0	(108)
Twizel sewer	Sewerage	To fund sewer capital works in Twizel	1,012	136	(25)	1,123	1,123	217	(75)	1,265
Twizel stormwater	Stormwater	To fund stormwater capital works in Twizel	267	28	(91)	204	204	29	0	233
Twizel township	Communities and Towns	To fund capital works in the Twizel Township	(879)	162	(71)	(788)	(788)	92	0	(696)
Twizel water	Water	To fund water capital works in Twizel	1,294	186	(153)	1,327	1,327	260	(188)	1,399
<b>Total capital reserves</b>			<b>1,123</b>	<b>4,170</b>	<b>(3,371)</b>	<b>1,922</b>	<b>1,922</b>	<b>3,481</b>	<b>(3,675)</b>	<b>1,728</b>
<b>OPERATING RESERVES</b>										
Albury hall	Communities and Towns	To fund operations at the Albury Hall	4	3	0	7	7	4	0	11
Albury community refuse collection	Communities and Towns	Council's refuse collection operations	3	0	0	3	3	0	0	3
Albury water supply	Water	Accumulate surpluses/deficits from General Rate funded operations	48	27	0	75	75	60	0	135
District general	Communities and Towns	Accumulate surpluses/deficits from General Rate funded operations	53	413	(281)	185	185	311	(485)	11
Downlands water supply	Water	Accumulate surpluses/deficits from General Rate funded operations	(11)	16	0	5	5	0	10	15
Eversley/Puneroa water races	Water	Accumulate surpluses/deficits to fund Eversley/Puneroa operating activities	(1)	0	0	(1)	(1)	0	0	(1)
Fairlie community refuse collection	Communities and Towns	Council's refuse collection operations	11	0	0	11	11	0	0	11
Fairlie works and services	Communities and Towns	Accumulate surpluses/deficits from Fairlie Works and Services Rate funded operations	66	218	(281)	3	3	13	0	16
Lake Alexandrina refuse collection	Communities and Towns	Council's refuse collection operations	1	0	0	1	1	0	0	1
Lake Tekapo community refuse collection	Communities and Towns	Council's refuse collection operations	10	0	0	10	10	0	0	10

## Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

Reserves	Activity to which the fund relates	Purpose	2013				2014			
			Opening Balance Actual \$000's	Movement Into Reserve Actual \$000's	Movement from Reserve Actual \$000's	Closing Balance Actual \$000's	Opening Balance Actual \$000's	Movement Into Reserve Actual \$000's	Movement from Reserve Actual \$000's	Closing Balance Actual \$000's
Lake Tekapo works and services	Communities and Towns	Accumulate surpluses/deficits from Tekapo Works and Services Rate funded operations	134	156	(113)	177	177	0	69	246
Other reserves	Communities and Towns	Accumulate surpluses from Lake Alexandrina rental receipts	223	0	(9)	214	214	69	(3)	280
Roading professional services business unit	Roading	Accumulate operating results of Councils Roding Business Unit	(10)	3	(20)	(27)	(27)	0	0	(27)
Real estate	Commercial	Holds returns from real estate transactions	(514)	737	(152)	71	71	0	(71)	0
Resource management	Regulatory	Deficit from Plan Change 13	(842)	110	(211)	(943)	(943)	0	(293)	(1,236)
Rural works and services	Communities and Towns	Accumulate surpluses/deficits from Rural Works and Services Rate funded operations	68	8	(8)	68	68	18	0	86
Tourism and development	Commercial	Accumulate operating results from ownership of the Pukaki Visitors Centre	(281)	784	(843)	(340)	(340)	13	(107)	(434)
Twizel community refuse collection	Communities and Towns	Councils refuse collection operations	2	0	0	2	2	0	0	2
Twizel visitors centre	Communities and Towns	Accumulate surpluses/deficits from Twizel visitor centre operations	0	0	0	0	0	22	0	22
Twizel works and services	Communities and Towns	Accumulate surpluses/deficits from Twizel Works and Services Rate funded operations	29	178	(200)	7	7	1	0	8
Waste management	Communities and Towns	Accumulate surpluses/(deficits) from Council's Solid Waste operation	(430)	9	0	(421)	(421)	0	77	(344)
<b>Total operating reserves</b>			<b>(1,437)</b>	<b>2,662</b>	<b>(2,118)</b>	<b>(893)</b>	<b>(893)</b>	<b>511</b>	<b>(803)</b>	<b>(1,185)</b>
<b>TOTAL EQUITY</b>			<b>183,324</b>	<b>11,084</b>	<b>(7,223)</b>	<b>187,185</b>	<b>187,185</b>	<b>24,956</b>	<b>(4,418)</b>	<b>207,723</b>

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 8 - Cash and cash equivalents

	2013	2014
	Actual	Actual
	\$000's	\$000's
Cash at bank and in hand	539	713
Short-term deposits maturing three months or less from date of acquisition	7,411	8,695
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>7,950</b>	<b>9,408</b>

**Cash and bank overdrafts include the following for the purposes of the cash flow statement:**

ANZ current accounts	270	240
Westpac Banking Corporation	269	473
Short-term deposits maturing three months or less from date of acquisition	7,411	8,695
<b>Total cash and cash equivalents</b>	<b>7,950</b>	<b>9,408</b>

### Fair Value

The carrying value of short term deposits with maturity dates of three months or less approximate fair value.

## NOTE 9 - Debtors and other receivables

	2013	2014
	Actual	Actual
	\$000's	\$000's
Current	2,241	1,617
<b>TOTAL DEBTORS AND OTHER RECEIVABLES</b>	<b>2,241</b>	<b>1,617</b>

### Debtors are comprised of:

Rates	168	197
Dividend receivable	150	150
Interest receivable	86	73
Prepayments	57	142
Other receivables	1,789	1,063
	2,249	1,625
Less provision for impairment of sundry receivables	(8)	(8)
<b>Total debtors and other receivables</b>	<b>2,241</b>	<b>1,617</b>

### Fair Value

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

There is no concentration of credit risk with respect to receivables outside the Council, as the Council has a large number of customers.

### Impairment

Council does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts.

These powers allow Council to commence legal proceedings to recover any rates that remain unpaid 4 months after the due date for payment. If payment has not been made within 3 months of the Court's judgement, then Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances. Where such payment plans are in place, debts are discounted to their present value of future payments if the effect of discounting is material.

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 9a - Aging of Receivables

The aging profile of receivables at year end is detailed below:

9a - Aging of Receivables	2013			2014		
	Gross \$000's	Impairment \$000's	Net \$000's	Gross \$000's	Impairment \$000's	Net \$000's
Not past due	2,137	0	2,137	1,494	0	1,494
Past due 1-30 days	24	0	24	38	0	38
Past due 31-60 days	8	0	8	10	0	10
Past due 60-90 days	61	0	61	50	0	50
Past due >90 days to 1 year	10	8	2	12	8	4
Past due 1-2 years	10	0	10	11	0	11
Past due 3 years	0	0	0	11	0	11
Past due 4 years	0	0	0	0	0	0
Past due >5 years		0	0	0	0	0
<b>TOTAL AGED RECEIVABLES</b>	<b>2,249</b>	<b>8</b>	<b>2,241</b>	<b>1,625</b>	<b>8</b>	<b>1,617</b>

All receivables greater than 30 days in age are considered to be past due.

As of 30 June 2014 and 2013, all overdue receivables, except for rates receivable, have been assessed for impairment and appropriate provisions applied. The Council holds no collateral as security or other credit enhancements over receivables that are past due or impaired. All receivables greater than 30 days in age are considered to be past due.

The impairment provision has been calculated based on a review of the specific overdue receivables. Expected losses have been determined based on a review of specific receivables at balance date.

	2013	2014
	Actual \$000's	Actual \$000's
Opening balance 1 July	-8	-8
Additional provisions made during the year	0	-3
Receivables written-off during the period	0	3
<b>Closing balance 30 June</b>	<b>-8</b>	<b>-8</b>

## NOTE 10 - Taxation

	2013	2014
	Actual \$000's	Actual \$000's
<b>SURPLUS/(DEFICT) FROM OPERATIONS</b>	<b>1,674</b>	<b>(561)</b>
Prima Facie Taxation @28% (2013: 28%)	469	(157)
Taxation effect of permanent differences	0	0
Imputation credit adjustment	0	0
Non-taxable income/expenditure	(469)	157
<b>TOTAL TAXATION EXPENSE</b>	<b>0</b>	<b>0</b>

### The taxation charge is represented by:

Prior year over provision	0	0
Current taxation	0	0
Deferred taxation	0	0
	<b>0</b>	<b>0</b>

The Council has unrecognised tax losses \$55,399 (2013: \$64,118), with the tax effect \$15,512 at 28% (2013: \$17,953) available for carry forward in offsetting assessable income in future years.

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 11 - Other financial assets

	2013	2014
	Actual	Actual
	\$000's	\$000's
Current	1,059	1,092
Non-current	12,037	10,891
<b>TOTAL OTHER FINANCIAL ASSETS</b>	<b>13,096</b>	<b>11,983</b>
<i>Investments are comprised of:</i>		
<b>CURRENT PORTION</b>		
<b>Fair value through equity</b>		
<b>Bonds</b>		
Other registered banks	768	524
Strongly rated corporate bonds	257	0
Local authority stock	0	511
<b>Loans and receivables</b>		
Eversley Sewerage	10	17
Term deposits (original maturities greater than three months)	24	40
<b>TOTAL CURRENT PORTION</b>	<b>1,059</b>	<b>1,092</b>
<b>NON-CURRENT PORTION</b>		
<b>Fair value through equity</b>		
<b>Bonds</b>		
Other registered banks	2,136	1,565
Strongly rated corporate bonds	0	0
Local authority stock	1,077	535
<b>Shares</b>		
Alpine Energy Limited	8,630	8,630
<b>Investment in other entities</b>		
Mackenzie Tourism and Development Trust	28	0
Less impairment	-28	0
<b>Loans and receivables</b>		
Eversley Sewerage	193	161
Mackenzie Tourism and Development Trust	255	0
Less impairment	-255	0
Term deposits	0	0
<b>TOTAL NON-CURRENT PORTION</b>	<b>12,037</b>	<b>10,891</b>
<b>Total other financial assets</b>	<b>13,096</b>	<b>11,983</b>

### Fair Value Hierarchy Disclosures

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

**Level 1: Financial instruments with quoted prices for identical instruments in active markets:**

**Level 2: Valuation technique using observable inputs:**

Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

**Level 3: Valuation techniques with significant non-observable inputs.**

Financial instruments valued using models where one or more significant inputs are not observable.

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## Bonds

Government and commercial bonds are carried at amortised cost. The fair value of these bonds is \$3,134,588 (2013: \$4,238,754). Fair value has been determined using quoted market bid prices from independently sourced market information.

## Other Shares in Companies

Council holds the following equity investments:

### *Shares held in Alpine Energy Ltd*

The Council holds 2,049,870 fully paid shares (2013: 2,049,870) of \$1 (2013: \$1) in this entity. The shares are recognised at fair value as assessed by Deloitte for the year ending 31 March. As at 31 March 2014 the tangible assets per share was \$4.58 per share (2013: \$3.99) and the earnings per share were \$27.40 (2013: \$26.40) according to the financial statements of the company.

## Impairment

### Provision for loan write-down

On 12 June 2014, Council resolved to dissolve Mackenzie Tourism and Development Trust and write off the loan and an unsettled amount of \$28,000. The resolution has no financial impact in the Statement of Comprehensive Income this year as the Council had made a full provision for impairment of the investment and loan in previous years (2013: Fully impaired).

No other impairment provisions has been provided on any of the other financial assets.

None of the financial assets are past due.

## NOTE 11a - Maturity analysis

The maturity dates for all other financial assets with the exception of equity investments, and advances are as follows:

### Maturity Analysis

#### FAIR VALUE:

	2013 Actual \$000's	2014 Actual \$000's
Other investments maturing within 1 year or less:	1,059	1,092
Investments maturing after 1 year but less than 2 years	1,076	9
Investments maturing after 2 year but less than 3 years	0	9
Investments maturing after 3 year but less than 4 years	1,050	2,109
Investments maturing after 4 year but less than 5 years	1,087	10
More than five years	8,823	8,752
<b>Fair value of financial assets as at 30 June 2014</b>	<b>13,096</b>	<b>11,981</b>

#### CARRYING VALUE:

Other investments maturing within 1 year or less:	1,024	1,057
Investments maturing after 1 year but less than 2 years	1,000	9
Investments maturing after 2 year but less than 3 years	0	9
Investments maturing after 3 year but less than 4 years	1,000	2,037
Investments maturing after 4 year but less than 5 years	1,027	10
More than five years	8,823	8,753
<b>Carrying value of financial assets as at 30 June 2014</b>	<b>12,874</b>	<b>11,875</b>

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## Valuation and Effective Interest Rates

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

2014		Valuation Technique		
	Total	Quoted Market Price	Observable Inputs	Significant Non- observable Inputs
	\$000's	\$000's	\$000's	\$000's

### FINANCIAL ASSETS

#### Fair value through equity

##### Bonds

Other registered banks	2,089	0	2,089	0
Strongly rated corporate bonds	0	0	0	0
Local authority stock	1,046	0	1,046	0

#### Equity investment held in another company

##### Shares

Alpine Energy Limited	8,630	0	0	8,630
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#### Loans and receivables

Eversley Sewerage	178	0	0	178
Term deposits (original maturities greater than three months)	40	0	40	0

2013		Valuation Technique		
	Total	Quoted Market Price	Observable Inputs	Significant Non- observable Inputs
	\$000's	\$000's	\$000's	\$000's

### FINANCIAL ASSETS

#### Fair value through equity

##### Bonds

Other registered banks	2,904	0	2,904	0
Strongly rated corporate bonds	257	0	257	0
Local authority stock	1,077	0	1,077	0

#### Equity investment held in another company

##### Shares

Alpine Energy Limited	8,630	0	0	8,630
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#### Loans and receivables

Eversley Sewerage	203	0	0	203
Term deposits (original maturities greater than three months)	24	0	24	0

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## ALPINE ENERGY LIMITED

Council's investment in Alpine Energy Limited is regarded as an equity investment held in another company. This is carried at fair value.

