

Mackenzie District Council

ANNUAL REPORT
2012-2013



COUNCIL DIRECTORY

Location

Head Office

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

Twizel Service Centre

Market Place

TWIZEL

Phone: (03) 435 0737

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CHIEF EXECUTIVE OFFICER

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Auditors

Audit New Zealand on behalf of The Controller and

Auditor-General

CHRISTCHURCH

Solicitors

Anthony Harper Barristers & Solicitors

Lvl 9 HSBC Tower

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CHRISTCHURCH

Bankers

Westpac

Cnr Stafford and Church Streets

TIMARU

THE MACKENZIE DISTRICT – 2010-2013 Mayor and Councillors



MAYOR
Claire Barlow

OPUHA WARD



Graeme Page



Graham Smith (Deputy Mayor)



Evan Williams

PUKAKI WARD



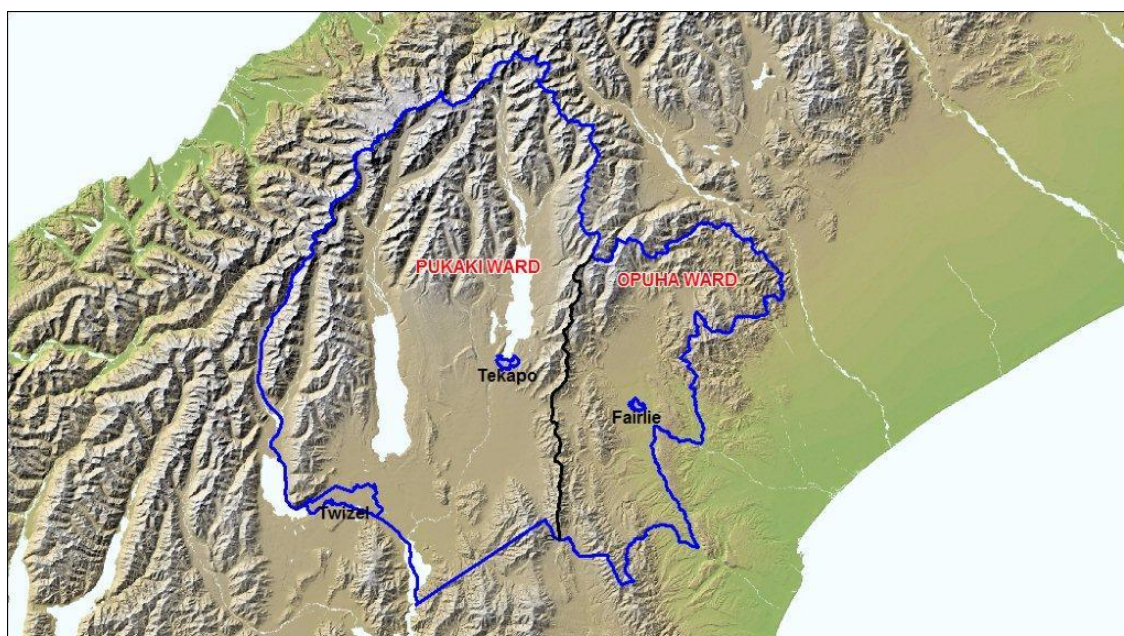
John Bishop



Peter Maxwell



Annette Money



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INTRODUCTION BY THE MAYOR AND CHIEF EXECUTIVE

It gives us great pleasure to introduce you to the annual report of the Mackenzie District Council for 2012/13. The year has been challenging in many ways but also satisfying with significant achievements being made in our incident response, project development and organisational capability.

One of the consistent themes for the year has been legislative change. This has ranged from high level adjustment to the purpose of the Local Government Act to detailed changes such as the new Liquor Licensing Act. Each of these amendments requires us to assess and alter management processes to ensure Council complies with the law and still continues to provide the services our community needs. Much of this work is invisible outside the organisation, but is still a critical Council obligation.

Weather-wise, 2012/2013 has been fickle and temperamental. Council has faced significant flood, snow and wind events resulting in widespread damage and interruption to the road network. The total value of clearance and repair work for the year was \$1,182,000. The emergency response and management of repairs has been excellent and our contractors and staff deserve to be commended for their efforts. The snow events in particular have provided an opportunity to assess the appropriateness of specified levels of service. It has been heartening that a review of our standards indicated a high level of satisfaction.

Progress has been made on planning for the Twizel water supply upgrade. A significant amount of time and effort has been spent consulting with local people to identify potential alternative sources of supply. This process has given Council confidence that we have a full understanding of the potential supply options. The investigation of possible sources has been completed and the project scope has been clarified. This will underpin the specific design and construction phases of the project in coming years.

District planning matters have continued to be a major work area for Council over the year. The Environment Court and High Court actions related to Plan Change 13 have required significant time and resources with a total of \$116,000 being spent in 2012/2013. Preliminary work has begun on the review of our District Plan. The plan is Council's key planning document and reflects the community's collective view of how land use and related activities should be managed.

The amount of building activity occurring within the district reflects a consistent strength within the local economy. Building consent numbers have continued at an historically high level. A review has been undertaken of our building administration processes and structural adjustments have been made to safeguard our accreditation status. A subsequent audit has shown these changes to be highly successful.

It has been pleasing to see a number of community projects that were implemented in previous years come to fruition. The contractual arrangement with Christchurch and Canterbury Tourism has been very successful in providing focus and objectivity in tourism development. The reporting provisions within the contract enable Council to effectively gauge activity that further develops our tourism sector. Direct feedback from the sector has also been very positive.

The Alps2Ocean cycle way is another project that is beginning to deliver benefits for the district. Construction of the Mackenzie section of the cycle way was completed before the summer season. The trail was officially opened in February and has become immediately popular. Anecdotal evidence suggests that it is beginning to drive valuable gains in business activity. Work is currently underway to both promote the cycle way further and to quantify the extent of the contribution to the local community.

Significant progress has been achieved with the development of Council owned land at the Tekapo lake front. A commercial subdivision is proposed that will provide significant additional income for Council and improve the commercial presence of Tekapo. The first stage of the development involves five commercial sites and a recreational area on the largely unused land. To date Council has contracts for the sale of two of the sites and is in negotiation on further sections.

The customer satisfaction survey undertaken on Council's behalf in August and September, 2013, indicates a high level of ratepayer satisfaction in most areas of Council activity. These survey results, and other specific data, have been used to report Council's performance as illustrated in the Statements of Service Provision within this report. Council has achieved the majority of targets with the exception of Planning and Commercial. The performance targets in the planning section are aspirational in nature and non-achievement of these goals does not indicate substandard performance.

Overall we are satisfied with Council's performance this year. We will, however, continue to focus on seeking improvements throughout the organisation.

We would like to extend a very big thank you to staff and elected members for their tireless efforts and contribution throughout 2012/2013. 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

COMPLIANCE

The Council and management of Mackenzie District Council confirm that, in accordance with Schedule 10 Section 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 2013 fairly reflect the financial position and operations of the Mackenzie District Council.



Claire Barlow
Mayor
30 October 2013



Wayne Barnett
Chief Executive Officer

Independent Auditor's Report

To the readers of Mackenzie District Council's annual report for the year ended 30 June 2013

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 2013 on page 74;
 - the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended 30 June 2013 on page 72, page 73, and page 75 respectively;
 - the funding impact statement of the District Council on page 76;
 - the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 20 to 65; and
 - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 77 to 122;
- the statement of service provision of the District Council on pages 17 to 63 and the funding impact statements in relation to each group of activities of the District Council on pages 21 to 66.

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 92;
 - reserve funds on pages 93 to 96;
 - each group of activities carried out by the District Council on pages 17 to 63;
 - remuneration paid to the elected members and certain employees of the District Council on pages 112 to 113;
 - employee staffing levels and remuneration on page 113;
 - severance payments on page 112;

- a report on the activities undertaken by the District Council to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 69; and
- a statement of compliance signed by the mayor and the chief executive of the District Council on page 5.

Opinion

Audited information

In our opinion:

- the financial statements of the District Council on pages 72 to 122:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the District Council's financial position as at 30 June 2013; and
 - the results of its operations and cash flows for the year ended on that date.
- the funding impact statement of the District Council on page 76 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 65, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan.
- the statement of service performance provided of the District Council on pages 17 to 63:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the District Council's levels of service for the year ended 30 June 2013, including:
 - the levels of service as measured against the intended levels of service adopted in the long-term plan; and
 - the reasons for any significant variances between the actual service and the expected service.
- the funding impact statements in relation to each group of activities of the District Council on pages 21 to 66, fairly reflects by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's long-term plan.

Compliance with the other requirements of schedule 10

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

Our audit was completed on 30 October 2013. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

An audit also involves evaluating:

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

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

When reporting on whether the annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; The Auditor's Responsibilities Relating to Other Information in Documents Containing

Audited Financial Statements. As a result we do not express an audit opinion on the District Council's compliance with the requirements of schedule 10.

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

Responsibilities of the Council

The Council is responsible for preparing:

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

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

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

Responsibilities of the Auditor

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

Independence

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



Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Christchurch, 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
An attractive and highly valued natural environment 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.
A thriving economy 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.
A democracy which upholds the rights of the individual 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.
A fit and healthy community 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.
Safe, effective and sustainable infrastructure 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.
A supportive and contributing community 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. Council's 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 16 to 21)

Water Supplies

Fairlie
Tekapo
Twizel
Rural

(Pages 22 to 30)

Sewerage

Fairlie
Tekapo
Twizel
Burkes Pass

(Pages 31 to 35)

Stormwater

Fairlie
Tekapo
Twizel

(Pages 36 to 40)

Roading

Fairlie
Tekapo
Twizel
Rural
Business Unit

(Pages 41 to 47)

Planning & Regulation

Civil Defence
Animal Control
Rural Fire Control
Health & Liquor
Licencing
(Pages 48 to 54)

Community & Township Services

Pensioner Housing
Medical Centres
Cemeteries
Public Toilets
Community Grants
Parks, Reserves &
Township Maintenance
Swimming Pools
Community Halls
Libraries
Solid Waste
(Pages 55 to 61)

Commercial Activities

Investments
Forestry
Rental Properties
Real Estate
Tourism
(Pages 62 to 66)

Council Controlled Organisations

(Pages 67 to 68)

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 or 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
A democracy which upholds the rights of the individual	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.
A supportive and contributing community	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 2012-2013	Result for 2011-2012
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. Meetings comply with the Local Government (Official Information and Meetings) Act 1987.	At least nine meetings of Council held during the year, and 20 meetings of Council committees. No identified breaches of the Local Government (Official Information and Meetings) Act 1987.	Achieved 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.	Achieved Council continued to meet on a 6 weekly cycle. In 2011/12 there were 18 meetings of the full Council and 20 meetings of Council Committees. A total of 38 for 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.

Council has chosen to continue to include the traditional Cost of Service Statements as supplementary information that complements these Funding Impact Statements. Council believes the benefit to readers of this information presented in the historical format is meaningful and outweighs the cost of provision.

Funding Impact Statement				
Governance and Corporate Services Activity Group				
For the year ended 30 June 2013				
2012			2013	
Annual Plan		Notes	Long Term Plan	Actual
\$000's			\$000's	\$000's
SOURCES OF OPERATING FUNDING				
730	General rates, uniform annual general charges, rates penalties		1,923	1,924
83	Targeted rates (other than a targeted rate for water supply)		29	29
0	Subsidies and grants for operating purposes		0	0
0	Fees, charges, and targeted rates for water supply		0	0
1,847	Internal charges and overheads recovered		107	153
101	Local authorities fuel tax, fines, infringement fees, and other receipts		102	147
2,761	TOTAL OPERATING FUNDING (A)		2,161	2,253
APPLICATIONS OF OPERATING FUNDING				
1,933	Payments to staff and suppliers		2,028	2,168
0	Finance costs		0	0
762	Internal charges and overheads applied		56	78
0	Other operating funding applications		0	0
2,695	TOTAL APPLICATIONS OF OPERATING FUNDING (B)		2,084	2,246
66	Surplus (deficit) of operating funding (A-B)		77	7
SOURCES OF CAPITAL FUNDING				
0	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	TOTAL SOURCES OF CAPITAL FUNDING (C)		0	0
APPLICATIONS OF CAPITAL FUNDING				
0	Capital expenditure		0	0
0	- To meet additional demand		0	0
0	- To improve the level of service		19	4
0	- To replace existing assets		218	193
66	Increase (decrease) in reserves		(160)	(189)
0	Increase (decrease) of investments		0	0
66	TOTAL APPLICATIONS OF CAPITAL FUNDING (D)		77	8
(66)	Surplus (deficit) of capital funding (C-D)		(77)	(7)
0	FUNDING BALANCE ((A-B) + (C-D))		0	0
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.				
Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus				
Governance and Corporate Services Activity Group				
For the year ended 30 June 2013				
	Surplus (deficit) of operating funding		77	7
	Less:			
	Depreciation		77	99
	OPERATING SURPLUS/(DEFICIT)		0	(93)

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 2012-2013	Result for 2011-2012
Council meets in accordance with predetermined schedule and in compliance with the Local Government (Official Information and Meetings) Act 1987.	<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>Achieved 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>Achieved: There were no identified breaches of the Local Government (Official Information and Meetings) Act during the year.</p>	<p>Achieved Council continued to meet on a 6 weekly cycle. In 2011/12 there were 18 meetings of the full Council and 20 meetings of Council Committees. A total of 38 for the year.</p> <p>Achieved: There were no identified breaches of the Local Government (Official Information and Meetings) Act during the year.</p>
Effective consultation held on Long Term Plan, Annual Plan and other significant issues.	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.	Achieved Council undertook a consultative process for its Annual Plan which was adopted on 13 June 2013. Council also made publically available its Summary Annual Report within the statutory timeframe.	Achieved Council undertook a special consultative process for Council's LTP. 530 submissions were received. The consultation included sending a summary to all ratepayers.
The three community boards complement the role of the Council by providing local input and advocacy into Council decision making.	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>Achieved The Community Boards met 24 times during the year as follows: Fairlie 9 Tekapo 8 Twizel 7</p> <p>Achieved All recommendations including budget submissions were forwarded to Council for approval.</p>	<p>Achieved Each of the Community Boards met eight times.</p> <p>Achieved 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.

Cost of Service Statement For the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
REVENUE				
730	General rates		1,923	1,924
84	Targeted rates		29	29
0	Subsidies and grants		0	0
0	Investment revenue		0	0
135	Other revenue	1	102	147
0	Gain on sale of assets		0	0
0	Financial/upgrade contributions		0	0
1	Internal interest income		0	0
1,950	Internal income	2	107	153
0	Assets vested		0	0
2,900	TOTAL REVENUE		2,161	2,254
EXPENDITURE				
1,018	Personnel costs	3	1,086	1,150
244	Member expenses		276	273
161	Consultancy expenses	4	116	147
445	Administration	5	289	330
231	Operational and maintenance		261	269
0	Roading expenses		0	0
5	Interest on capital reserves		8	2
814	Internal expenses	6	48	76
0	Finance costs		0	0
73	Funded depreciation	7	64	55
27	Non funded depreciation	7	13	44
3,018	TOTAL EXPENDITURE		2,161	2,346
(118) OPERATING SURPLUS/(DEFICIT)			0	(92)

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

Commentary on Governance and Corporate Services Financial Summary

Surplus/(Deficit)

The deficit for the year was \$92,000; \$92,000 more than the budgeted deficit of \$nil.

Revenue

Total revenue for the year was \$2,254,000, \$93,000 more than the budgeted revenue of \$2,161,000.

The key variances from budget were:

1. Other income was higher than budgeted by \$45,000. This was mainly due to higher than anticipated levels of commissions earned, rate penalties and other miscellaneous income (\$23,000) and higher than anticipated recoverable services (\$16,000).
2. Internal income was \$46,000 higher than budget due to increased charge-out of vehicle mileage across the organisation.

Direct Expenditure

The total direct expenditure for the year was \$2,346,000; \$185,000 more than the budgeted direct expenditure of \$2,161,000.

The key variances from budget were:

3. Personnel costs were \$64,000 more than budgeted due to higher than anticipated costs of recruitment (\$27,000) along with increased costs associated with employing specialist staff in the GIS area and staff regrading costs contributed \$77,000 to the variance.
4. Consultancy expenses were \$31,000 more than budgeted. This is due to legal costs being \$11,000 higher than budgeted, because of additional work involved in dealings with the Mackenzie Tourism and

Development Trust as well as undertaking a legal review of Councils rates for the LTP 2012-2022. Also costs associated with staff position regrading (\$10,000) as well as \$5,000 costs associated with employment advice on behalf of the Mackenzie Tourism and Development Trust contributed to this variance.

5. Administration expenses were \$41,000 more than budgeted due to Council budgeting a small restructure for the 2012/2013 year that did not even eventuate. The anticipated savings of \$50,000 that were not realised contribute to this variance.
6. Internal expenses are \$28,000 more than budgeted due to higher than anticipated mileage being charged out. This is offset by the higher than anticipated revenue.
7. Depreciation is \$22,000 higher than budget. However compared to the previous years' depreciation, this is appropriate and suggests the budget was too low for the 2012/2013 year.