	2013		2014	
	Number of shares held	Value per share	Number of shares held	Value per share
Other financial assets	2,049,870	\$ 4.21	2,049,870	\$ 4.21

	2013	2014
	Actual	Actual
	\$000's	\$000's
<b>Shares in Alpine Energy Ltd</b>		
Opening Balance	6,355	8,630
Plus revaluations	2,275	0
<b>CLOSING BALANCE</b>	<b>8,630</b>	<b>8,630</b>

## INTEREST RATES

### The weighted average effective interest rates

	2013	2014
Call accounts	2.50%	3.25%
Local authority stock	5.92%	6.51%
State owned enterprises and strongly rated corporates	7.10%	0.00%
Trading bank stock	6.94%	6.54%

## NOTE 12 - Joint Venture

Name of Entity: **Downlands Water Supply**  
 Balance date: **30 June 2014**  
 Membership: **2014: 4% (2013: 4%)**

The Downlands Water Supply, administered by Timaru District Council, serves some properties within the Albury Area of the Mackenzie District. The supply also extensively serve properties within the Timaru and Waimate Districts. The Council's interest in the Downlands Water Schemes is accounted for as a jointly controlled asset. The joint venture shares a common balance date with Council, but the financial statements have not been audited.

	2013	2014
	Actual	Actual
	\$000's	\$000's
<b>The Council's interests in the jointly controlled asset are as follows:</b>		
Revenue	52	51
Expenses	(40)	-40
<b>Share of Net Surplus (Deficit)</b>	<b>12</b>	<b>11</b>
Current assets	124	141
Non-current assets	581	576
Current liabilities	(12)	-13
Non-current liabilities	0	0
<b>Share of assets employed</b>	<b>693</b>	<b>704</b>

### JOINT VENTURE RELATED PARTY TRANSACTIONS

For details of any related party transactions with the joint venture; Refer to Note 25; *Related party transactions*

### JOINT VENTURE COMMITMENTS AND CONTINGENCIES

Details of any commitments and contingent liabilities arising from the group's involvement in the joint venture are disclosed separately in Notes 26; *Contingent liabilities and 28; Commitments*.

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 13 - Inventories

	2013	2014
	Actual \$000's	Actual \$000's
Held for distribution or consumption:	8	10
Commercial inventory - land developed for sale <sup>4</sup>	3,883	4,133
<b>TOTAL INVENTORIES</b>	<b>3,891</b>	<b>4,143</b>

No inventories are pledged as security for liabilities (2013: \$Nil).

### Held for distribution inventory

Inventories held for distribution or consumption include:

- Retail stock for sale, and
- Excess parts in working condition that remain for emergency repairs. Council intends to hold these spare parts as inventory until they can be utilised in the future.

The carrying amount of inventory held for distribution that is measured at current replacement cost as at 30 June 2014 amounted to \$10,191 (\$2013: \$7,974). The write-down of inventory held for distribution because of a loss in service potential amounted to \$Nil (2013: \$Nil). There have been no reversals of write-downs (2013 \$Nil).

The loss in service potential of inventory held for distribution is determined on the basis of obsolescence.

### Commercial inventory

<sup>4</sup>The Council has developed land for future sale and costs capitalised to date, which are not expected to be recovered until after 30 June 2014 in line with the expected business operating cycle for this activity.

For further details; Refer to Note 22; Surplus Property

The write-down of commercial inventory to net realisable value amounted to \$Nil (2013: \$Nil).

There have been no reversals of write-downs (2013 \$Nil).

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 14 - Forestry

	2013	2014
	Actual	Actual
	\$000's	\$000's
<b>Opening balance</b>	<b>2,197</b>	<b>2,638</b>
Gains arising from changes in fair value less estimated point of sale costs attributable to physical changes	274	305
Gains arising from changes in fair value less estimated point of sale costs attributable to price changes	224	(84)
Gains arising from changes in fair value less estimated point of sale costs attributable to harvesting cost changes	0	(514)
Decrease due to harvest	(57)	(95)
<b>CLOSING BALANCE</b>	<b>2,638</b>	<b>2,250</b>

Two adjacent stands totalling 5.8 hectares have been harvested during 2014 (2013: 9.3 hectares of Corsican Pine).

During the financial year one plantation of 10 hectares was replanted.

### LOCATION

The Mackenzie District Council plantations are scattered throughout the district and are planted predominantly on reserve land. A large proportion of the Council's estate (72%) is located in five larger plantations. These larger plantations are::

#### HECTARES LOCATION

96	Woodburn - near Burkes Pass
118	Woods - Clayton Road
148	Simons Hill - Mackenzie Basin
223	Cabuie - Ashwick Flat
<u>158</u>	<u>Fox Peak - Sherwood</u>
743	

Council plantations are generally adjacent to Council roads with little or no internal roading required. Roading costs are therefore low. Logging rates are also generally low due to easy terrain. Cartage lead distances vary through the district. The major markets are the Port of Timaru, Hunter Hills Lumber, local South Canterbury sawmills and the Rangiora MDF plant.

### LEGAL DESCRIPTION AND LAND VALUE

In the valuation, land value is expressed as an annual rental and included in the annual overhead cost. Allowance has been made for reserves vested to the Council by the crown such as shingle pits that have been worked out and planted in trees. In effect these reserves, 42% of the Council's plantations, have a nil land value. The remaining land has been given an average value of \$1,500/ha, the annual cost of this land has been set as a rental of 4% on this value that is \$60/ha/year.

The impact of the Emissions Trading Scheme lowers the potential land value for pre-1990 forest land due to the carbon liabilities that accrue if the land is deforested.

### SPECIES AREA AGE CLASS DISTRIBUTION

The forest estate comprises primarily of Douglas fir with also a significant area of Radiata pine and Corsican pine. There are other species. Included in the resource such as Macrocarpa, Muricata Pine and Larch. Individual stands are detailed below:

## Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

HECTARES	SPECIES
618.4	Douglas Fir
116.3	Radiata Pine
236.9	Other Species
971.6	

### STAND HISTORY AND INVENTORY

All stands have inventory data collected from them during quality control operations when tending is carried, information such as stocking, mean top height, mean diameter at breast height and pruning quality information are collected. This stand data is used to determine which crop type a stand should be allocated to.

However, stand records for the Mackenzie District Council plantations have only been formally recorded for the last three years (records date to 30/11/92). Therefore stand records are not complete for all plantations in the valuation. Older stands with operations dating prior to stand records being initiated have no operation information (DOS, prune/thin dates). Some mid-rotation inventories have been carried in these stands. Also young stands where no operations have been carried out only have initial stocking and species information.

### MARKET REVIEW

#### MARKET SUMMARY

The value is a significant increase on the values calculated last year due to several factors:

1. Lower log prices,
2. Increased harvesting costs, and.
3. Tree growth.

#### MARKET OVERVIEW

The log market in Canterbury is characterised by a number of features. A well developed sawmilling industry is present with a number of medium sized sawmill mainly in and around Christchurch.

Log grades uplifted by these mills included pruned sawlogs, S30 and S20 sawlogs. The principle timber markets for these mills are the domestic market and Australia. South Canterbury has a limited number of small sawmills with the most significant processor Hunter Hills Lumber recently shutting down.

The plywood mill at Greymouth (International Panel & Lumber) purchase higher grade logs from the Canterbury region, large high quality pruned logs were also purchased by Gunns Veneers in Christchurch, however this plant has now closed. Smaller industrial logs are processed locally by Shands Road Sawmill (L-grade). The most significant demand for logs unsuitable for sawmilling comes from the Medium Density Fibreboard (MDF) plant at Sefton, this plant utilises both chiplogs and slab wood chip from sawmills. Firewood processes are the other major chiplog customers in the region. The robust agricultural sector of Canterbury provides good demand for posts with a number of treatment plants in the region. The local wood processing industry generally produced from the Council's forests.

For the past twenty years regular shipments of export logs have been leaving Canterbury. This trade was initiated when Rayonier New Zealand entered the Canterbury market. Since the withdrawal of Rayonier other companies have continued the trade including Forest Management and Carter Holt Harvey. Rayonier again have a presence in the region buying the CHH estate. Logs have been exported from both the Port of Timaru and Lyttelton. With some exceptions the log export trade has mainly provided an outlet for lower grade and short (3.7-4.1m) logs (L-grade).

The log export market tends to be more erratic than the domestic market with factors such as the exchange rate making them difficult to predict.

#### LOG PRICES

The valuation uses AGRI-FAX log prices. Agri-Fax provides regional prices and log grades closer to those that Council commonly trades. Export log markets over the 2013/14 financial year increased through to a peak in April. From this point there has been a dramatic fall in prices due to an over supplied Chinese market. The falling export prices have not been aided by a strengthening NZ\$.

Domestic sawlog prices have again been relatively stable, the difficult conditions being experienced by the local construction industry has been counteracted by a constrained log supply in Canterbury. A weak overseas market has seen falling demand for product from the Medium Density Fibre Board plant. The Christchurch rebuild is however expected to eventually increase demand this year for all wood products.

## Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

Prices for the predominant log types - Radiata pine and Douglas fir - are derived from the Agri-Fax prices and adjusted according to current log sales from the Council. Other prices are taken from historic sale data or are related to the Agri-Fax prices.

Gross log prices have decreased by 6.6%.

### RISKS

There are various risks that could possibly affect the value of MDC's plantation resource, it is however difficult to quantify these and generally the risks are reasonably remote. Some of the possible risks that threaten the value of Council's forests are:

1. Outbreak of a new disease or pathogen e.g. Pine Pitch canker.
2. Risk of catastrophic wind event, e.g. 1975 wind storm
3. Risk of a large snow event affecting young plantations.
4. Imposition of environmental constraints, e.g. requirement for continuous canopy harvesting systems for plantation forestry.

Mackenzie District Council is exposed to financial risks arising from changes in timber prices. Council intends to hold the forestry long-term and therefore has not taken any measures to manage the risks of a decline in timber prices. Council reviews its outlook for timber prices regularly in considering the need for active financial risk management.

### VALUATION

Council revalues its forestry assets annually. Independent registered valuers, Terry O'Neill (Bachelor of Forestry Science) Forestry Consultant, with Ashburton District Council conducted a valuation of the forestry assets as at 30 June 2014 in accordance with NZ IAS 41: Agriculture.

The accounting standard for biological assets states that the asset should be valued at its fair value less any point of sale costs. Due to the limited market for forest sales especially with similar characteristics, this valuation uses the Net Present Value Method to estimate the fair value.

The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

- The Net Present Value method has been used in conjunction with transaction evidence. This method values mature stands with inventory information at their realisable ("immediate liquidation") value. For young stands, where there is a limited market have been valued using a crop typing method.
- A pre-tax discount rate of 8% (2013: 8%) has been used in discounting the present value of expected cash flows.
- Costs include future tending and management, annual overheads, and the direct costs associated with the harvesting operations: log and load, cartage, management fees, and any tracking or roading required. Revenue includes the market value of logs delivered to the sale point - mill or wharf.
- Point-of-sale costs: Commissions on assets of significant value can generally be discounted with a rate of 2% (2013: 2%). The sales agent commission could therefore cost between \$30,000 and \$55,000. For valuation purposes \$50,000 has been used. The Sales Memorandum for a scattered forest estate such as this one, would be complex and relatively expensive to put together, therefore a cost of \$15,000 has been allowed.
- Harvesting of two plantations has taken place since the last valuation was completed.

### CARBON CREDITS

For pre-1990 forest, there was an opportunity for the owners to register their interest in obtaining the 'compensation' credits, the Council's pre-1990 forests have now been registered and allocated credits. The Council now has over 562 hectares of post 1989 forest registered in the Emissions Trading Scheme with credits having been transferred for the Council for carbon capture during 2008 and 2009. The Council has sold credits (NZU's) earned by these forests in 2010 and 2011. NZU's have sold for prices ranging from \$23 per unit down to a price of approximately \$1.80 per unit.

The carbon price used for this cashflow was \$1.90/tonne. The net present value calculations assume a single rotation from the stands current age; carbon accumulations plus liabilities and decay following harvest.

# Notes to the Financial Statements For the Year Ended 30 June 2014(continued)

## NOTE 15 - Intangible assets

	1 July 2013			30 June 2014								30 June 2014		
	Cost	Accum.amortisation and impairment charges	Opening carrying amount	Current year revaluation	Accum. Amortisation reversed on revaluation	Current year additions and allocations	Current year disposals	Current year disposals amortisation	Current year impairment charges	Amortisation Charge	Closing Carrying Amount	Cost	Accum. Amortisation and impairment	Carrying Amount
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Computer software	281	187	94	0	0	47	0	0	0	21	120	328	208	120
Carbon emissions	163	81	82	145	0	67	0	0	0	0	294	375	81	294
Capital work in progress <sup>5</sup>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL INTANGIBLE ASSETS</b>	<b>444</b>	<b>268</b>	<b>176</b>	<b>145</b>	<b>0</b>	<b>114</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21</b>	<b>414</b>	<b>703</b>	<b>289</b>	<b>414</b>

	1 July 2012			30 June 2012								30 June 2013		
	Cost	Accum.amortisation and impairment charges	Opening carrying amount	Current year revaluation	Accum. Amortisation reversed on revaluation	Current year additions and allocations	Current year disposals	Current year disposals amortisation	Current year impairment charges	Amortisation Charge	Closing Carrying Amount	Cost	Accum. Amortisation and impairment	Carrying Amount
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Computer software	252	160	92	0	0	29	0	0	0	27	94	281	187	94
Carbon emissions	123	52	71	0	0	40	0	0	29	0	82	163	81	82
Capital work in progress <sup>1</sup>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL INTANGIBLE ASSETS</b>	<b>375</b>	<b>212</b>	<b>163</b>	<b>0</b>	<b>0</b>	<b>69</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>27</b>	<b>176</b>	<b>444</b>	<b>268</b>	<b>176</b>

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities.

## CARBON EMISSIONS

### Pre -1990 Forest:

Owners of pre 1990 forests may opt to join the Emissions Trading Scheme (ETS) and are allocated New Zealand Units (NZU's) based on the size of the forested area in tree tranches. Pre 1990 forests are forests that were established before 1 January 1990. NZU's cannot be earned for an increase in the carbon stock (through forest growth) in a pre-1990 forest, but, provided that pre 1990 forests are re-established after harvesting (either by replanting or regeneration) there are no liabilities or obligations under ETS. However land owners must surrender NZU's equivalent to the carbon emissions from any deforestation.

The Council has been allocated 69,979 NZU carbon credits, based on it's forestry area (2013: 43,168). These have been re valued at the estimated carbon price at 30 June 2014 of \$4.20 per NZU (2013: \$1.90).

## Impairment

### Easements

Easements are not cash-generating in nature as they give the Council the right to access private property where infrastructural assets are located. As such, impairment of an easement is determined by considering the future service potential of the easement.

No impairment losses have been recognised for easements, as they all have ongoing service potential. Council has not valued and recognised easements as an intangible asset under NZ IAS 38 Intangibles. The work required identifying and developing a central register to record easements and paper roads would be considerable and difficult to ensure that it was comprehensive and complete. The Council is concerned that the cost to establish the register would be substantial with minimal benefits being achieved. Registered valuers would have difficulty determining a fair value for the easements due to their unique nature, and having no active market for this particular asset type. There is also no recognised valuation methodology. For these reasons, Council has opted not to recognise easements as an intangible asset because they cannot be quantified and the value of the easements cannot be measured reliably.

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 16 - Property, plant and equipment

	1 July 2013			30 June 2014									30 June 2014		
	Cost /	Accum.dep	Carrying	Current	Accum.	Current	Current year	Current	Current year	Current	Current year	Net Book	Cost	Accum. Depn	Carrying
	Revaluation	and	amount	year	Depn	year	trfs within	year	disposals	disposals	depreciation	impairment		and	amount
		impairment		revaluation	reversed	additions <sup>6</sup>	PPE					charges		impairment	
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>OPERATIONAL ASSETS</b>															
Buildings	12,863	909	11,954	(150)	715	40	552	0	0	0	304	12,807	13,305	498	12,807
Computer Hardware	526	488	38	0	0	58	0	0	0	0	37	59	584	525	59
Furniture and Fittings	482	410	72	0	0	6	0	0	0	0	12	66	488	422	66
Heritage Assets	30	11	19	0	0	0	0	0	0	0	1	18	30	12	18
Land	15,474	0	15,474	2,224	0	0	0	105	0	0	0	17,593	17,593	0	17,593
Motor Vehicles	621	426	195	0	0	72	0	64	64	0	64	203	629	426	203
Office Equipment	180	167	13	0	0	34	0	0	0	0	3	44	214	170	44
Plant and Machinery	750	530	220	0	0	71	0	0	0	0	30	261	821	560	261
Resource Recovery Parks	186	89	97	(15)	18	0	0	0	0	0	9	91	171	80	91
<b>Total Operational Assets</b>	<b>31,112</b>	<b>3,030</b>	<b>28,082</b>	<b>2,059</b>	<b>733</b>	<b>281</b>	<b>552</b>	<b>169</b>	<b>64</b>	<b>0</b>	<b>460</b>	<b>31,142</b>	<b>33,835</b>	<b>2,693</b>	<b>31,142</b>
<b>RESTRICTED ASSETS</b>															
Land	4,325	0	4,325	1,172	0	0	0	0	0	0	0	5,497	5,497	0	5,497
<b>Total Restricted Assets</b>	<b>4,325</b>	<b>0</b>	<b>4,325</b>	<b>1,172</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,497</b>	<b>5,497</b>	<b>0</b>	<b>5,497</b>
<b>INFRASTRUCTURAL ASSETS</b>															
Flood Protection and Control Works	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Landfills	136	53	83	0	0	0	0	0	0	0	4	79	136	57	79
Village Projects	2,292	577	1,714	0	0	8	0	0	0	0	69	1,653	2,300	646	1,654
Alps 2 Ocean Cycleway	642	1	641	0	0	0	0	0	0	0	13	628	642	14	628
Land Under Roads	5,901	0	5,901	0	0	0	0	0	0	0	0	5,901	5,901	0	5,901
Roads and Footpaths	80,904	5,322	75,582	5,353	5,241	1,891	24	0	0	0	1,884	86,207	88,172	1,965	86,207
Resource Consents	366	43	323	0	0	0	0	0	0	0	13	310	366	56	310
Stormwater: Drainage	3,643	182	3,461	358	172	0	0	0	0	0	63	3,928	4,001	73	3,928
Stormwater: Schemes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sewerage Schemes: Treatment plants and facilities	2,640	84	2,556	(168)	55	33	0	0	0	0	38	2,438	2,505	67	2,438
Sewerage Schemes: Other assets	10,447	665	9,782	1,706	665	0	0	0	0	0	280	11,873	12,153	280	11,873
Water Supplies: Treatment plants and facilities	286	9	277	(171)	10	34	1	0	0	0	9	142	150	8	142
Water Supplies: Other assets	18,853	1,140	17,713	3,191	959	254	0	0	0	0	446	21,671	22,298	627	21,671
<b>Total Infrastructural Assets</b>	<b>126,110</b>	<b>8,076</b>	<b>118,032</b>	<b>10,269</b>	<b>7,102</b>	<b>2,220</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,819</b>	<b>134,830</b>	<b>138,624</b>	<b>3,793</b>	<b>134,831</b>
Capital Work in Progress	964	0	964	0	0	585	(826)	0	0	0	0	723	723	0	723
Joint Venture Assets	723	139	584	0	0	10	0	0	0	0	18	576	733	157	576
Surplus Properties Identified for Sale	7,233	0	7,233	0	0	0	0	0	0	0	0	7,233	7,233	0	7,233
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>170,471</b>	<b>11,245</b>	<b>159,224</b>	<b>13,500</b>	<b>7,835</b>	<b>3,096</b>	<b>(249)</b>	<b>169</b>	<b>64</b>	<b>0</b>	<b>3,297</b>	<b>180,005</b>	<b>186,645</b>	<b>6,643</b>	<b>180,005</b>

The balance remaining in "Current year trfs within PPE" is subdivision costs transferred to Properties Held for Sale within Inventory

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

	1 July 2012			30 June 2013									30 June 2013		
	Cost /	Accum.dep	Carrying	Current	Accum.	Current	Current year	Current	Current year	Current	Current	Net Book	Cost	Accum. Depn	Carrying
	Revaluation	and	amount	year	Depn	year	trfs to PPE	year	disposals	year	year	Value		and	amount
		impairment		revaluation	reversed	additions <sup>7</sup>	intended for	disposals	depreciation	impairment	depreciatio			impairment	
	\$000's	charges	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>OPERATIONAL ASSETS</b>															
Buildings	12,866	683	12,183	0	0	0	0	3	0	0	226	11,954	12,863	909	11,954
Computer Hardware	491	476	15	0	0	35	0	0	0	0	12	38	526	488	38
Furniture and Fittings	436	404	32	0	0	53	0	7	6	0	12	72	482	410	72
Heritage Assets	30	11	19	0	0	0	0	0	0	0	0	19	30	11	19
Land	16,917	0	16,917	0	0	0	(1,443)	0	0	0	0	15,474	15,474	0	15,474
Motor Vehicles	593	442	151	0	0	124	0	96	76	0	60	195	621	426	195
Office Equipment	176	164	12	0	0	4	0	0	0	0	3	13	180	167	13
Plant and Machinery	701	502	199	0	0	49	0	0	0	0	28	220	750	530	220
Resource Recovery Parks	186	76	110	0	0	0	0	0	0	0	13	97	186	89	97
<b>Total Operational Assets</b>	<b>32,396</b>	<b>2,758</b>	<b>29,638</b>	<b>0</b>	<b>0</b>	<b>265</b>	<b>(1,443)</b>	<b>106</b>	<b>82</b>	<b>0</b>	<b>354</b>	<b>28,082</b>	<b>31,112</b>	<b>3,030</b>	<b>28,082</b>
<b>RESTRICTED ASSETS</b>															
Land	4,325	0	4,325	0	0	0	0	0	0	0	0	4,325	4,325	0	4,325
<b>Total Restricted Assets</b>	<b>4,325</b>	<b>0</b>	<b>4,325</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,325</b>	<b>4,325</b>	<b>0</b>	<b>4,325</b>
<b>INFRASTRUCTURAL ASSETS</b>															
Flood Protection and Control Works	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Landfill	136	49	87	0	0	0	0	0	0	0	4	83	136	53	83
Village Projects	2,208	509	1,699	0	0	84	0	0	0	0	68	1,714	2,292	577	1,714
Alps 2 Ocean Cycleway	0	0	0	0	0	642	0	0	0	0	1	641	642	1	641
Land Under Roads	5,901	0	5,901	0	0	0	0	0	0	0	0	5,901	5,901	0	5,901
Roads and Footpaths	79,312	3,499	75,813	0	0	1,592	0	0	0	0	1,823	75,582	80,904	5,322	75,582
Resource Consents	347	30	317	0	0	19	0	0	0	0	13	323	366	43	323
Stormwater: Drainage	3,617	121	3,496	0	0	26	0	0	0	0	61	3,461	3,643	182	3,461
Stormwater: Schemes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sewerage Schemes: Treatment plants and fac	2,628	57	2,571	0	0	12	0	0	0	0	27	2,556	2,640	84	2,556
Sewerage Schemes: Other assets	10,394	443	9,951	0	0	53	0	0	0	0	222	9,782	10,447	665	9,782
Water Supplies: Treatment plants and facilit	58	6	52	0	0	228	0	0	0	0	3	277	286	9	277
Water Supplies: Other assets	18,601	784	17,817	0	0	190	62	0	0	0	356	17,713	18,853	1,140	17,713
<b>Total Infrastructural Assets</b>	<b>123,202</b>	<b>5,498</b>	<b>117,705</b>	<b>0</b>	<b>0</b>	<b>2,845</b>	<b>62</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,579</b>	<b>118,032</b>	<b>126,109</b>	<b>8,077</b>	<b>118,032</b>
Capital work in progress <sup>1</sup>	304	0	304	0	0	728	(62)	6	0	0	0	964	964	0	964
Joint venture assets	693	122	571	0	0	30	0	0	0	0	17	584	723	139	584
Surplus properties identified for sale	5,800	0	5,800	0	0	0	1,443	10	0	0	0	7,233	7,233	0	7,233
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>166,720</b>	<b>8,378</b>	<b>158,343</b>	<b>0</b>	<b>0</b>	<b>3,867</b>	<b>0</b>	<b>122</b>	<b>82</b>	<b>0</b>	<b>2,949</b>	<b>159,221</b>	<b>170,466</b>	<b>11,245</b>	<b>159,221</b>

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## CORE ASSETS

Included within the infrastructure assets above are the following core Council assets:

	2014			
	Closing Book Value	Additions	Vested	Replacement Cost
	\$000's	\$000's	\$000's	\$000's
<b>Water Supply</b>				
- treatment plants and facilities	142	34	-	2,194
- other assets	21,671	254	-	30,096
<b>Sewerage</b>				
- treatment plants and facilities	2,438	33	-	3,451
- other assets	11,873	-	-	20,218
<b>Stormwater drainage</b>	3,928	-	-	5,983
<b>Flood protection and control works</b>	-	-	-	-
<b>Roads and footpaths</b>	60,855	1,609	-	83,317
<b>TOTAL</b>	<b>100,907</b>	<b>1,930</b>	<b>-</b>	<b>145,259</b>

The replacement cost is based on the optimised replacement cost estimate amounts in the valuation as at 1 July 2013 plus additions during 2013/2014 at cost. The closing book value of Roads and footpaths "shown above excludes the value of street lighting, sumps, leads and other related assets totalling \$25.3 million that are included in the value of Roading assets under infrastructural assets as disclosed in the previous page. Replacement cost for water supply does not include rural water schemes as they are stock water and as such are not considered core assets

## VALUATION

### OPERATIONAL ASSETS

Buildings are measured at fair value less accumulated depreciation with subsequent additions recorded at cost. Buildings were revalued at 1 July 2013 by Morton & Co. Future revaluations will be carried out on a three yearly basis. Buildings have been valued using market values where a market value exists for that asset, or at depreciated replacement cost. Each building has also been componentised into:

- Structure,
- Services, and
- Internal fitout.

Land is valued at fair value. This is determined from market-based evidence by an independent valuer. The most recent valuation of land was performed by Morton & Co, and the valuation is effective as at 1 July 2013. Any subsequent additions from this date have been recorded at cost.

Plant and machinery comprises of the Vertical Composting Unit. The Vertical Composting Unit has been revalued as at 1 July 2010 by the registered valuer, AECOM Maunsell, using depreciated replacement cost. Subsequent additions have been valued at cost and depreciated.

Heritage assets have been recorded at cost less accumulated depreciation.

Other assets are valued at the lower of cost less accumulated depreciation.

## **INFRASTRUCTURAL ASSETS**

These are fixed utility systems, which are available for open and unrestricted use by the community. They provide a continuing service to the community and are not regarded as tradable.

Infrastructural assets include sewerage, stormwater, water supply, bridges and roading systems. Council's infrastructural assets, except rural water races, village projects and resource consents and Alps 2 Ocean Cycleway, have been included in this document at their 1 July 2013 valuations, plus additions at cost, less accumulated depreciation. The valuation of the infrastructural assets, conducted on a three yearly basis was conducted by a registered valuer, AECOM Maunsell, and these assets have been valued at depreciated replacement cost as at 1 July 2013.

Subsequent additions have been valued at cost and depreciated.

Rural water races, landfills, village projects and Alps 2 Ocean Cycleway are stated at their cost or deemed cost less depreciation.

Costs incurred in obtaining any resource consents are capitalised and depreciated over the life of the resource consent. If a resource consent application is declined then all capitalised costs are written off.

Land under roads, includes land under formed roads and subsequent additions vested to Council. The value of land under roads is based on the average rateable value of the land in the associated ward as deemed by Quotable Value. These values have been adopted as deemed cost.

### **Impairment**

No impairment losses have been recorded during the 2014 financial year in relation to property, plant and equipment (2013: \$Nil).

### **Work In Progress**

The total amount of property, plant and equipment in the course of construction is \$723,000 (2013: \$964,809). Assets under construction are not depreciated. The total cost of a completed project is transferred to the relevant asset class at balance date and depreciated from the following year.

## Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

### NOTE 17 - Subsidiary

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Name of Entity: **Mackenzie Holdings Ltd and Mackenzie Tourism and Development Trust**  
Balance date: **30 June 2014**

Council resolved on 12 June 2014 to dissolve the Mackenzie Tourism and Development Trust (MTDT). In 2013, Council ceased to operate in a Group as Council resolved on 13 June 2013 to dissolve the Trust and also resolved to exempt the organisation under Section 7 of the Local Government Act 2002. The transactions for MTDT have been absorbed into Council.

Mackenzie Holdings Ltd has been dormant for and exempted under section 7 of the Local Government Act 2002

Consequently, no Group financial transactions have been included in these results.