Capital Expenditure For the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
IMPROVE LEVEL OF SERVICE				
Corporate Services				
Information Technology				
0	Software	5	15	0
0	Web site development		4	4
0	TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		19	4
REPLACE EXISTING ASSETS				
Corporate Services				
Administration				
13	Computers	1	20	3
0	Plant & equipment		3	1
Information Technology				
1	Information Management System		0	0
0	PC Server		35	36
2	Printers, copiers & scanners		4	4
2	Network infrastructure		0	0
11	Software		0	18
27	GIS aerials		0	0
0	Communications equipment		0	0
0	Plant & equipment		3	2
Plant & Equipment				
0	Plant & equipment		0	0
0	Motor vehicles	4	108	98
Fairlie Building				
1	Plant & equipment		0	1
0	Building - other	2	20	0
0	Furniture & Fittings - admin		22	16
Twizel Building				
0	Plant & equipment	3	0	5
0	Carpets	3	4	9
57	TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		219	193
57	TOTAL CAPITAL EXPENDITURE		237	197

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 2012/13 year

Total capital for the year was budgeted at \$237,000. Actual expenditure was \$197,000 which produced a \$40,000 positive variance.

The key variances from budget were:

1. Computer equipment expenses in administration were \$17,000 less than the budget of \$20,000. It was intended to be used to implement 'info Council' to assist with agenda preparation etc. However it was used to implement NCS software MagiQ BR which will greatly assist in our reporting and budgeting processes. The cost of this appears in Information Technology.
2. Council building renovations on the Council main office were not undertaken in this financial year creating a \$20,000 favourable variance.
3. Costs associated with installing heat pumps in the Twizel office were not budgeted for and have created a \$5,000 unfavourable variance. It is expected savings are to be made in heating costs over the life of the asset. Costs associated with renewing the carpet at the Twizel office resulted in an unfavourable variance of \$5,000. It was anticipated that the existing underlay would have been able to have been reused however this required replacement which added to the total cost of the project.
4. Motor vehicle replacement for the year was \$10,000 less than budgeted. Two extra vehicles were purchased in the 2012/13 year being a second hand truck for the Tekapo Township and the CEO vehicle replacement. The CEO replacement was scheduled for the 2013/14 year and will not now require replacement in that year.
5. Costs associated with software were \$18,000 higher than the budget of \$nil. This relates to the implementation of MagiQ BR discussed in note 1 above.

Funding Impact Statement For the Year Ended 30 June 2013

2012	Notes	2013	
		Long Term Plan	Actual
Annual Plan			
\$000's		\$000's	\$000's
SOURCES OF OPERATING FUNDING			
730	General rates, uniform annual general charges, rates penalties	1,923	1,956
83	Targeted rates (other than a targeted rate for water supply)	29	29
0	Subsidies and grants for operating purposes	0	0
0	Fees, charges, and targeted rates for water supply	0	0
1,847	Internal charges and overheads recovered	107	153
101	Local authorities fuel tax, fines, infringement fees, and other receipts	102	115
2,761	TOTAL OPERATING FUNDING (A)	2,161	2,253
APPLICATIONS OF OPERATING FUNDING			
1,933	Payments to staff and suppliers	2,028	2,168
0	Finance costs	0	0
762	Internal charges and overheads applied	56	78
0	Other operating funding applications	0	0
2,695	TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,084	2,246
66	Surplus (deficit) of operating funding (A-B)	77	7
SOURCES OF CAPITAL FUNDING			
0	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	TOTAL SOURCES OF CAPITAL FUNDING (C)	0	0
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
0	- To meet additional demand	0	0
0	- To improve the level of service	19	4
0	- To replace existing assets	218	193
66	Increase (decrease) in reserves	(160)	(189)
0	Increase (decrease) of investments	0	0
66	TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	77	8
(66)	Surplus (deficit) of capital funding (C-D)	(77)	(7)
0	FUNDING BALANCE ((A-B) + (C-D))	0	0

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 cannot be used to fund operating expenditure.

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

Governance and Corporate Services Activity Group
For the year ended 30 June 2013

Surplus (deficit) of operating funding	77	7
Less:		
Depreciation	77	99
OPERATING SURPLUS/(DEFICIT)	0	(93)

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
<i>Safe, effective and sustainable infrastructure</i>	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.
<i>A thriving economy</i>	By ensuring that adequate public supplies are provided for household and industrial use at an affordable cost.
<i>An attractive and highly valued natural environment</i>	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.

Principal Objectives

- To ensure all of the public systems provide a high quality water treatment and distribution service;
- To assess the quality and adequacy of all existing private water supply systems (serving more than single premises) in the District.

Statement of Service Provision;

Levels of Service	Measure of Service	Baseline Information	Target	Result for 2012-2013	Result for 2011-2012
Water supplies are available and reliable	Time for reinstatement of service for on-demand supplies from notification to contractor:				
	During working hours - 6 hours.	Last measured YE June 2011 where we achieved 99%.	90%	Achieved 95% of on-demand supplies were reinstated within 6 hours.	Achieved This is a service standard specified in the Utilities Service Contract. The standard was met.
	Outside working hours - 9 hours.	New measure and contractor is required to provide data.	90%	Achieved There were no shut downs out of work hours.	New Measure
	For restricted supplies: - 24 hours.	New measure and we have no prior year data.	90%	Achieved 100% of restricted supplies were reinstated within 24 hours.	New Measure
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.	Last measured YE June 2011, nil E Coli was detected.	100%	Not Achieved 7 transgressions. 2 in the Allandale supply, 2 in the Twizel Supply and 3 in the Burkes Pass Supply. Refer to table below for frequency of monitoring.	Achieved No E.Coli was detected in the water supplies. There are records for only 51 of the required 52 samples for Tekapo.
	Response to any E Coli identified in drinking water leaving the treatment plant (transgression): Take remedial action.	New measure and we have no prior year data.	100%	Achieved Of the 7 transgressions, all 7 had remedial action but only 6 had follow up testing to confirm water was safe.	New Measure
	Issue "Boil Water" notice if transgression is likely to exceed 24 hours to rectify.	Last measured YE June 2011, no 'Boil Water' notices were triggered.	100%	Achieved 2 "Boil Water" Notices were issued in response to transgressions which were likely to exceed 24 hours. In addition 1 preventative notice was issued.	Not Achieved At Twizel, three consecutive samples between 15/11/11 and 28/11/11 showed E.coli present in Twizel.

Levels of Service	Measure of Service	Baseline Information	Target	Result for 2012-2013	Result for 2011-2012
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	Last measured YE June 2011, this target was achieved.	100%	Achieved There were no notifications of low pressure or flow.	Achieved This is a service standard specified in the Utilities Service Contract. The standard was met.
	Outside working hours-9 hours	Last measured YE June 2011, this target was achieved.	100%	Achieved There were no notifications of low pressure or flow.	Achieved This is a service standard specified in the Utilities Service Contract. The standard was met.
	% of ratepayers satisfied with the water supply service.	CINTA survey October 2011, 82% were satisfied.	80%	Not Achieved 72% were satisfied.	Not Achieved 67% 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	New measure and we have no prior year data.			
	Target Upgrade Tekapo water supply by June 2013	New measure and we have no prior data.	Upgrade complete.	Achieved UV plant installed	This is a one off measure.
	Target Upgrade Twizel water supply by June 2016	New measure and we have no prior data.	Upgrade complete.	Progressing	This is a one off measure.
	Target Upgrade Fairlie water supply by 1 June 2017	New measure and we have no prior data.	Upgrade complete.	Progressing	This is a one off measure.

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.

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.

Cost of Service Statement For the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
REVENUE				
0	General rates		0	0
888	Targeted rates	6	778	790
0	Subsidies and grants		0	0
4	Investment revenue	2	0	4
133	Other revenue	3	81	162
0	Gain on sale of assets		0	0
131	Financial/upgrade contributions	1	0	180
37	Internal interest income	5	10	44
3	Internal income		3	3
99	Assets vested	4	0	40
1,295	TOTAL REVENUE		872	1,223
EXPENDITURE				
10	Personnel costs	8	0	13
0	Member expenses		0	0
4	Consultancy expenses		18	2
15	Administration		9	20
419	Operational and maintenance	7	402	372
0	Roading expenses		0	0
44	Interest on capital reserves	9	64	55
125	Internal expenses		3	3
0	Finance costs		0	0
0	Assets impairment	6	0	(5)
326	Funded depreciation	10	337	333
47	Non funded depreciation	10	29	47
990	TOTAL EXPENDITURE		862	840
305	OPERATING SURPLUS/(DEFICIT)		10	383

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

** Non-funded depreciation represents a reduction in the service potential of the relevant asset and is expressed as a reduction in ratepayers' equity.

Commentary on Water Supplies Financial Summary

Surplus/(Deficit)

The surplus for the year was \$383,000; \$373,000 more than the budgeted surplus of \$10,000.