### NOTE 18 - Creditors and other payables

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	2013	2014
	Actual	Actual
	\$000's	\$000's
Creditors	1,755	1,673
Rates in advance	65	87
Revenue in advance	114	114
<b>TOTAL CREDITORS AND OTHER PAYABLES</b>	<b>1,933</b>	<b>1,874</b>

#### Fair value

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

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 19 - Employee entitlements

	2013	2014
	Actual	Actual
	\$000's	\$000's
Current	118	139
Non-current	15	17
<b>TOTAL EMPLOYEE ENTITLEMENTS</b>	<b>133</b>	<b>156</b>

### Employee entitlements are comprised of:

#### CURRENT PORTION

Accrued salaries and wages	38	47
Annual leave	53	59
Long service leave	10	8
Sick leave	17	25
<b>TOTAL CURRENT PORTION</b>	<b>118</b>	<b>139</b>

#### NON-CURRENT PORTION

Retirement gratuities	15	17
<b>TOTAL NON-CURRENT PORTION</b>	<b>15</b>	<b>17</b>

<b>Total employee entitlements</b>	<b>133</b>	<b>156</b>
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## NOTE 20 - Provisions

	2013	2014
	Actual	Actual
	\$000's	\$000's
Current	6	6
Non-current	61	61
<b>TOTAL PROVISIONS</b>	<b>67</b>	<b>67</b>

#### CURRENT PORTION

Landfill aftercare liability	6	6
Mackenzie Tourism and Development Trust	0	0
<b>TOTAL CURRENT PROVISIONS</b>	<b>6</b>	<b>6</b>

#### NON-CURRENT PORTION

Landfill aftercare liability	61	61
<b>TOTAL NON-CURRENT PROVISIONS</b>	<b>61</b>	<b>61</b>
<b>Total provisions</b>	<b>67</b>	<b>67</b>

### Movements for each class of provision are as follows:

#### LANDFILL AFTERCARE LIABILITY

Opening balance	67	67
Additional/(reduction) in provision made during the year	0	0
Amounts used during the year	0	0
Discount unwinding	0	0
<b>Total landfill aftercare liability</b>	<b>67</b>	<b>67</b>

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## PROVISION FOR LANDFILL AFTERCARE

As the former operator of various closed landfills around the District, the Council has a legal obligation under the resource consents to provide ongoing maintenance and monitoring services at the landfill sites after closure. A provision for post-closure costs was initially recognised as a liability when the obligation for post-closure costs arose. The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements, and known improvements in technology, where there is sufficient evidence that these events will occur.

The provision includes all other costs associated with landfill post-closure. The discount rate used is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## NOTE 21 - Reconciliation of Net Surplus/(Deficit) to Net Cash Flow from Operating Activities

	2013	2014
	Actual	Actual
	\$000's	\$000's
<b>REPORTED OPERATING SURPLUS</b>	<b>1,674</b>	<b>(561)</b>
<b>Add(less): Non-cash items:</b>		
Vested assets	(761)	0
Depreciation and amortisation	2,978	3,317
(Gains)/losses on fair value of forestry assets	(498)	293
Forestry cost of sales	57	95
(Gains)/losses on fair value of assets	0	(196)
<b>Movements in current assets (other than cash)</b>		
Recognition of carbon credits	(10)	(67)
Impairment of assets	17	0
(Gain)/loss on sale of assets written off	1	(229)
Investment valuation	0	0
	1,784	3,213
<b>Add(less) Movements in working capital items</b>		
Increase (decrease) in Accounts payable	504	59
Increase (decrease) in Employee entitlements	(28)	21
(Increase) decrease in Accounts receivable	(668)	576
(Increase) decrease in Inventories	(3)	(2)
(Increase) decrease in Properties intended for disposal	0	105
	(195)	759
<b>Add(less): Items classified as investing activities</b>		
Net losses on sale of property intended for disposal	0	0
Gain/(loss) on Sale included in Investing Activity	(40)	0
	(40)	0
<b>Net Cash inflow from operating activities</b>	<b>3,223</b>	<b>3,410</b>

## Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

### NOTE 22 - Surplus property

	2013	2014
	Actual	Actual
	\$000's	\$000's
<b>LAND</b>		
Opening Balance	9,739	11,222
<b>Add/(less):</b>		
Transfer from operational land	1,443	252
Disposals/change in valuation	40	(105)
CLOSING BALANCE	11,222	11,369
<b>TOTAL SURPLUS PROPERTY</b>	<b>11,222</b>	<b>11,369</b>
<b>Total surplus properties are comprised of:</b>		
Inventory	3,883	4,132
Surplus property held for sale	7,233	7,237
Current portion of Property intended for disposal	105	0
<b>Total Surplus Properties</b>	<b>11,222</b>	<b>11,369</b>

### NOTE 23 - Severance agreements

Under clause 19(i) a of schedule 10 of the Local Government Act 2002, Council is required to disclose :

- (1) the amount of any severance payments made to any Chief Executive who vacated office in the year,
- (2) the number of employees to whom severance payments were made in the year, and
- (3) the amount of every such severance payment

For the year ended 30 June 2014, Mackenzie District Council made no severance payments to employees (2013: Nil)

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 24 - Remuneration

During the year to 30 June 2014, the total remuneration and value of other non-financial benefits received by, or payable to the Mayor, other Councillors and Chief Executive of the Council were as follows:

### ELECTED REPRESENTATIVES

Under clause 32 of schedule 10 of the Local Government Act 2002, Council is required to disclose remuneration paid to elected representatives.

	2013	2014
	Actual	Actual
	\$000's	\$000's
<b>PRESENT COUNCIL</b>		
Mayor Claire Barlow	55	55
Councillor Graham Smith	17	22
Councillor Evan Williams	16	18
Councillor Noel Jackson	-	12
Councillor Murray Cox	-	15
Councillor Russel Armstrong	-	12
Councillor James Leslie	-	15
	88	149
<b>PREVIOUS COUNCIL</b>		
Councillor Graeme Page	16	5
Councillor John Bishop	19	5
Councillor Peter Maxwell	17	5
Councillor Annette Money	21	5
	73	20
<b>COMMUNITY BOARDS</b>		
Fairlie Community Board Members	8	8
Tekapo Community Board Members	9	8
Twizel Community Board Members	9	8
	26	24
<b>TOTAL REMUNERATION PAID TO ELECTED REPRESENTATIVES</b>	<b>187</b>	<b>193</b>

### CHIEF EXECUTIVE

The Chief Executive implements and manages the Council's policies and objectives within the budgetary constraints established by the Council. Under section 42 of the Local Government Act 2002, the responsibilities of the Chief Executive are:

- (1) implementing the decisions of Council,
- (2) providing advice to the Council and community boards,
- (3) ensuring that all responsibilities, duties and powers delegated to the Chief Executive or to any person employed by the Chief Executive, or imposed or conferred by any Act, regulation bylaw are properly performed or exercised,
- (4) managing the activities of the Council effectively or efficiently,
- (5) maintaining systems to enable effective planning and accurate reporting of the financial and service performance of the Council
- (6) providing leadership for the staff of the Council, and
- (7) employing staff (including negotiation of the terms of employment for the staff).

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

*The annual remuneration package for the Chief Executive position is*

	2013	2014
	Actual	Actual
	\$000's	\$000's
Salary	150	155
Vehicle (Market value)	18	18
Telephone	1	1
<b>Total remuneration package of the Chief Executive</b>	<b>168</b>	<b>174</b>

## COUNCIL EMPLOYEES

Total annual remuneration by band for employees as at 30 June 2014:

	2014
	Actual
	\$000's
<\$60,000	23
\$60,000-\$139,999	7
\$140,000-\$179,999	1
<b>Total employees</b>	<b>31</b>

Total annual remuneration by band for employees as at 30 June 2013:

	2013
<\$60,000	20
\$60,000-\$99,999	6
\$100,000-\$169,999	3
<b>Total employees</b>	<b>29</b>

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 21 (2013: 19) full-time employees, with the balance of staff representing 10 (2013: 7) full-time equivalent employees. A full-time employee is determined on a basis of a 37.5 hour working week.

Full-time employees includes 2 employees on Paternity Leave.

## NOTE 25 - Related party transactions

Mackenzie District Council is the ultimate parent of the group and controls Mackenzie Holdings Limited and the Mackenzie Tourism and Development Trust.

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Mackenzie District Council (such as payment of rates, purchase of rubbish bags etc).

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties during the year ending 30 June 2014 (2013: Nil). No related party debts have been written off or forgiven during the period (2013: Nil).

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

The following transactions were carried out with related parties:

	2013	2014
	Actual	Actual
	\$000's	\$000's
Salaries and other short term employee benefits	752	797
Post employment benefits	0	0
Other long term benefits	0	0
Termination benefits	0	0

Key Management personnel include the Mayor, Councillors, Chief Executive and other senior management personnel.

1. Councillor Annette Money is a Trustee appointed by Council to the Mackenzie Medical Trust.
2. There are close family members of key management personnel employed by the Council. The terms and conditions of those arrangements are no more favourable than the Council would have adopted if there were no relationship to key management personnel.

## MACKENZIE TOURISM AND DEVELOPMENT TRUST

	2013	2014
	Actual	Actual
	\$000's	\$000's
Grants and levies provided by Mackenzie District Council	55	0
Loans payable to Mackenzie District Council	255	0
Accounts payable to Mackenzie District Council	0	0
Accounts receivable from the Mackenzie District Council	0	0
Mackenzie Tourism and Development Trust reimbursements to Council	22	0

Mackenzie Tourism and Development Trust provided Tourism and Development services in the Mackenzie. Council had loaned the Mackenzie Tourism and Development Trust \$255,000 (2013: \$255,000).

## Defeasance of Debt

On June 12, Council resolved to dissolve Mackenzie Tourism and Development Trust and write off the loan and an unsettled amount of \$28,000. The resolution has no financial impact in the Statement of Comprehensive Income this year as the Council had made a full provision for impairment of the investment and loan in previous years (2013: Fully impaired).

## NOTE 26 - Contingencies

2013	2014
Actual	Actual
\$000's	\$000's

Council is aware of the following contingent liabilities as at 30 June 2014:

### CONTINGENCIES:

Housing New Zealand contribution to Fairlie Pensioner Housing Units	516	516
<b>TOTAL CONTINGENT LIABILITIES</b>	<b>516</b>	<b>516</b>

## HOUSING NEW ZEALAND CONTRIBUTION

Council has recognised as a contingent liability for the amount Housing New Zealand contributed to the construction of the Pensioner Housing units in Fairlie. Council will be required to pay the loan back to Housing New Zealand if Council ceases to supply pensioner housing. This liability will cease on 12 June 2028.

There are no contingent assets (2013: Nil).

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 27 - Events after balance date

No post balance date events occurred up to the date of the report adoption that are known to have a material effect on the Financial Statements and Notes to the Financial Statements of Council (2013: Nil).

## NOTE 28 - Commitments

### OPERATING CONTRACTS

Mackenzie District Council has entered into non-cancellable contracts for most of its physical works including infrastructural and town maintenance. The future aggregate minimum contract payments under non-cancellable operating contracts are as follows:

#### Non-cancellable operating contracts

Non-cancellable contracts for the operation of water, stormwater, wastewater, roading, solid waste collection and disposal, and community facilities:

	2013	2014
	Actual	Actual
	\$000's	\$000's
Not later than one year	3,202	3,645
Later than one year, not later than two years	476	1,007
Later than two years, not later than five years	1,427	1,684
Later than five years	1,585	1,400
<b>Total non-cancellable operating contracts</b>	<b>6,690</b>	<b>7,736</b>

### JOINT VENTURE OPERATING CONTRACTS COMMITMENTS

There are no operating contract commitments associated with the joint venture, Downlands Water Supply, as at 30 June 2014 (2013: Nil).

### OPERATING LEASES AS LESSOR

Mackenzie District Council leases several properties held for future strategic purposes under operating leases. One lease is non-cancellable and expires in August 2016. The Lake Alexandra leases run for thirty three years. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

#### Non-cancellable operating leases as lessor

#### Non-cancellable operating lease commitments:

	2013	2014
	Actual	Actual
	\$000's	\$000's
Not later than one year	109	135
Later than one year, not later than five years	312	452
Later than five years	1,692	1,616
<b>Total non-cancellable operating leases as lessor</b>	<b>2,113</b>	<b>2,203</b>

No contingent rents have been recognised in the Statement of Financial Performance during the period.

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 29 - Financial instruments

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

	2013	2014
	Actual	Actual
	\$000's	\$000's
<b>FINANCIAL ASSETS</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents	7,950	9,408
Debtors and other receivables	2,241	1,617
Eversley Loan	203	178
Term deposits	24	40
<b>TOTAL LOANS AND RECEIVABLES</b>	<b>10,418</b>	<b>11,243</b>
<b>Fair value through equity</b>		
Investments	4,239	3,135
Debentures and other stock	0	0
Unlisted shares	8,630	8,630
<b>TOTAL FAIR VALUE THROUGH EQUITY</b>	<b>12,869</b>	<b>11,765</b>
<b>FINANCIAL LIABILITIES</b>		
<b>Financial liabilities at amortised cost</b>		
Creditors and other payables	1,933	1,874
<b>TOTAL FINANCIAL LIABILITIES AT AMORTISED COST</b>	<b>1,933</b>	<b>1,874</b>

## NOTE 29a: Financial instrument risks

The Council and group is party to financial instruments as part of its normal operations. Mackenzie District Council has a series of policies to manage the risks associated with financial instruments. Council is risk adverse and seeks to minimise exposure arising from its treasury activities. Council has an External Liability Management Policy and an Investment Policy that provides risk management for interest rates and the concentration of credit risk. These policies do not allow any transactions that are speculative in nature to be entered into.

### CREDIT RISK

Credit risk is the risk that a third party will default on its obligation to Council, causing Council to incur a loss. Council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers. Council invests in approved financial assets, which excludes dealing in shares. Council invests in the following instruments:

- Government investments
- Registered bank investments
- Local Authority investments
- State Owned Enterprises (SOE) investments
- Corporate investments

### MARKET RISK

#### PRICE RISK

Price Risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Council is not significantly exposed to price risk as it does not hold financial instruments that are significantly affected by movements in market prices.

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## CURRENCY RISK

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

## INTEREST RATE RISK

Council's investments give rise to a direct exposure to a change in interest rates, impacting the return and capital value of its investments.

The CEO approves interest rate risk management strategy as recommended by the Manager - Finance and Administration, who determines the appropriate interest rate profile to adopt for investments, after reviewing on a regular basis, cash flow forecasts incorporating plans for approve expenditure and strategic initiatives, monitoring the interest rate markets, evaluating the interest rate outlook and seeking appropriate advice where necessary. The Manager - Finance and Administration implements an interest rate risk management strategy by using risk management instruments to protect investment returns and to change interest rate and maturity profiles.

The use of interest rate risk management instruments requires Council approval.

Council's investment policy limits the amount of credit exposure to any one institution or organisation.

Investments in other local authorities are secured by charges over rates. Other than any other local authorities, the group only invests funds with those entities, which have a Standard and Poor's, Moody's or Fitch's credit rating of at least A1 for short term and A- for long term investments. Accordingly, the group does not require any collateral or security to support these financial instruments.

## MAXIMUM EXPOSURE TO CREDIT RISKS

The maximum exposure for each class of financial instruments is as follows:

	2013	2014
	Actual	Actual
	\$000's	\$000's
Cash at bank and term deposits	7,950	9,408
Debtors and other receivables	2,241	1,617
Investments and debentures	13,096	11,983
<b>Total credit risk</b>	<b>23,287</b>	<b>23,008</b>

## CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired have been assessed by reference to Standard and Poor's credit rating's (if available) or to historical information about counterparty default rates:

2013	2014
Actual	Actual
\$000's	\$000's

## COUNTERPARTIES WITH CREDIT RATINGS

### Cash at bank and term deposits

AA-	7,950	9,408
<b>TOTAL CASH AT BANK AND TERM DEPOSITS</b>	<b>7,950</b>	<b>9,408</b>

### Investments

AAA	0	0
AA	549	534
AA-	2,180	1,604
A	247	0
A-	257	0
A3	501	525
<b>TOTAL INVESTMENTS</b>	<b>3,735</b>	<b>2,663</b>

## COUNTERPARTIES WITHOUT CREDIT RATINGS

Investments not rated with no defaults in the past	528	511
Community loans with no defaults in the past	203	178
<b>Total financial assets without credit ratings</b>	<b>731</b>	<b>689</b>

## Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

Debtors and other receivables mainly arise from Mackenzie District Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Mackenzie District Council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and Mackenzie District Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers. For credit quality of debtors refer to Note 9a: Aging of debtors

### LIQUIDITY RISK

#### The management of liquidity risk

Liquidity risk is the risk that Mackenzie District Council 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. Council aims to maintain flexibility in funding by keeping committed credit lines available.

Mackenzie District Council manages its borrowings in accordance with its funding and financial policies, which includes an External Liability Management Policy. These policies have been adopted as part of the Council's Long Term Plan.

Liquidity risk is minimised by ensuring that all investments must be capable of being liquidated in a readily available secondary market. Furthermore, Council requires that the duration of the Council's portfolio must be within a range of 25% shorter or longer than the benchmark portfolio set in conjunction with the Council's investment adviser.

### CONTRACTURAL MATURITY ANALYSIS

The tables below analyses Mackenzie District Council's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Contractual maturity analysis: financial assets	2014				
	Carrying amount \$000's	Contractual cash flows \$000's	Less than 1 year \$000's	1-5 years \$000's	More than 5 years \$000's
Cash	713	713	713	0	0
Debtors and other receivables	1,617	1,617	1,617	0	0
Other investments					
Term deposits	8,695	8,695	8,695	0	0
Local authority stock and corporate bonds	3,122	3,229	1,092	2,137	0
Eversley sewerage	178	178	0	0	178
<b>Total</b>	<b>14,325</b>	<b>14,432</b>	<b>12,117</b>	<b>2,137</b>	<b>178</b>

Contractual maturity analysis: financial assets	2013				
	Carrying amount \$000's	Contractual cash flows \$000's	Less than 1 year \$000's	2-5 years \$000's	More than 5 years \$000's
Cash	539	539	539	0	0
Debtors and other receivables	2,241	2,241	2,241	0	0
Other investments					
Term deposits	7,411	7,411	7,411	0	0
Local authority stock and government bonds	4,051	4,273	1,059	3,213	0
Eversley sewerage	203	203	0	0	203
<b>Total</b>	<b>14,445</b>	<b>14,667</b>	<b>11,251</b>	<b>3,213</b>	<b>203</b>

## Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

Contractual maturity analysis: financial liabilities	2014				
	Carrying amount \$000's	Contractual cash flows \$000's	Less than 1 year \$000's	1-5 years \$000's	More than 5 years \$000's
Creditors and other payables	1,874	1,874	1,874	0	0
<b>Total</b>	<b>1,874</b>	<b>1,874</b>	<b>1,874</b>	<b>0</b>	<b>0</b>

Contractual maturity analysis: financial liabilities	2013				
	Carrying amount \$000's	Contractual cash flows \$000's	Less than 1 year \$000's	2-5 years \$000's	More than 5 years \$000's
Creditors and other payables	1,933	1,933	1,933	0	0
<b>Total</b>	<b>1,933</b>	<b>1,933</b>	<b>1,933</b>	<b>0</b>	<b>0</b>

### SENSITIVITY ANALYSIS

The table below illustrate the potential profit and loss and equity (excluding retained earnings) impact for reasonably possible market movements, with all other variables held constant, based on Mackenzie District Council's financial instrument exposures at the balance date.

		2013				2014			
Sensitivity analysis	Note	Profit	-100bps Other Equity	Profit	+100bps Other Equity	Profit	-100bps Other Equity	Profit	+100bps Other Equity
		\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
INTEREST RATE RISK									
Financial assets									
Cash and cash equivalents	1	(79)	0	79	0	(94)	0	94	0
Eversley Loan	2	(2)	0	2	0	(2)	0	2	0
Total sensitivity to interest rate risk		(81)	0	(81)	0	(96)	0	96	0

	Note	Profit	-10% Other	Profit	10%	Profit	-10% Other	Profit	10%
			Equity		Equity		Equity		Equity
		\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
EQUITY PRICE RISK									
Financial assets									
Unlisted shares	3	0	(863)	0	863	0	(863)	0	863
Total sensitivity to equity price risk		0	(863)	0	863	0	(863)	0	863

### Explanation of sensitivity analysis

#### 1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include deposits at call totalling \$9,408,000 (2013: \$7,945,000) which are at floating rates. A movement in interest rates of plus or minus 1.0% has an effect on interest income of \$94,080 (2013: \$79,450).

#### 2. EVERSLEY SEWERAGE

Mackenzie District Council has loaned monies to the residents of the Eversley Reserve for the installation of on-site sewerage pumping equipment. The balance of the loan is \$178,000 (2013: \$203,000) which are at the Official Cash Rates (OCR). A movement in interest rates of plus or minus 1.0% has an effect on interest income of \$1,780 (2013: \$2,030).

#### 3. UNLISTED SHARES

Mackenzie District Council holds unlisted shares in the Alpine Energy Limited, these are not publicly traded. If there was a movement of plus or minus 10% in the share price the effect would have an increase in the fair value through equity reserve of \$863,000 (2013: \$863,000).

# Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

## NOTE 30 - Capital management

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

The Local Government Act 2002 requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial.

Intergenerational equity 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 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 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 Long-Term Plan.

Mackenzie District Council has the following Council created reserves:

- Reserves for different areas of benefit;
- Special fund reserves; and
- Trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general ratepayer. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Special fund reserves are built up from rates and other sources of income and are made available for specific unforeseen events. The release of these funds generally can only be approved by Council.

Trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

## NOTE 31 – Explanations of major variances against budget

Explanations for major variances from Mackenzie District Council's estimated figures in the 2013-2014 Annual Plan are as follows:

### STATEMENT OF COMPREHENSIVE INCOME

Council's net operating deficit of \$561,000 was less than the budgeted surplus of \$733,000. Revenue was \$12,045,000, compared to the budgeted revenue of \$13,289,000. This is due to the net effect of the following variances in revenue and in expenditure as detailed below.

#### REVENUE

Refer to Note 2; *Revenue*.

#### Rates

Rates were \$6,502,000 being \$180,000 less than budget of \$6,682,000. Solid waste and tourism rates were classified under general rates in the budget but have been reclassified as a targeted rate in the actual results.

#### Subsidies and grants

Subsidies and grants were \$1,930,000 being \$368,000 above the budget of \$1,573,000. This is due to a storm event occurring in the District. The cost of reinstatement was partially funded by NZTA at a higher rate than Council's usual funding arrangement with the Agency.

#### Investment income

Investment income of \$854,000 was less than the budget of \$922,000 due to Council's lower than anticipated of Council's call and term deposit rates due to increases in the official cash rate not occurring until the latter part of the year.

## Notes to the Financial Statements For the Year Ended 30 June 2014 (continued)

Council is reluctant to re-invest in the bond market at its current levels as the return compared to the term of the bond mean Councils returns will remain low for up to five years. Therefore Council continues to invest money in term deposits to remain flexible to market movements.

### Other income

Other income is \$1,830,000; \$673,000 more than the budget of \$1,191,000. This is mainly due to higher than anticipated revenue from building consents \$106,000 which is due to higher than anticipated building activity and \$69,000 from Health & Liquor Licencing due to changes in levels of fees required for licences.

Forestry contributed \$242,000 to this result mainly due to early milling of timber due to mitigation of wind damage to Councils plantations. Rental income has increased by \$63,000 due partially from the leases of the Pukaki Visitors Centre and increases in revenue from camping ground leases. Council has seen an upturn in revenue from recycling efforts that contributed \$39,000 more than budgeted. Also included in the result is the unbudgeted revenue from the Albury Water Scheme of \$64,000.

### Real Estate Sales

Real Estate Sales are \$2,256,000 lower than budget of \$2,464,000. Council expected to sell property at the Tekapo Village Centre amounting to a revenue of \$2,464,000. This did not occur during the year due to delays in obtaining consents. This has been moved to the 2014-15 year.

### Vested Assets

Council did not receive any vested assets during the financial year, although \$416,000 was budgeted. The transfer of these assets is somewhat dependent on developers.

### Financial/Upgrade and Reserve Contributions

These contributions are degenerated as a result of developers giving effect to subdivision plans and have contributed \$504,000 (budget \$40,000) in revenue for the year.

### EXPENDITURE

Refer to Note 3; *Expenditure*.

### Personnel Costs

Costs relating to personnel are \$2,000,000; \$83,000 more than the budget of \$1,917,000. The major contributor to this variance is due to Council taking on information service provision in Twizel previously provided by a local community group resulting in an additional \$70,000 cost.

### Operational and Maintenance Expenses

Costs for the year are \$3,245,000; \$53,000 less than the budget cost of \$3,193,000. The main reasons for this are township projects budgeted to be undertaken in this year have not been done. Tekapo Township did not spend a total of \$43,000 from its township budget while Twizel did not spend \$15,000. Costs associated with solid waste collection have increased by \$38,000 due to higher volumes of waste being generated and a proportion being diverted to landfill.

### Roading expenses

Roading expenses were \$1,668,000; \$526,000 more than the budget of \$1,143,000. The main reason for this variance is Council experienced a major weather event during the financial year. Unbudgeted Emergency Re-instatement costs over both these events totalled \$600,000.

### Real Estate Cost of Sales

Real Estate cost of sales was \$122,000 which was \$1,348,000 less than budget of \$1,470,000. This relates to the cost associated with the Tekapo Village Centre and did not occur due to delays in obtaining consent. This has been moved to the 2014/2015 year.

### Depreciation

Depreciation of \$3,317,000 is \$515,000 higher than the budget of \$2,832,000. This is due to higher than expected increases in asset values as a result of Councils 3 yearly infrastructure and building revaluation.

# Notes to the Financial Statements For the Year Ended 30 June 2013 (continued)

## NOTE 32 – Insurance Contracts

### Insurance of assets

	2013	2014
	Actual	Actual
	\$000's	\$000's
Total value of property, plant and equipment	159,225	180,005
Value of assets covered by insurance contracts	17,155	17,782
The maximum amount to which assets are insured under Council insurance policies	34,574	29,893

The value of assets covered by insurance excludes land and land under roads.

The maximum amount to which assets are insured under Council insurance policies are calculated at cost to reinstate the asset.

In addition to Council's insurance, in the event of natural disaster it is expected that Central Government will contribute 60% towards the restoration of Council owned underground drainage, waste and water assets and the New Zealand Transport Agency will contribute between 55-75% towards the restoration of roading assets.

Council has resolved to maintain a cash balance of \$3,000,000 (2013: \$3,000,000) to meet Council's 40% contribution towards restoration of these assets.

The Council is not covered by any financial risk sharing arrangements in relation to its assets.

An insurance reserve of \$200,000 (2013: \$200,000) exists to meet the costs of claims that fell below deductible levels under Council insurance policies. Refer to Note 7: Special Fund Reserve.