Revenue

Total revenue for the year was \$1,223,000; \$351,000 more than the budgeted revenue of \$872,000. The key variances from budget were:

- Financial contributions were \$180,000 compared to a budget of \$nil. These contributions depend on levels of development and are difficult to predict.
- External interest received includes \$4,000 from Downlands Water Scheme of which Council is a joint venture partner and consequently only accounts for its share of the results at year end rather than incorporating the Downlands budget.
- Revenue received from Albury Water consumers was \$71,000. Council does not budget for income from the Albury Water Scheme as the scheme members look after the scheme themselves.

However Council owns the scheme and consequently accounts for the scheme's end of year results in its own results.

4. The value of water assets vested in Council for the year were \$40,000 more than allowed for in the budget. The amount of vested assets in any one year is dependent on developers timing.
5. Internal interest income was \$44,000; \$34,000 higher than the budget of \$10,000. The major portion of this variance was generated from Twizel which amounted to \$30,000 with a budget of \$1,000. This income is derived from the Twizel water capital reserve balance which is impacted by capital expenditure throughout the year. The Twizel water project was not spent during the year therefore the balance of the capital reserve remained higher than anticipated, generating internal interest income.
6. Council's share of the Downlands JV income (Rates) was \$18,000 higher than anticipated.

Direct Expenditure

The total direct expenditure for the year was \$840,000; \$22,000 less than the budgeted direct expenditure of \$862,000. The key variances from budget were:

7. Operational and maintenance expenses were \$30,000 less than budget which included \$12,000 in costs for the Albury Water Scheme for which no Council budget is assigned, offset by lower than budgeted costs associated with the Downlands Scheme (\$20,000). This was also offset by the Fairlie scheme which had lower than anticipated contractor costs (\$18,000) due to fewer line breakages. This can be put down to the extensive main line and service main upgrades over the past few years. The Tekapo scheme also had lower than expected contractor/repair costs of \$30,000 compared to a budget of \$70,000 again due to lower than anticipated breakages. This was offset by the Twizel scheme which incurred \$110,000 in contractor/repair costs compared to a budget of \$64,000. This is mainly due to main pumps failing and the repair cost to reinstate these pumps. Electricity costs were \$80,000, \$10,000 higher than budget due to the additional load placed on the remaining pumps.
8. Personnel costs totalled \$13,000 which related to the Albury Water Supply scheme for which Council does not prepare a budget and the Allandale scheme employing a part time race man (\$3,000).
9. Interest on capital reserves is \$9,000 below the budget of \$64,000 due to the late timing of capital projects undertaken and in some cases, capex not being undertaken at all.
10. Depreciation is \$380,000 which is \$13,000 more than the budget of \$367,000. This is due to the inclusion of the Downlands JV results for which Council does not budget (\$18,000).

Capital Expenditure for the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
MEET ADDITIONAL DEMAND				
<i>Tekapo Water</i>				
0	Vested assets		0	0
<i>Twizel Water</i>				
99	Vested assets		0	0
0	Head Works - renewal	1	228	16
0	Fire hydrant markers		5	0
0	Resource consent costs & land use		18	0
99	TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		251	16
IMPROVE LEVEL OF SERVICE				
<i>Fairlie Water</i>				
24	Treatment/Storage - new	2	70	11
<i>Twizel Water</i>				
0	Town Reticulation - renewal		0	0
0	Head Works - renewal	2	683	47
6	Treatment - new		0	0
1	Resource consent costs & land use		53	1
<i>Allandale Water</i>				
3	Reticulation extension		0	0
7	Treatment		2	1
<i>Burkes Pass Water</i>				
6	Upgrade treatment		5	0
<i>Manuka Terrace Water</i>				
0	Headworks	5	100	0
47	TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		913	60
REPLACE EXISTING ASSETS				
<i>Fairlie Water</i>				
319	Town Reticulation - renewal	2	146	250
0	Kimbell lines		0	0
0	Service connections	2	25	0
0	Plant		0	2
0	Resource Consents		0	13
2	Water meters		2	0
<i>Tekapo Water</i>				
0	Service connections		1	0
22	Treatment - new	4	35	0
0	Plant		0	2
0	Public health risk mgmt plan		5	0
0	Water meters		2	0
<i>Twizel Water</i>				
13	Plant		0	13
27	Service Connections - renewal		24	61
0	Town Reticulation - new & new trunk mains		0	1
0	Fire hydrant markers		5	0
5	Investigation - new water supply		20	0
0	Water conservation strategy		0	0
10	Water meters		2	3
<i>Eversley/Puneroa</i>				
0	Resource consents		0	0
<i>Manuka Terrace Water</i>				
0	Resource consent & land use	3	20	0
23	Community Assets - water supply		0	0
<i>Ashwick\Opuha Water Supply</i>				
1	Headworks		6	0
<i>School Road Water Race</i>				
1	Resource consents		0	0
422	TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		293	345
569	TOTAL CAPITAL EXPENDITURE		1,457	421

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 2012/13 year

Total capital for the year was budgeted at \$1,457,000. Actual expenditure was \$421,000 which produced a \$1,036,000 positive variance.

The key variances from budget were:

1. Work on the Twizel water supply headworks and treatment remains delayed awaiting a decision on the future source. Costs to date are \$63,000 while the budget is \$911,000.
2. In Fairlie, town reticulation costs amounted to \$250,000 compared to the budget of \$146,000. The increase in cost is due to the tender price being higher than anticipated. To fund the shortfall Council cutback on the size of the project and reduced its spending in new storage investigation which saved \$59,000 and used the budget for service connections at \$25,000. The balance of the shortfall was funded from the Fairlie water operating surplus of \$30,000.
3. An amount of \$20,000 had been budgeted to be spent on the Manuka Terrace water scheme but due to non-availability of water in the middle reaches of the subdivision. It was decided to pursue the option of connecting to the proposed Twizel Supply as the costs could be considerably cheaper.
4. Budget treatment costs of \$35,000 for the Tekapo water supply were not required to be spent during the financial year.
5. Budgeted spend of \$100,000 on the Manuka Terrace headworks did not eventuate due to the non-availability of water in the middle reached of the subdivision as per note 3.

Funding Impact Statement for the Year Ended 30 June 2013

2012			2013	
Annual Plan		Notes	Long Term Plan	Actual
\$000's			\$000's	\$000's
SOURCES OF OPERATING FUNDING				
0	General rates, uniform annual general charges, rates penalties		0	0
879	Targeted rates (other than a targeted rate for water supply)		778	629
0	Subsidies and grants for operating purposes		0	0
78	Fees, charges, and targeted rates for water supply		81	161
39	Internal charges and overheads recovered		12	47
0	Local authorities fuel tax, fines, infringement fees, and other receipts		0	166
996	TOTAL OPERATING FUNDING (A)		871	1,003
APPLICATIONS OF OPERATING FUNDING				
385	Payments to staff and suppliers		430	407
0	Finance costs		0	0
183	Internal charges and overheads applied		66	58
0	Other operating funding applications		0	0
568	TOTAL APPLICATIONS OF OPERATING FUNDING (B)		496	465
428	Surplus (deficit) of operating funding (A-B)		375	538
SOURCES OF CAPITAL FUNDING				
0	Subsidies and grants for capital expenditure		0	0
0	Development and financial contributions		0	180
0	Increase (decrease) in debt		0	0
0	Gross proceeds from sale of assets		0	0
0	Lump sum contributions		0	0
0	TOTAL SOURCES OF CAPITAL FUNDING (C)		0	180
APPLICATIONS OF CAPITAL FUNDING				
	Capital expenditure			
0	- To meet additional demand		251	16
0	- To improve the level of service		913	60
0	- To replace existing assets		293	345
428	Increase (decrease) in reserves		(1,080)	297
0	Increase (decrease) of investments		0	0
428	TOTAL APPLICATIONS OF CAPITAL FUNDING (D)		375	718
(428)	Surplus (deficit) of capital funding (C-D)		(375)	(538)
0	FUNDING BALANCE ((A-B) + (C-D))		0	0

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 cannot be used to fund operating expenditure.

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

Water Supplies Activity Group

For the year ended 30 June 2013

Surplus (deficit) of operating funding	375	538
Add back:		
Financial contributions	0	180
Vested Assets	0	40
	0	220
Less:		
Depreciation	366	380
Asset Impairment	0	(5)
OPERATING SURPLUS/(DEFICIT)	10	383

SEWERAGE

Background

In the Mackenzie District, there are presently four public sewerage schemes: Fairlie, Tekapo, Twizel and Burke's 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
Safe, effective and sustainable infrastructure.	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.
A fit and healthy community.	Every household requires a good wastewater disposal system to avoid exposure to water-borne health risks.
A thriving economy.	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;

Levels of Service	Measure of Service	Baseline Information	Target	Result for 2012-2013	Result for 2011-2012
Sewage is managed without risk to public health.	Number of sewage overflows from pump stations.	Last measured YE June 2011, there were nil overflows.	Nil	Achieved There were no sewage overflows from pump stations.	Achieved There were no sewage overflows from pump stations.
	Number of annual blockages per 10km of sewer.	Last measured YE June 2011, there were 1.1 blockages per 10kms.	Less than six	Achieved There were 0.07 blockages per 10kms.	Achieved There were 2.1 blockages per 10kms of sewer.
	% of ratepayers satisfied with the sewage treatment and disposal service.	CINTA survey October 2011, showed 91% were satisfied.	85%	Achieved 97% were satisfied.	Achieved 96% were satisfied.
Sewage is able to be disposed of without significant disruption.	% of temporary or permanent repairs completed within 6 hours (during working hours) or 12 hours (outside working hours).	Last measured YE June 2011, where these targets were met.	100%	Achieved 100% of repairs were completed within 6 hours.	Achieved This is a service standard specified in the Utilities Services Contract. The standard was met.