## Annual Report Disclosure Statement

### Annual Report Disclosure Statement For Year Ending 30 June 2014

#### What is the purpose of this statement?

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

The council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

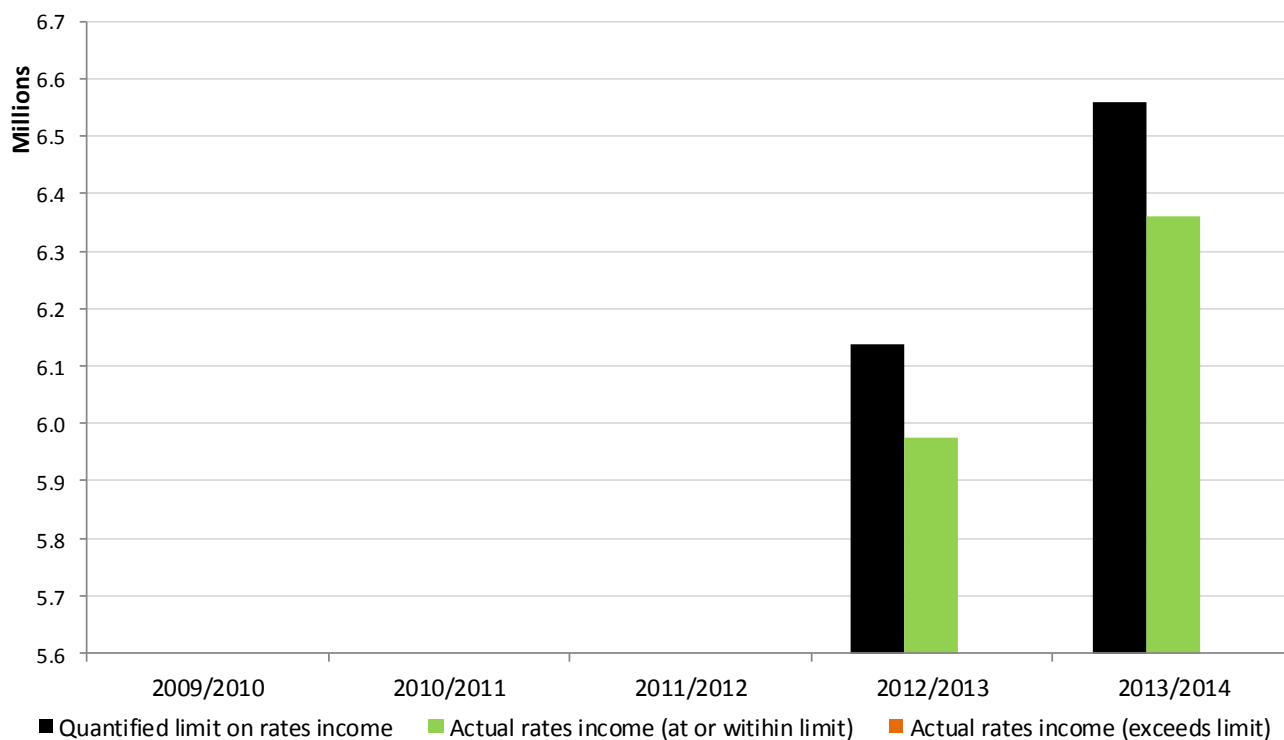
#### Rates affordability benchmark

The council meets the rates affordability benchmark if—

- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

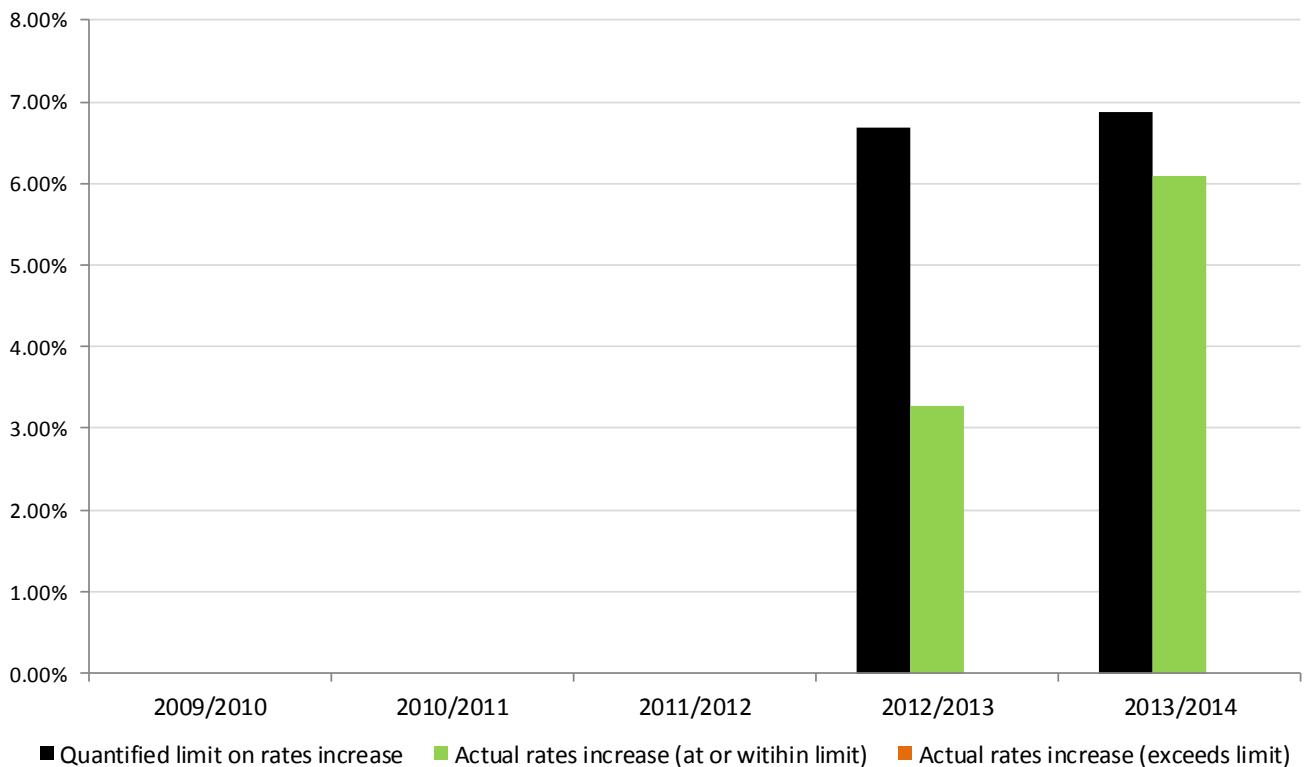
#### Rates (income) affordability

The following graph compares the council's actual rates income with a quantified limit on rates contained in the financial strategy included in the council's long-term plan. The quantified limit is \$6,559,000.



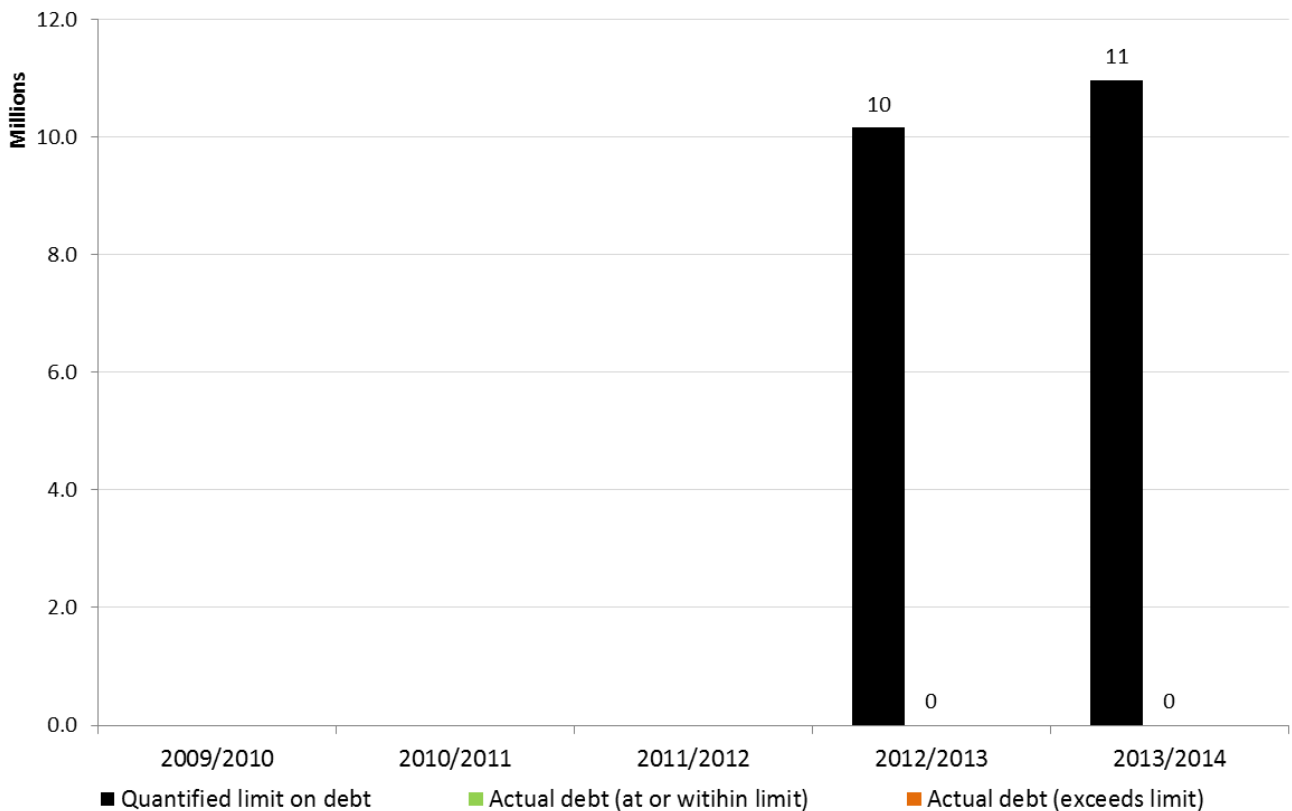
### Rates (increases) affordability

The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the council's long-term plan. The quantified limit is that rates increases to existing ratepayers will not exceed 6.88%.



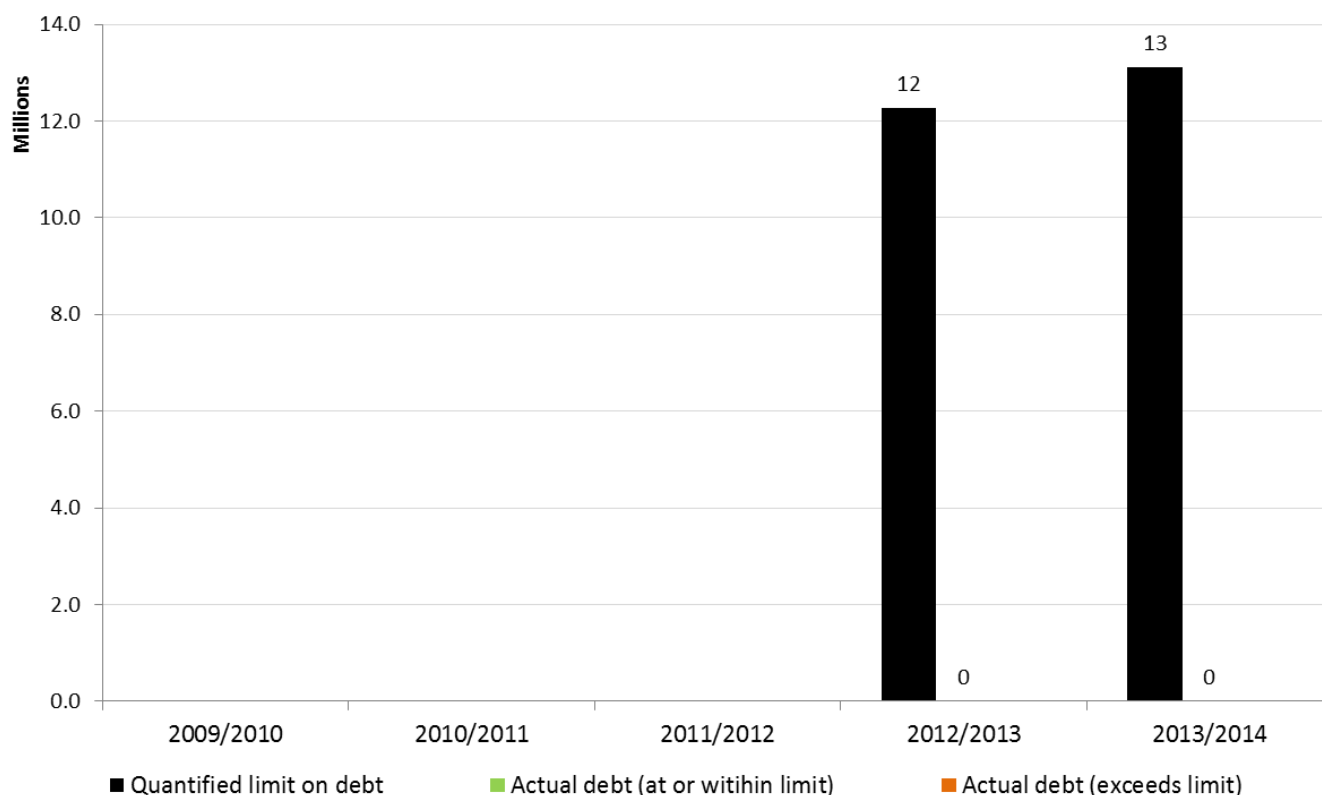
### Debt affordability benchmark

The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit is that the maximum debt level is \$10,962,000.



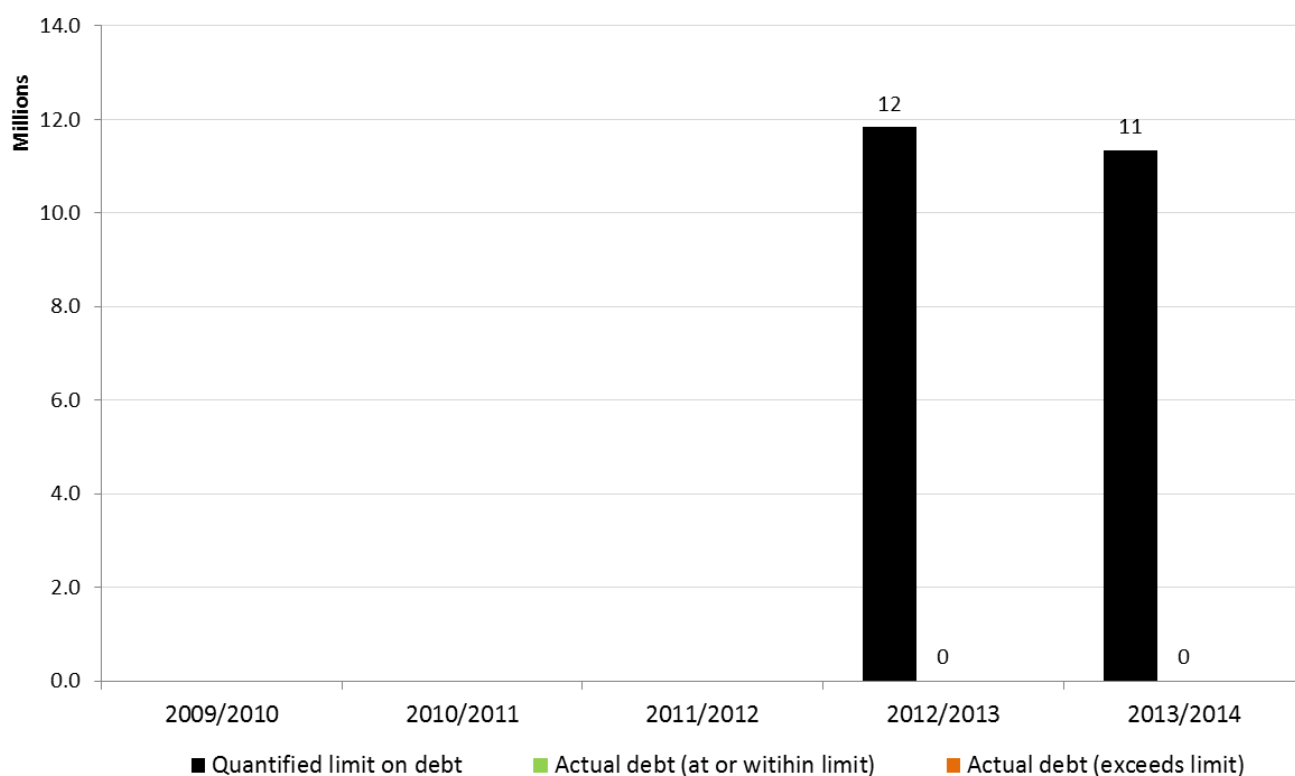
### ***Net borrowing as a percentage of rates income***

The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in council's long-term plan. The quantified limit is net borrowings, comprised of borrowings less cash and cash equivalents, will not exceed two times annual rates income.



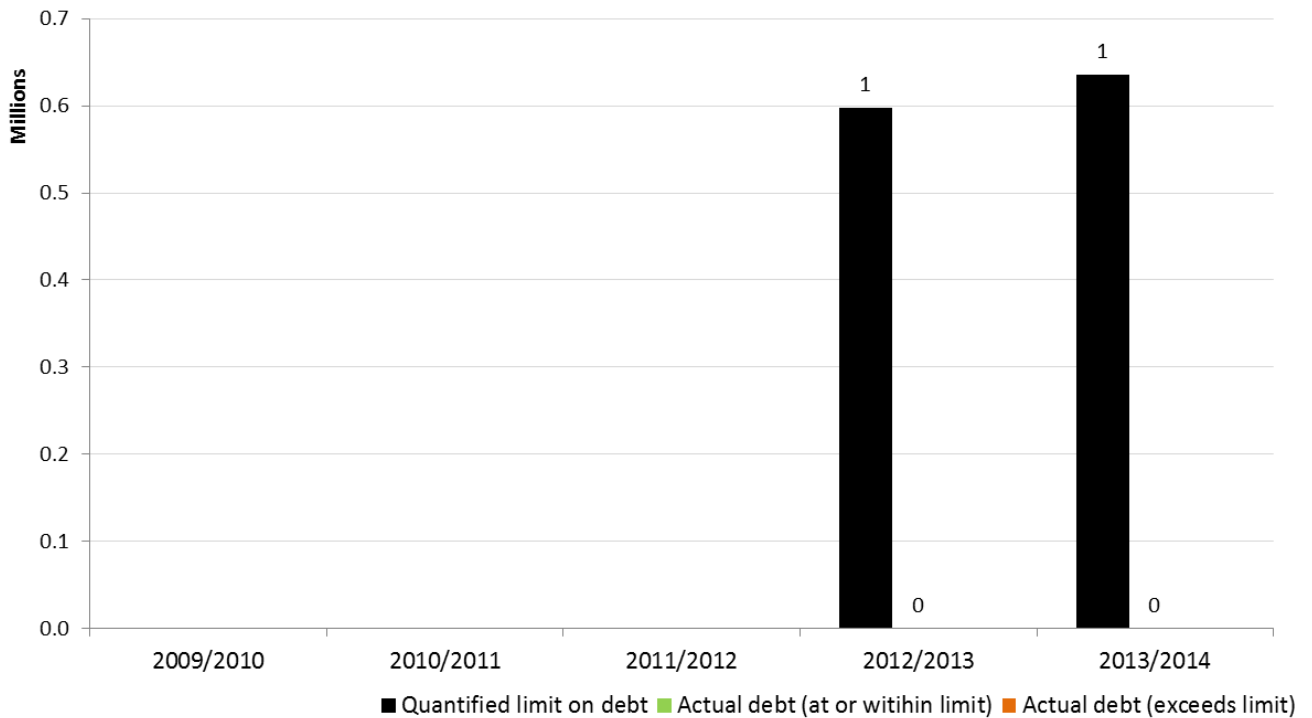
### ***Net borrowing as a percentage of operating income***

The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in council's long-term plan. The quantified limit is net borrowings, comprised of borrowings less cash and cash equivalents, being less than or equal to 100% of operating income. For this measure income is defined as total revenue less real estate sales, vested assets and capital contributions income.



### Financing costs as a percentage of rates income

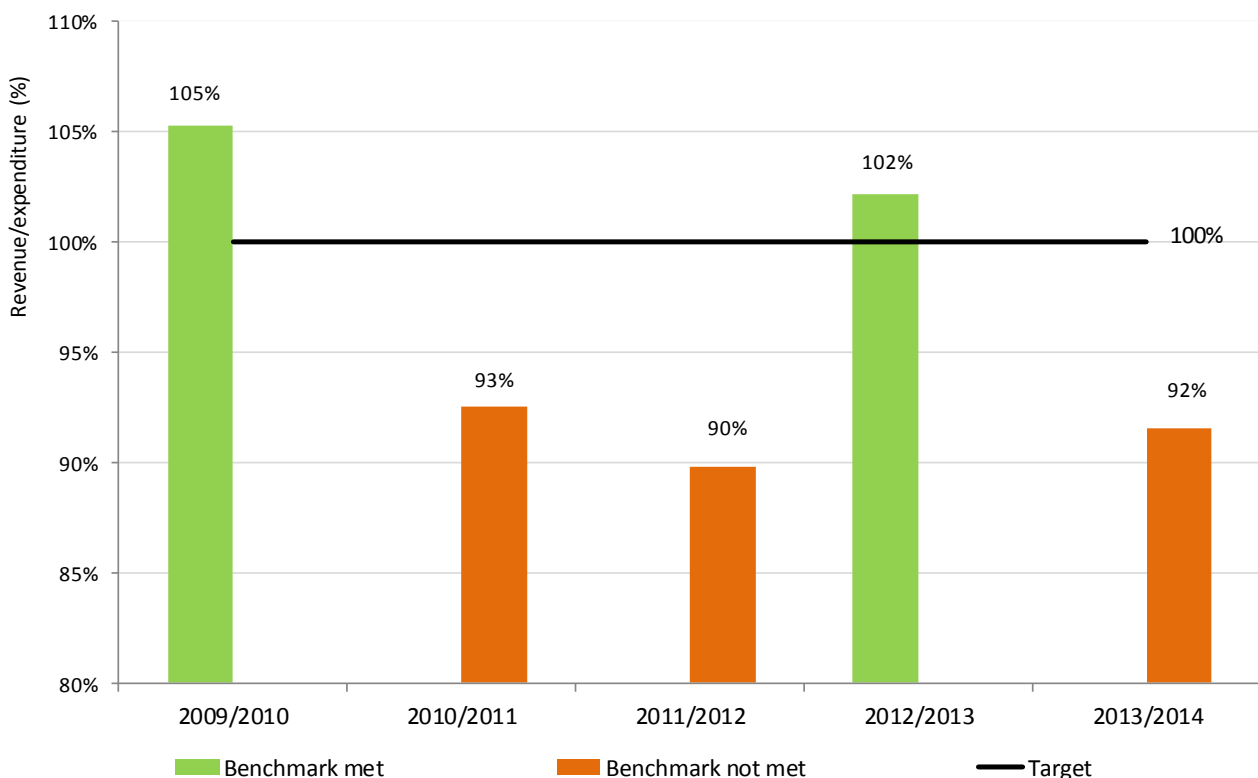
The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in council's long-term plan. The quantified limit is net interest, as defined as interest expense less interest income, being less than or equal to 10% of annual rates income.



### Balanced budget benchmark

The following graph displays the council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

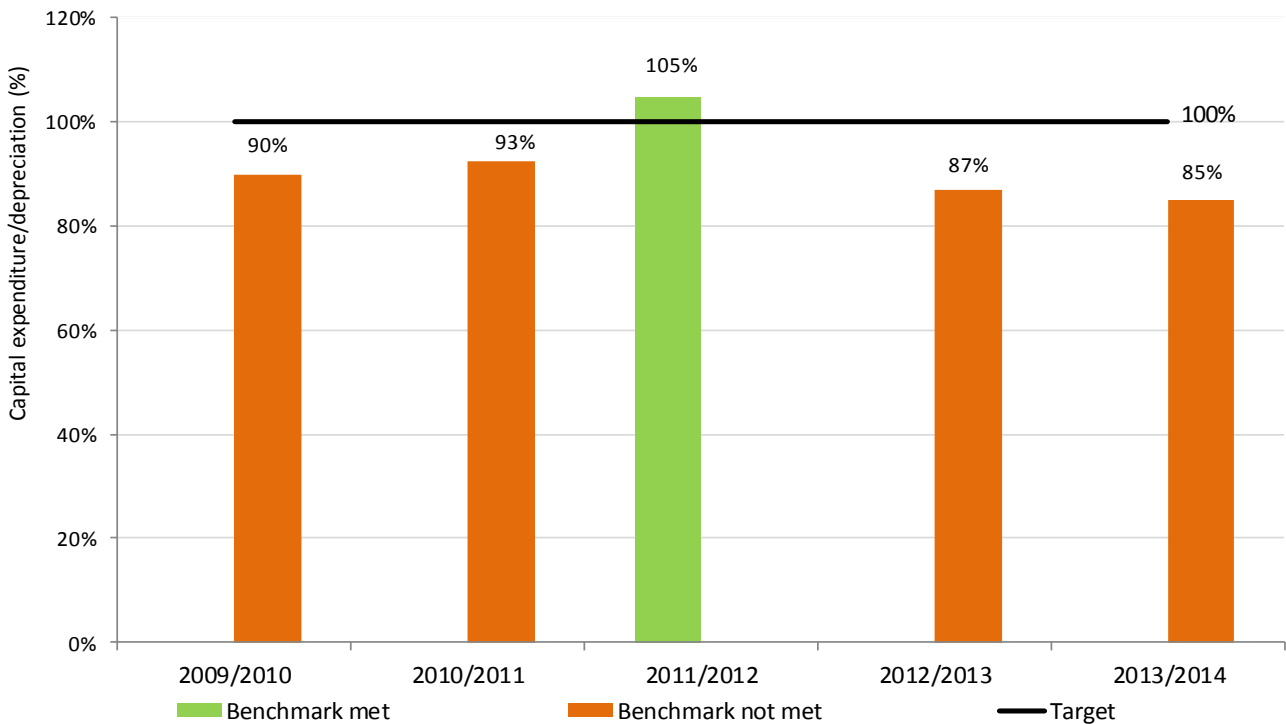
The council meets this benchmark if its revenue equals or is greater than its operating expenses.



### Essential services benchmark

The following graph displays the council's capital expenditure on network services as a proportion of depreciation on network services.

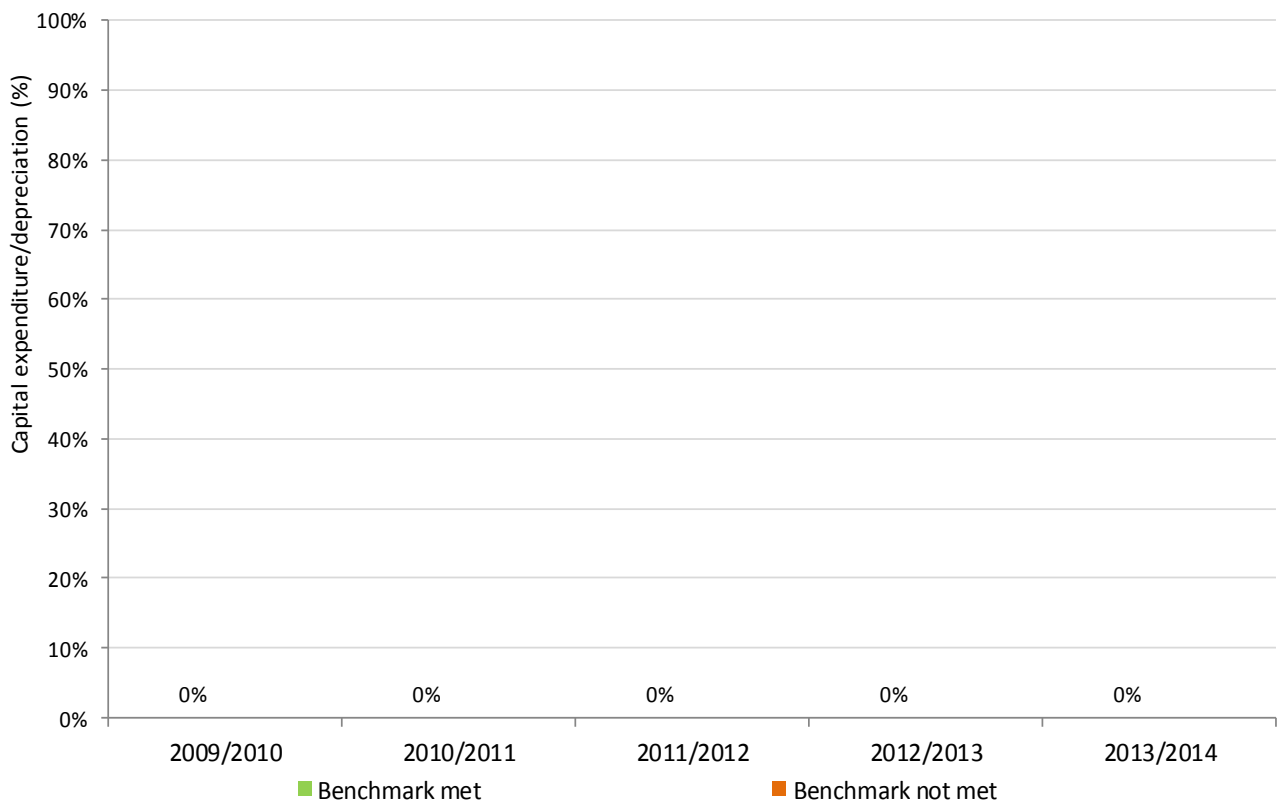
The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



### Debt servicing benchmark

The following graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

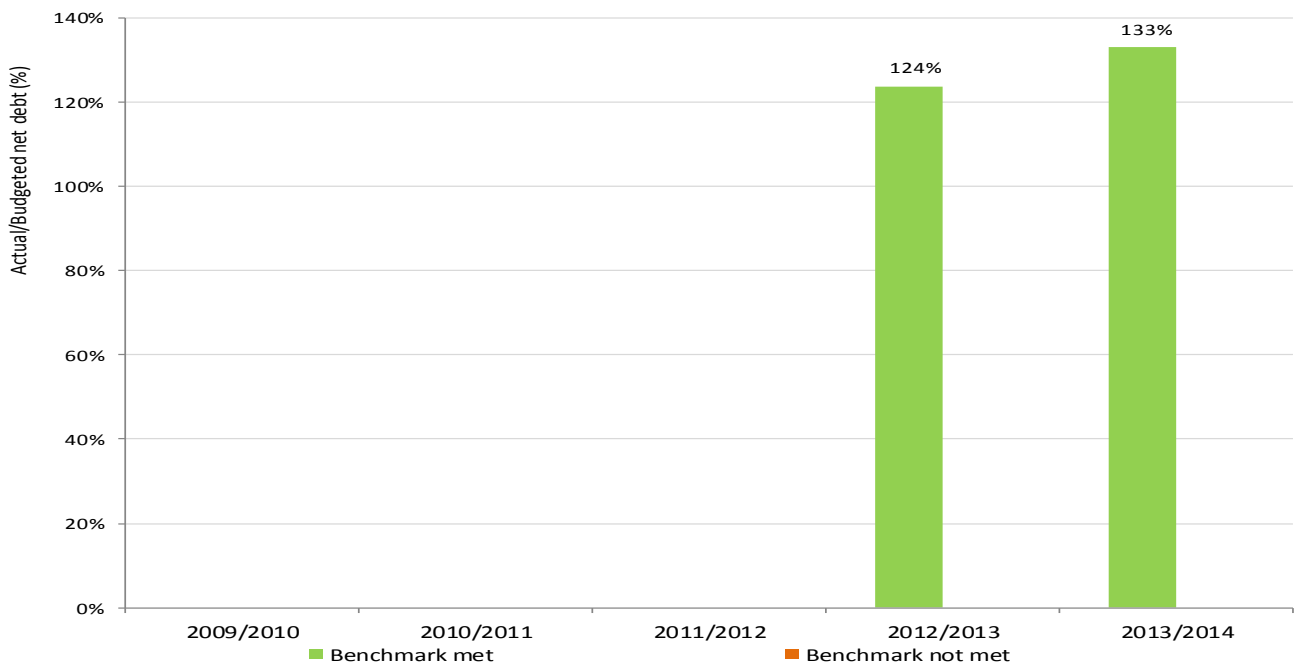
Because Statistics New Zealand projects the council's population will grow [as fast as, or faster than,/more slowly than] the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