	Normal disruption should not exceed 8 hours. Apart from earthquake or flood, no single disruption should exceed 24 hours.	Not measured in YE June 2011.	100%	Achieved 100% no disruption exceeded 8 hours.	Not Measured The duration of disruption to an individual property was not measured but was unlikely to have exceeded eight hours.
Safe discharge of wastewater	% of notices of non-compliance, issued by Environment Canterbury, for Council's discharge consents actioned within 20 working days.	New measure and we have no prior year data.	100%	Not Achieved 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.	New Measure

Cost of Service Statement for the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
REVENUE				
0	General rates		0	0
515	Targeted rates	2	380	403
0	Subsidies and grants		0	0
0	Investment revenue		0	0
1	Other revenue		0	6
0	Gain on sale of assets		0	0
192	Financial/upgrade contributions	1	0	246
19	Internal interest income		22	24
0	Internal income		0	0
93	Assets vested	3	0	53
820	TOTAL REVENUE		402	732
EXPENDITURE				
0	Personnel costs		0	0
0	Member expenses		0	0
0	Consultancy expenses		10	0
7	Administration		10	7
157	Operational and maintenance	4	140	115
0	Roading expenses		0	0
30	Interest on capital reserves		16	23
88	Internal expenses		0	0
0	Finance costs		0	0
246	Funded depreciation		245	249
0	Non funded depreciation		0	0
528	TOTAL EXPENDITURE		421	394
292	OPERATING SURPLUS/(DEFICIT)		(18)	338

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

Commentary on Sewerage Financial Summary

Surplus/(Deficit)

The surplus for the year was \$338,000; \$356,000 more than the budgeted deficit of \$18,000.

Revenue

Total revenue for the year was \$732,000; which was \$330,000 more than the budgeted revenue of \$402,000.

The key variances from budget were:

1. Financial upgrade contributions for the year were \$246,000 more than allowed for in the budget. This is driven by developer work in the area and is difficult to accurately determine.
2. Targeted rates is \$23,000 higher than budget due to not including the Eversley Sewerage debt repayment rate in the budget.
3. The value of sewer assets vested in Council for the year was \$53,000 more than budget. The level of vested assets is dependent on developer activity during the year.

Direct Expenditure

The total direct expenditure for the year was \$394,000; \$27,000 lower than the budgeted figure of \$421,000.

The key variances from budget were:

4. Operational and maintenance expenses were \$24,000 less than budgeted due to overall maintenance costs and monitoring costs being lower than budgeted.

Capital Expenditure for the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
MEET ADDITIONAL DEMAND				
<i>Tekapo Sewer</i>				
0	Vested assets		0	0
<i>Twizel Sewer</i>				
93	Vested assets	1	0	53
93	TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		0	53
IMPROVE LEVEL OF SERVICE				
<i>Twizel Sewer</i>				
0	Sewer Treatment - new		0	0
0	TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		0	0
REPLACE EXISTING ASSETS				
<i>Fairlie Sewer</i>				
0	Sewerlines		2	0
<i>Twizel Sewer</i>				
31	Sewer Reticulation - new	2	50	25
31	TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		52	25
124	TOTAL CAPITAL EXPENDITURE		52	78

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 2012/2013 year

Total capital expenditure for the year was \$78,000; \$26,000 more than the budget of \$52,000.

The key variances from budget were:

1. There were unbudgeted sewer assets vested during the year totalling \$53,000. Assets vested in Council depend on level of developer activity and are difficult to budget.
2. Twizel treatment and disposal upgrade was \$25,000. 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 2013/14 year.

Funding Impact Statement for the Year Ended 30 June 2013

2012			2013	
Annual Plan		Notes	Long Term Plan	Actual
\$000's			\$000's	\$000's
SOURCES OF OPERATING FUNDING				
0	General rates, uniform annual general charges, rates penalties		0	0
514	Targeted rates (other than a targeted rate for water supply)		380	403
0	Subsidies and grants for operating purposes		0	0
0	Fees, charges, and targeted rates for water supply		0	0
23	Internal charges and overheads recovered		22	24
0	Local authorities fuel tax, fines, infringement fees, and other receipts		0	6
537	TOTAL OPERATING FUNDING (A)		402	433
APPLICATIONS OF OPERATING FUNDING				
153	Payments to staff and suppliers		160	122
0	Finance costs		0	0
122	Internal charges and overheads applied		16	23
0	Other operating funding applications		0	0
275	TOTAL APPLICATIONS OF OPERATING FUNDING (B)		176	145
262	Surplus (deficit) of operating funding (A-B)		226	288
SOURCES OF CAPITAL FUNDING				
0	Subsidies and grants for capital expenditure		0	0
0	Development and financial contributions		0	246
0	Increase (decrease) in debt		0	0
0	Gross proceeds from sale of assets		0	0
0	Lump sum contributions		0	0
0	TOTAL SOURCES OF CAPITAL FUNDING (C)		0	246
APPLICATIONS OF CAPITAL FUNDING				
Capital expenditure				
0	- To meet additional demand		0	0
0	- To improve the level of service		0	0
0	- To replace existing assets		51	25
262	Increase (decrease) in reserves		175	509
0	Increase (decrease) of investments		0	0
262	TOTAL APPLICATIONS OF CAPITAL FUNDING (D)		226	534
(262)	Surplus (deficit) of capital funding (C-D)		(226)	(288)
0	FUNDING BALANCE ((A-B) + (C-D))		0	

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 cannot be used to fund operating expenditure.

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

Sewerage Activity Group
For the year ended 30 June 2013

Surplus (deficit) of operating funding	226	288
Add back:		
Financial contributions	0	246
Vested Assets	0	53
	0	299
Less:		
Depreciation	245	249
OPERATING SURPLUS/(DEFICIT)	(18)	338

STORMWATER

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
<i>Safe, effective and sustainable infrastructure.</i>	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.
<i>An attractive and highly valued natural environment</i>	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	Baseline Information	Target	Result for 2012-2013	Result for 2011-2012
Council provides a reliable stormwater system which prevents houses from flooding.	Number of reported house flooding incidents in a 1 in 5 year event.	A 1 in 5 year flood event did not occur in the YE June 2011.	Nil	Achieved There were no reports of flood waters entering houses.	Achieved There were no reports of flood waters entering houses.
Council will respond promptly to reports of flooding and customer requests	% of localised flooding events responded to within 1 hour of notification.	Not measured in prior years due to contractors not having a formal system to measure this.	100%	Achieved 100% of events were responded to within 1 hour.	Achieved This is a service standard specified in the Utilities Service Contract. The standard was met.
	% of blockages causing minor disruption responded to within 6 hours of notification during working hours or 12 hours outside working hours.	Not measured in prior years due to contractors not having a formal system to measure this.	100%	Achieved There were a couple of significant rain events in 2011/12 and the contractor had staff patrolling the district immediately the extent became known to address any issues.	New Measure

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.

Cost of Service Statement for the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
REVENUE				
0	General rates		0	0
84	Targeted rates		80	80
0	Subsidies and grants		0	0
0	Investment revenue		0	0
0	Other revenue		0	0
0	Gain on sale of assets		0	0
1	Financial/upgrade contributions	1	0	16
6	Internal interest income		9	9
0	Internal income		0	0
0	Assets vested	2	0	26
91	TOTAL REVENUE		89	131
EXPENDITURE				
0	Personnel costs		0	0
0	Member expenses		0	0
0	Consultancy expenses		0	0
0	Administration		3	0
10	Operational and maintenance		27	17
0	Roading expenses		0	0
0	Interest on capital reserves		1	1
23	Internal expenses		0	0
0	Finance costs		0	0
58	Funded depreciation		58	58
0	Non funded depreciation		0	0
91	TOTAL EXPENDITURE		89	76
0 OPERATING SURPLUS/(DEFICIT)			0	55

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

Commentary on Stormwater Financial Summary

Surplus/(Deficit)

The surplus for the year was \$55,000; \$55,000 more than the budgeted surplus of \$nil.

Revenue

Total revenue for the year was \$131,000; \$42,000 more than the budgeted revenue of \$89,000.

The major variances are:

1. Council received \$16,000 financial contributions which were budgeted at \$nil. Financial Contributions are dependent on developer activity.
2. Assets vested in Council were \$26,000. This is compared to a budget of \$nil.

Capital Expenditure for the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
MEET ADDITIONAL DEMAND				
<i>Tekapo Stormwater</i>				
0	Vested assets	1	0	26
0	TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		0	26
0 TOTAL CAPITAL EXPENDITURE			0	26

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.

Results for the 2012/2013 year

1. Assets vested in Council were \$26,000; this is compared to the budget of \$nil.

Funding Impact Statement for the Year Ended 30 June 2013

2012			2013	
Annual Plan \$000's		Notes	Long Term Plan \$000's	Actual \$000's
SOURCES OF OPERATING FUNDING				
0	General rates, uniform annual general charges, rates penalties		0	0
84	Targeted rates (other than a targeted rate for water supply)		80	80
0	Subsidies and grants for operating purposes		0	0
0	Fees, charges, and targeted rates for water supply		0	0
11	Internal charges and overheads recovered		9	9
0	Local authorities fuel tax, fines, infringement fees, and other receipts		0	0
95	TOTAL OPERATING FUNDING (A)		89	89
APPLICATIONS OF OPERATING FUNDING				
16	Payments to staff and suppliers		29	17
0	Finance costs		0	0
23	Internal charges and overheads applied		1	1
0	Other operating funding applications		0	0
39	TOTAL APPLICATIONS OF OPERATING FUNDING (B)		30	18
56	Surplus (deficit) of operating funding (A-B)		59	71
SOURCES OF CAPITAL FUNDING				
0	Subsidies and grants for capital expenditure		0	0
0	Development and financial contributions		0	16
0	Increase (decrease) in debt		0	0
0	Gross proceeds from sale of assets		0	0
0	Lump sum contributions		0	0
0	TOTAL SOURCES OF CAPITAL FUNDING (C)		0	16
APPLICATIONS OF CAPITAL FUNDING				
Capital expenditure				
0	- To meet additional demand		0	0
0	- To improve the level of service		0	0
0	- To replace existing assets		0	0
56	Increase (decrease) in reserves		59	87
0	Increase (decrease) of investments		0	0
56	TOTAL APPLICATIONS OF CAPITAL FUNDING (D)		59	87
(56)	Surplus (deficit) of capital funding (C-D)		(59)	(71)
0	FUNDING BALANCE ((A-B) + (C-D))		0	

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 cannot be used to fund operating expenditure.

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

Stormwater Activity Group
For the year ended 30 June 2013

Surplus (deficit) of operating funding	59	71
Add back:		
Financial contributions	0	16
Vested Assets	0	26
	0	42
Less:		
Depreciation	59	58
OPERATING SURPLUS/(DEFICIT)	0	55

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>An attractive and highly valued natural environment</i>	By providing vehicular access to areas while minimising the effect on the natural environment.
<i>A thriving economy</i>	By providing a safe and efficient highway network for the transport of people and goods.
<i>A fit and healthy community</i>	By providing safe roads that provide access to sporting, recreational, social and medical amenities.
<i>Safe, effective and sustainable infrastructure</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	Baseline Information	Target	Result for 2012-2013	Result for 2011-2012
Council provides safe, smooth, quality sealed roads in order to reduce travel times and vehicle wear.	Smoothness of urban and rural sealed roads as compared with rest of New Zealand.	A national NZTA measure last defined in 2007.	Smoothness higher than national average.	Achieved Mackenzie DC's smoothness rating is 95% (completed May 2012). Compared to the national average of 85.73% (2011/12). This is a biennial measure.	Not Measured No national benchmarking has been released yet (NZTA complete this)
	The average roughness of urban roads as measured by NAASRA counts.	Not measured in 2011. We have engaged a contractor to undertake this work in the 2012 year.	Average <100 counts with less than 10% exceeding 150 counts.	Achieved 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.	Achieved 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.
	The average roughness of rural roads as measured by NAASRA counts.	Not measured in 2011. We have engaged a contractor to undertake this work in the 2012 year.	Average <80 counts with less than 10% exceeding 110 counts.	Achieved 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	Achieved Last measure November 2008: 79 Counts.
	% of road users are satisfied with the roading network.	The first survey conducted by CINTA in October 2011 indicated that 85% of road users were satisfied with the roading network.	85%	Achieved 85% were satisfied.	New Measure
Council provides a safe and efficient roading network.	Minor improvements to the network identified that will benefit the road user and programmed for completion.	Last measured YE June 2011 where three projects were completed.	Two projects completed each year.	Achieved - 4 Projects Completed 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 th November 2013	Achieved Eight projects were completed.
	Number of fatal accidents due solely to road factors.	Last measured YE June 2011 where	Nil.	Achieved There were no fatal accidents on local roads in the district caused solely by road conditions	Achieved There were no fatal accidents on local roads in the district caused by road

Levels of Service	Measure of Service	Baseline Information	Target	Result for 2012-2013	Result for 2011-2012
		there were no fatalities.		See below link; http://www.nzta.govt.nz/resources/crash-analysis-reports/statistical-statements.html	conditions See below link; http://www.nzta.govt.nz/resources/crash-analysis-reports
Ready access is provided around the District except in extreme weather conditions.	The roading network is trafficable and contracted emergency response times are met – on site within 1.5 hours to begin reinstatement	Last measured YE June 2011. We did not achieve this measure as we had two callouts that exceeded 1.5 hours.	100%.	Not Achieved 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	Achieved • The contractor reports for the response times over the year indicate that response times were met; Emergency responses includes works for flood damage, fixing reported potholes, clearing grates from flooding, snow clearing and ice gritting, also placing of crusher dust to soak up intentional diesel spills. • One instance on the 30 Dec 11 – “spread chip of bleeding seal” was responded to in 2.5 hours (9am notification, time onsite 11.30) Onsite timeframe not met due to having to source specialist gear from a distant depot.
Footpaths are maintained in good condition and are fit for purpose	% of footpaths defects made safe within 48 hours. % of road users satisfied with the condition of Council footpaths.	This is a new measure and we have no data. Survey conducted in October 2011 by CINTA showed that 80% of users surveyed were satisfied.	95% 70% with improving trend	Achieved 100%. Three faults deemed as a trip hazard and were remedied within 48 hours Achieved 83% were satisfied.	New Measure Achieved 80% 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.

Cost of Service Statement for the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
REVENUE				
0	General rates		0	0
1,404	Targeted rates		1,364	1,305
1,621	Subsidies and grants	2	1,473	2,515
0	Investment revenue		0	0
74	Other revenue	1	28	122
0	Gain on sale of assets		0	0
20	Financial/upgrade contributions		0	12
32	Internal interest income		0	0
130	Internal income	3	67	1
69	Assets vested		0	0
3,350	TOTAL REVENUE		2,933	3,955
EXPENDITURE				
85	Personnel costs	5	107	126
0	Member expenses		0	0
69	Consultancy expenses	6	23	14
5	Administration		5	6
0	Operational and maintenance		0	0
1,163	Roading expenses	4	1,142	2,242
0	Interest on capital reserves		0	0
324	Internal expenses	8	80	25
0	Finance costs		0	0
1	Funded depreciation	7	762	846
1,675	Non funded depreciation	7	842	954
3,322	TOTAL EXPENDITURE		2,961	4,213
28 OPERATING SURPLUS/(DEFICIT)			(28)	(258)

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

** Non-funded depreciation represents a reduction in the service potential of the relevant asset and is expressed as a reduction in ratepayers' equity.

Commentary on Roothing Financial Summary

Surplus/(Deficit)

The deficit for the year was \$258,000; \$230,000 more than the budgeted deficit of \$28,000.

Revenue

Total revenue for the year was \$3,955,000; \$1,022,000 more than the budgeted revenue of \$2,933,000. The key variances from budget were:

1. Other income of \$122,000; \$94,000 more than the budget of \$28,000 due to \$25,000 being received from Timaru District Council for their share of a two coat seal of Cannington Road along with \$6,000 contribution from a local business in Twizel for signage and other revenue received from NZTA of \$61,000.
2. Subsidies and grants were more than budgeted by \$1,042,000 mainly due to higher than anticipated costs associated with two extreme weather events occurring during the year and therefore higher contributions from NZTA.
3. Internal income is \$1,000, \$66,000 less than the budget of \$67,000. This is due to the budgeted deficit in the Roothing Business Unit not eventuating and not being required to be written off to District Roothing.

Direct Expenditure

The total direct expenditure for the year was \$4,213,000; \$1,252,000 more than the budgeted direct expenditure of \$2,961,000.