### Debt control benchmark

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

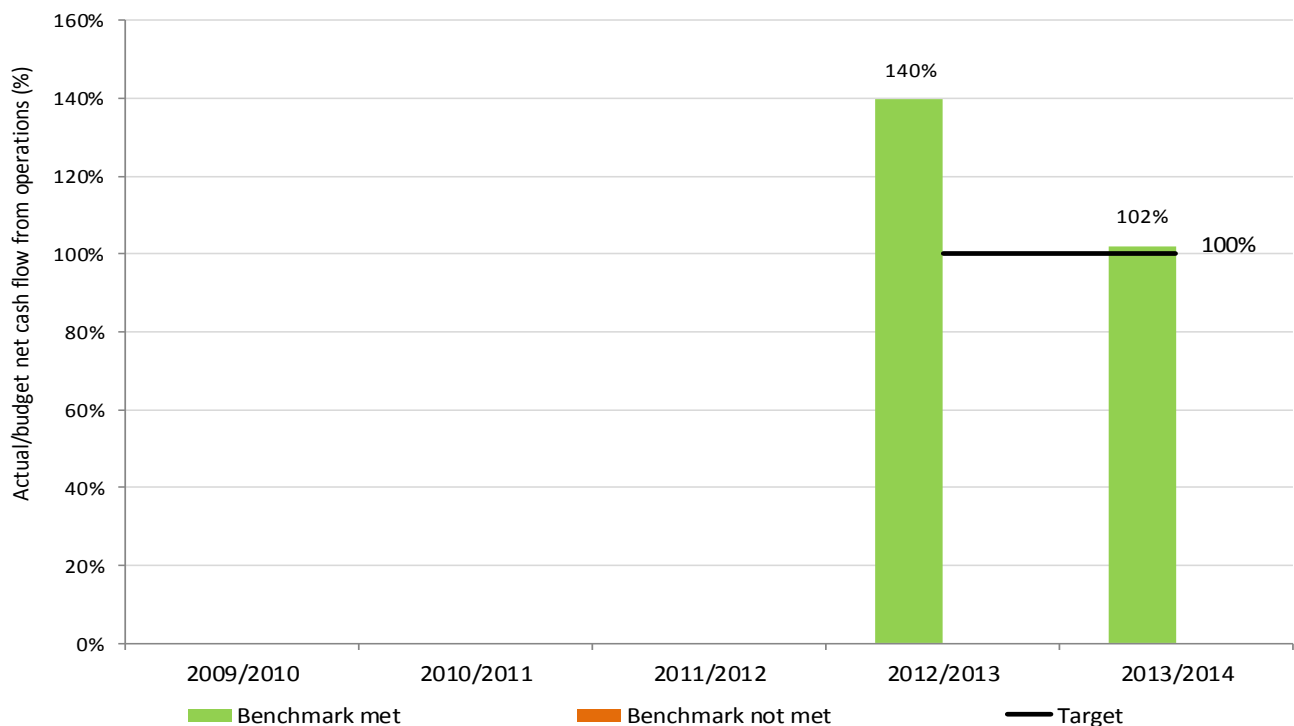


Mathematically, the results shown in the graph above are correct. The graph shows “benchmark met” whenever the Council is better off (either less indebted or with greater net assets) than planned. In this case, there is no net debt, so figures are comparing actual net assets against budgeted net assets.

### Operations control benchmark

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



# Council Structure

**Council Structure**  
**Division of Responsibility between Council and Management**  
**Community Board Structure**  
**Organisational Chart**

# COUNCIL STRUCTURE

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## Governance, Management and Employees

### Role of the Council

The Council has overall responsibility and accountability for the proper direction and control of the District's activities. This responsibility includes areas of stewardship such as:

- Formulating the District's strategic direction
- Managing principle risks facing Mackenzie District
- Administering various regulations and upholding the law
- Ensuring the integrity of management control systems
- Safeguarding the public interest
- Ensuring effective succession of elected members
- Reporting to ratepayers.

### Structure of the Council

Following a review of its representation and subsequent determinations by the Local Government Commission, the Council has, since 2004 been made up of a Mayor and six Councillors elected from two wards.

Council has three Committees - Finance, Operations and Planning Committees. All Councillors are members of each committee with the following Councillors appointed to chair the meetings:

- Cr Smith – Chair of Finance Committee
- Cr Page – Chair of Projects and Strategies Committee
- Cr Bishop – Chair of Planning Committee.

Each Committee and the full Council meets on a six weekly basis.

Council has three subcommittees – Audit & Risk, Solid Waste and Tekapo Property. The Audit & Risk Subcommittee is a subset of the Finance Committee and consists of the Mayor, Deputy Mayor and one Councillor. The Solid Waste Subcommittee consists of 3 Councillors and Councils Management Team and is a subset of the Projects & Strategies Committee. Tekapo Property consists of 1 Councillor, 2 staff and 2 outside appointments. The Tekapo Property Subcommittee is a subset of the Finance Committee.

The Chair of the Audit & Risk Subcommittee is Cr Maxwell while the Chair of the Solid Waste Subcommittee is Cr Page. The Chair of the Tekapo Property Subcommittee is Cr Maxwell.

### Council Operations

The Council has appointed a Chief Executive Officer to be in charge of Council operations and delegated certain powers of management to him as required under Section 119c(1)(a) of the Local Government Act 1974. The Chief Executive has in turn appointed senior managers and support staff to manage each of the Council's significant activities.

### Appointed Boards of Council

At 30 June 2014 there were two Boards of Council; the Forestry Board and the Pukaki Airport Board.

The Mackenzie Forestry Board is made up of four Councillors.

The Pukaki Airport Board consists of independent business people and one Councillor.

The Forestry Board and the Pukaki Airport Board all meet regularly.

### Community Boards

Community boards service the communities of Fairlie, Lake Tekapo, and Twizel, and make recommendations to Council regarding the management of township services. Each community board meets six weekly, with additional meetings held as required.

# DIVISION OF RESPONSIBILITY BETWEEN COUNCIL AND MANAGEMENT

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## Governance Framework

### Independent Election

The Council believes that its democratic election by the Mackenzie District citizens ensures that it is able to operate in the best interests of the District and to function independently of management.

### Communication/Reporting;

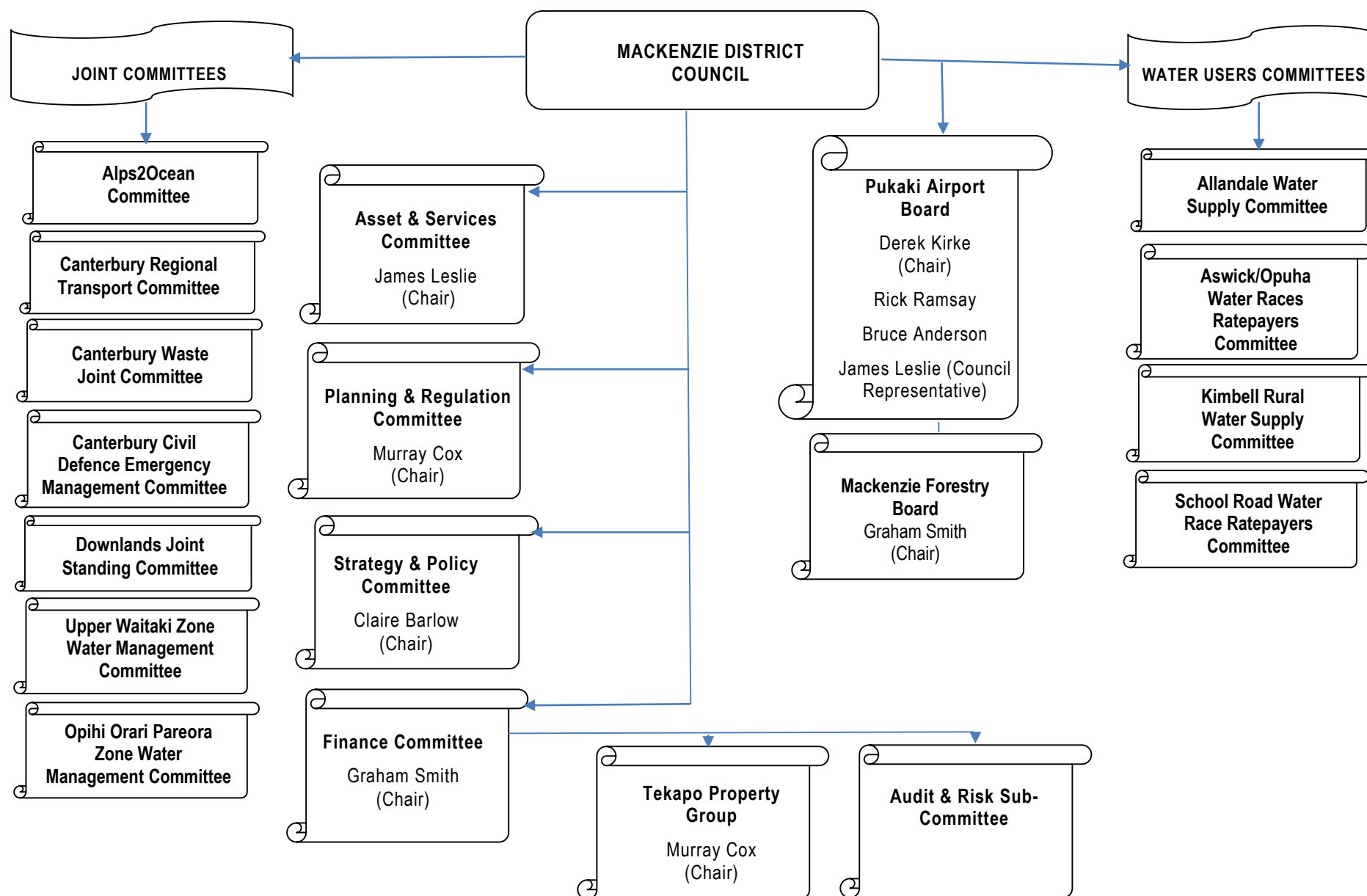
Council holds regular meetings to ensure that the affairs of the authority are being conducted in accordance with its legislative mandate and Council objectives. The Council also monitors through its Chief Executive Officer, whether staff adhere to the principles of “good citizenship” and high standards of ethical behaviour. A key to the efficient running of Council is to maintain a clear division between the role of the elected representatives and that of management. The Council of the Mackenzie District concentrates on setting policy and strategy, and then reviews progress. Management is concerned with implementing these policies and strategies.

While many of the Council’s functions have been delegated, the overall responsibility for achieving the vision and goals of the District ultimately rests with the Council. The Council helps discharge this responsibility by maintaining effective systems of internal control. Internal control includes the policies, systems and procedures established to provide measurable assurance that specific objectives of the Council will be achieved.

### Legislative Compliance

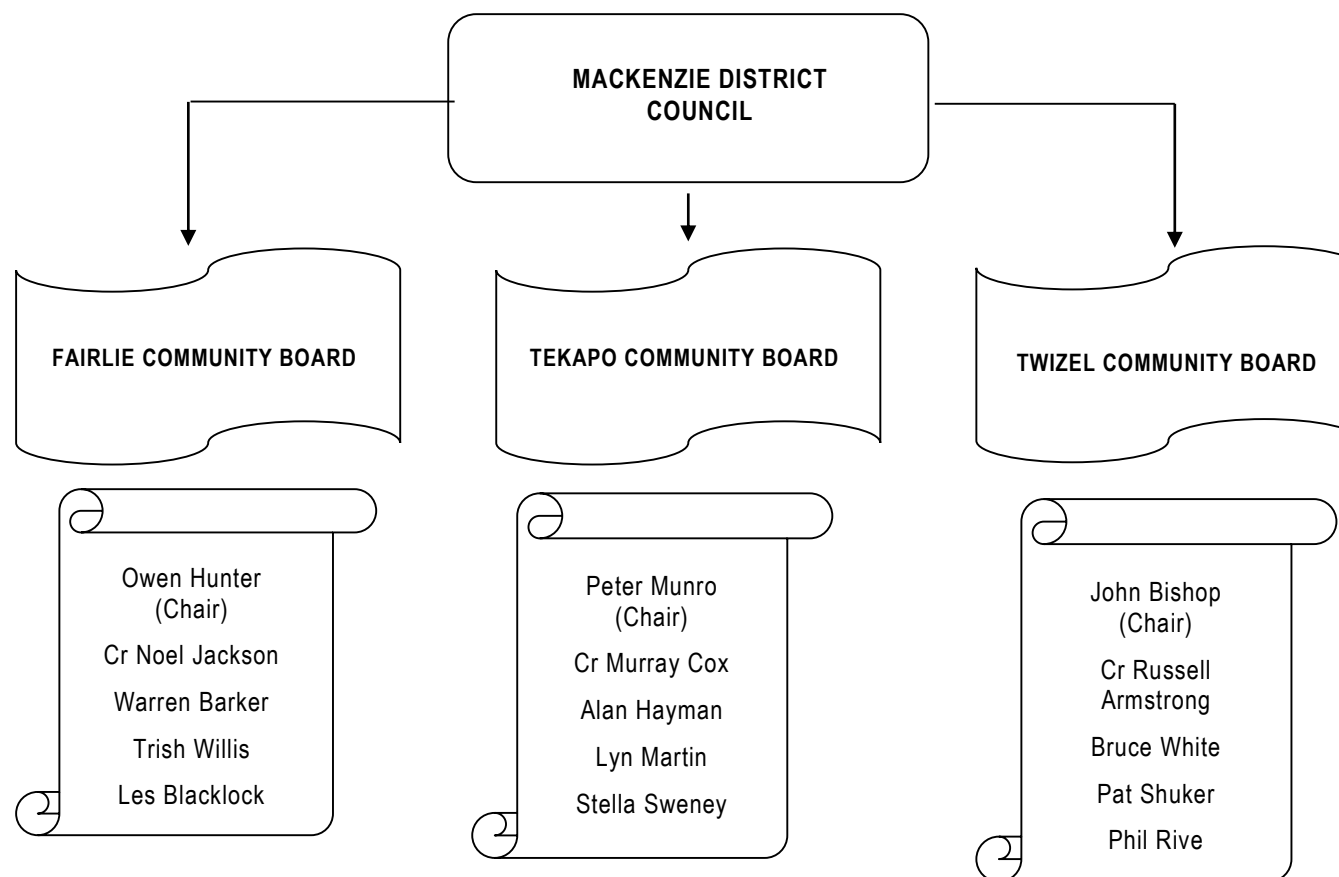
As a regulatory body, the Council administers various regulations and laws. As such, it is vital that it complies with all relevant legislation. The Council makes use of external lawyers and consultants as appropriate to ensure it does comply.

## COUNCIL COMMITTEE STRUCTURE as at June 2014



## COMMUNITY BOARD STRUCTURE as at June 2014

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## ORGANISATIONAL CHART as at June 2014