The key variances from budget were:

4. Emergency reinstatement costs totalled \$1,182,000 compared to a budget of \$nil. This was due to the two serious storm events that occurred in the 2012/2013 year.
5. Personnel costs is \$126,000 compared to a budget of \$107,000. This is due to the position re-grading undertaken during the year and the additional staff costs that resulted from this exercise.
6. Consultancy expenses are \$14,000; \$9,000 lower than the budget of \$23,000 due to the minor improvement bridge design not being undertaken in the year. It is expected to occur in the 2013/2014 year.
7. Depreciation expense was \$1,800,000; \$211,000 more than budget which is due to the capital expenditure in prior years taking effect.
8. Internal expenses are \$25,000; \$55,000 less than the budget of \$80,000. This variance has resulted from the budgeted deficit in the Roding Business Unit not occurring and therefore not required to be written off to district roading.

Capital Expenditure for the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
MEET ADDITIONAL DEMAND				
<i>District Roothing</i>				
69	Vested assets		0	0
69	TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		0	0
IMPROVE LEVEL OF SERVICE				
<i>District Roothing</i>				
69	Footpaths - surfacing		67	68
0	Unsubsidised discretionary improvements		20	63
0	Sealing past houses		10	0
0	Manuka Terrace	2	460	24
0	<i>Professional Roothing Business Unit</i>			
0	Computers		10	9
69	TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		567	164
REPLACE EXISTING ASSETS				
<i>District Roothing</i>				
0	Twizel cemetery overflow parking		15	9
445	Unsealed road metalling	3	449	492
650	Sealed road resurfacing	3	554	668
22	Bridges - Lake Alex outlet		0	0
46	Drainage culverts		0	0
1	Drainage renewal		50	44
7	Market Place entrance upgrade		0	0
255	Minor safety works		0	0
13	Other projects		0	0
5	Roothing Ruataniwha Reserve		0	0
46	Signs		0	0
1	Street lighting		0	0
102	Sealed road pavement rehabilitation	3	140	0
19	Structures component replacements bridges		20	8
0	Structures component replacements cattletops		0	7
0	Traffic services renewals		88	70
0	Associated improvements		15	0
20	Minor improvements	1	250	175
1,632	TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		1,581	1,473
1,770	TOTAL CAPITAL EXPENDITURE		2,148	1,637

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 rooding network.
- Assets vested in Council are the result of development.

Results for the 2012/2013 year

Total capital expenditure for the year was \$1,637,000; \$511,000 less than the budget of \$2,148,000. The key variances from budget were:

1. Minor improvements expenditure was \$175,000, \$75,000 lower than the budget of \$250,000. This is due to delaying of bridge replacement planned for this financial year into the 2013/2014 year.
2. Manuka Terrace sealing expenditure was \$24,000 which is \$436,000 less than the budget of \$460,000. Council received better tender prices by delaying the project until November 2013 so will be able to undertake more work for the same cost.
3. Council spent \$1,160,000 on unsealed road metalling (\$492,000) and sealed road resurfacing (\$668,000). These funds were drawn on from Sealed Road Pavement rehabilitation (actual \$nil budget \$140,000), Unsealed Road metalling (Budget \$419,000) and Sealed Road Resurfacing (Budget \$554,000).

Funding Impact Statement for the Year Ended 30 June 2013

2012			2013	
Annual Plan		Notes	Long Term Plan	Actual
\$000's			\$000's	\$000's
SOURCES OF OPERATING FUNDING				
0	General rates, uniform annual general charges, rates penalties		0	0
1,404	Targeted rates (other than a targeted rate for water supply)		1,364	1,305
1,679	Subsidies and grants for operating purposes		672	1,721
0	Fees, charges, and targeted rates for water supply		0	0
157	Internal charges and overheads recovered		67	1
28	Local authorities fuel tax, fines, infringement fees, and other receipts		28	122
3,268	TOTAL OPERATING FUNDING (A)		2,131	3,149
APPLICATIONS OF OPERATING FUNDING				
1,436	Payments to staff and suppliers		1,276	2,388
0	Finance costs		0	0
315	Internal charges and overheads applied		79	25
0	Other operating funding applications		0	0
1,751	TOTAL APPLICATIONS OF OPERATING FUNDING (B)		1,355	2,413
1,517	Surplus (deficit) of operating funding (A-B)		776	736
SOURCES OF CAPITAL FUNDING				
0	Subsidies and grants for capital expenditure		800	794
20	Development and financial contributions		0	12
0	Increase (decrease) in debt		0	0
0	Gross proceeds from sale of assets		0	0
0	Lump sum contributions		0	0
20	TOTAL SOURCES OF CAPITAL FUNDING (C)		800	806
APPLICATIONS OF CAPITAL FUNDING				
Capital expenditure				
0	- To meet additional demand		0	0
0	- To improve the level of service		567	164
1,752	- To replace existing assets		1,581	1,473
(215)	Increase (decrease) in reserves		(572)	(95)
0	Increase (decrease) of investments		0	0
1,537	TOTAL APPLICATIONS OF CAPITAL FUNDING (D)		1,576	1,542
(1,517)	Surplus (deficit) of capital funding (C-D)		(776)	(736)
0	FUNDING BALANCE ((A-B) + (C-D))		0	

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 cannot be used to fund operating expenditure.

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

Roads Activity Group

For the year ended 30 June 2013

Surplus (deficit) of operating funding	776	736
Add back:		
Financial contributions	0	12
Capital Subsidies and Grants	800	794
Vested Assets	0	0
	800	806
Less:		
Depreciation	1,604	1,800
OPERATING SURPLUS/(DEFICIT)	(28)	(258)

PLANNING AND REGULATION

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>An attractive and highly valued natural environment</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>A thriving economy</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>A safe, effective and sustainable infrastructure.</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>A attractive and highly valued natural environment</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>A fit and healthy community.</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>

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	Baseline Information	Target	Result for 2012-2013	Result for 2011-2012
To maintain an up to date District Plan that enables a vibrant community while sustainably managing the District's resources.	<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>Not measured in prior years.</p> <p>CINTA survey October 2011 showed 58% were satisfied.</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>Achieved The Council has initiated its review of the District Plan and is working through this process.</p> <p>Not Achieved CINTA Survey October 2013 showed 50% satisfaction.</p>	<p>Not Measured</p> <p>Not Achieved CINTA Survey October 2012 showed 53% satisfaction.</p>
To provide a technically sound but customer focused service when processing resource consents while achieving our obligations under the Resource Management Act.	<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>Last measured YE June 2011 where we achieved 100% compliance.</p> <p>CINTA survey October 2011 showed 50% were satisfied.</p>	<p>100% compliance</p> <p>80% positive feedback to a customer survey.</p>	<p>Not Achieved 92% of consents were processed within the timeframe.</p> <p>Not Achieved 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>	<p>Not Achieved 95% of consents were processed within the timeframe.</p> <p>Not Achieved CINTA Survey October 2012 showed 72% satisfaction.</p>
To provide a customer focussed building control service that is efficient and cost effective while achieving our obligations under the Building Act 2004.	<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>Last measured YE June 2011 where we achieved 99% compliance.</p> <p>Last measured YE June 2011 where we achieved 97% compliance.</p> <p>CINTA survey October 2011 showed 69% were satisfied.</p>	<p>100% compliance</p> <p>100% compliance</p> <p>80% positive feedback to a customer survey.</p>	<p>Not Achieved 94% of consents were processed within the timeframe.</p> <p>Not Achieved 99% of LIMs & 100% of PIMs were processed within the timeframe.</p> <p>Achieved 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>	<p>Not Achieved 98% of consents were processed within the timeframe.</p> <p>Not Achieved 99% of LIMs & 95% of PIMs were processed within the timeframe.</p> <p>Not Achieved CINTA Survey October 2012 showed 74% satisfaction.</p>

To provide a safe environment for dogs and the public to co-exist.	Maintain a record of all dogs in the District by ensuring that they are registered.	Last measured YE June 2011 where we did not achieve this measure as there were approximately 100 known dogs unregistered.	100% registration for all recorded dogs.	Not Achieved At year end there were approximately 135 dogs unregistered.	Not Achieved At year end there were approximately 100 dogs unregistered.
	Respond to all complaints relating to dogs with 12 hours.	Last measured YE June 2011 where we did not achieve this measure due to contractor being unavailable at times.	100%	Not Achieved Due to the contractor not being available at all times.	Not Achieved Due to the contractor not being available at all times.
	80% or greater of those surveyed believe the Council is adequately managing dog control issues in the District.	CINTA survey October 2011 showed 75% were satisfied.	80% positive feedback to a customer survey.	Achieved CINTA survey October 2013 showed 81% were satisfied.	Achieved CINTA survey October 2012 showed 83% were satisfied.
For the Council and the community to be prepared to respond to a civil defence emergency.	Council staff and volunteers are familiar with their roles and are adequately trained.	Last measured YE June 2011 where the Council had completed one training session.	Training is attended as required, and the Council will participate in one training exercise per year.	Achieved The Council participated in Exercise Te Ripahapa – a South Island wide Civil Defence exercise.	Not Achieved Only one training session held (Pandora). The previous years' measure required two training sessions a year.
	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.	CINTA survey October 2011 showed 66% were satisfied.	80% favourable response from a customer survey.	Achieved 86% of those surveyed had faith in Council's preparedness.	Not Measured
To manage a fire risk and to be able to provide a ready and capable response to rural fires.	For Council to remain as an active member of an enlarged rural fire district with other partner councils and agencies.	New measure and we have no prior year data.	Attend all South Canterbury Rural Fire meetings.	Achieved The Council has been represented at all SCRFC meetings.	New Measure
	Council has a capable and well equipped rural fire response teams across the Mackenzie District.	Last measured YE June 2011 where we did not achieve this measure due to the Burkes Pass crew yet to achieve training to the industry standards.	All volunteer rural fire teams are trained to industry standards.	Achieved Burkes Pass Rural Fire Team completed training this year.	Not Achieved All volunteers are registered. Burkes Pass crew has yet to achieve training to the industry standards.
		A capital replacement programme has commenced. The replacement of the Lake Tekapo Rural Fire Tanker will be completed by 30 June 2012.	A capital replacement programme for tankers and other equipment is implemented.	Achieved The Council has approved funding for the replacement of the Albury Tanker, which is the next tanker to be replaced in the programme.	New Measure

Identified Effects on the Community

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.

Cost of Service Statement for the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
REVENUE				
455	General rates		309	309
123	Targeted rates		135	136
0	Subsidies and grants		0	4
0	Investment revenue		0	0
390	Other revenue	2	378	435
15	Gain on sale of assets		0	0
0	Financial/upgrade contributions		0	0
91	Reserve contributions	1	134	211
0	Internal interest income		2	1
32	Internal income		0	0
0	Assets vested		0	0
1,106	TOTAL REVENUE		958	1,096
EXPENDITURE				
338	Personnel costs		381	382
0	Member expenses		0	0
187	Consultancy expenses		230	231
68	Administration		104	97
111	Operational and maintenance	3	184	113
0	Roading expenses		0	0
0	Interest on capital reserves		3	3
299	Internal expenses		37	45
0	Finance costs		0	0
32	Funded depreciation		36	39
0	Non funded depreciation		0	0
1,035	TOTAL EXPENDITURE		975	910
71	OPERATING SURPLUS/(DEFICIT)		(17)	186

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

Commentary on Planning & Regulation Financial Summary

Surplus/(Deficit)

The surplus for the year was \$186,000; \$203,000 more than the budgeted deficit of \$17,000.

Revenue

Total revenue for the year was \$1,096,000; \$138,000 more than the budgeted revenue of \$958,000. The key variances from the budget were:

1. Reserve contributions for the year amounted to \$211,000; \$77,000 more than the anticipated budget due to developers settling some of their reserve contribution obligations.
2. Other income is \$435,000; \$57,000 more than budget of \$378,000 due to higher than anticipated recoverable services in the building area which is \$298,000 compared to the budget of \$221,000. This variance has been offset by lower than anticipated revenue from health and liquor licensing. Council contracts Timaru District Council (TDC) to undertake this function and receives revenue net of TDC's costs. However the budget is recorded as gross revenue. This means the actual revenue of \$3,000 is lower than the budget of \$35,000 by \$32,000.

Direct Expenditure

The total direct expenditure for the year was \$910,000; \$65,000 under the budgeted direct expenditure of \$975,000.

The key variances from budget were:

3. Operational and maintenance costs were \$71,000 under budget, due to under expenditure on animal control mainly in Twizel amounting to \$24,000. Also, health and liquor licensing was under budget by \$37,000. Council contracts Timaru District Council (TDC) to undertake this function and the costs associated with this activity are borne by TDC. However the budget is recorded as gross costs.

Capital Expenditure for the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
IMPROVE LEVEL OF SERVICE				
Regulatory Services				
Animal Control				
0	Plant & equipment		8	8
0	TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		8	8
REPLACE EXISTING ASSETS				
Regulatory Services				
Civil Defence				
0	Plant & equipment	1	15	0
Rural Fire				
0	Plant & equipment		6	0
86	Vehicles		0	12
86	TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		21	12
86	TOTAL CAPITAL EXPENDITURE		29	20

Results for the 2012/2013 year

Total capital expenditure for the year was \$20,000; \$9,000 less than the budget of \$29,000.

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 \$15,000 has been deferred until 2013/2014 year to coincide with the review of the Council buildings and toilet facilities at Market Place, Twizel.

Funding Impact Statement for the Year Ended 30 June 2013

2012			2013	
Annual Plan \$000's		Notes	Long Term Plan \$000's	Actual \$000's
SOURCES OF OPERATING FUNDING				
455	General rates, uniform annual general charges, rates penalties		309	309
123	Targeted rates (other than a targeted rate for water supply)		135	136
0	Subsidies and grants for operating purposes		0	4
0	Fees, charges, and targeted rates for water supply		0	0
32	Internal charges and overheads recovered		2	1
374	Local authorities fuel tax, fines, infringement fees, and other receipts		378	435
984	TOTAL OPERATING FUNDING (A)		824	885
APPLICATIONS OF OPERATING FUNDING				
726	Payments to staff and suppliers		899	823
0	Finance costs		0	0
274	Internal charges and overheads applied		39	48
0	Other operating funding applications		0	0
1,000	TOTAL APPLICATIONS OF OPERATING FUNDING (B)		938	871
(16)	Surplus (deficit) of operating funding (A-B)		(114)	14
SOURCES OF CAPITAL FUNDING				
0	Subsidies and grants for capital expenditure		0	0
20	Development and financial contributions		134	211
0	Increase (decrease) in debt		0	0
0	Gross proceeds from sale of assets		0	0
0	Lump sum contributions		0	0
20	TOTAL SOURCES OF CAPITAL FUNDING (C)		134	211
APPLICATIONS OF CAPITAL FUNDING				
	Capital expenditure			
0	- To meet additional demand		0	0
0	- To improve the level of service		0	8
0	- To replace existing assets		29	12
4	Increase (decrease) in reserves		(9)	205
0	Increase (decrease) of investments		0	0
4	TOTAL APPLICATIONS OF CAPITAL FUNDING (D)		20	225
16	Surplus (deficit) of capital funding (C-D)		114	(14)
0	FUNDING BALANCE ((A-B) + (C-D))		0	0

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 cannot be used to fund operating expenditure.

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

Planning and Regulatory Activity Group
For the year ended 30 June 2013

Surplus (deficit) of operating funding	(114)	14
Add back:		
Financial contributions	134	211
Gain on Sale Assets	0	0
Vested Assets	0	0
	134	211
Less:		
Depreciation	36	39
OPERATING SURPLUS/(DEFICIT)	(17)	186

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
<i>A supportive contributing community</i>	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.
<i>A fit and healthy community</i>	The provision of the medical centres provides for local access to medical services.
<i>A thriving economy</i>	The provision of the public toilets is primarily for tourists who contribute to the economy.

Community Outcome	How the Solid Waste Management Activity Contributes
<i>A fit and healthy community</i> <i>An attractive and highly valued natural environment</i>	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.
<i>A thriving economy</i>	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
<i>A thriving economy</i>	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.

A fit and healthy community	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.
A supportive contributing community	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.
An attractive and highly valued natural environment	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 Twizeland 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	Baseline Information	Target	Result for 2012-2013	Result for 2011-2012
Township Services and Facilities are provided and maintained to an acceptable level	Maintain or improve average customer user satisfaction rating.	CINTA survey October 2011 indicated 84% were satisfied.	84% or above	Achieved 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.	Achieved 90% of those surveyed in the CINTA 2012 survey were satisfied.
	Residents regularly use at least two community facilities.	This is a new measure, we have no prior year data.	100%	Not Achieved 95%. 14 out of 275 people surveyed said they did not use any Community Facility.	Not Achieved 92% of people said they had used a Community Facility.
A reliable weekly kerbside recycling and rubbish collection service is provided.	% of waste bins collected within 48 hours of a genuine missed collection being reported.	This is a new measure, we have no prior year data.	100%	Achieved 100%	New Measure
	% of users satisfied with the waste collection and recycling service	CINTA survey October 2011 indicated 74% were satisfied.	75% with an upward trend	Achieved CINTA survey 2013 indicated 93% of users were satisfied.	Achieved CINTA survey 2012 indicated 86% of users were satisfied.

Levels of Service	Measure of Service	Baseline Information	Target	Result for 2012-2013	Result for 2011-2012
Solid waste is collected and disposed of without causing any environmental harm.	The percentage of solid waste from the District resource recovery parks diverted from landfills.	Last measured YE June 2011 where we achieved 63% waste diverted.	70% diverted with an expectation of 80% by 2019.	Not Achieved 37% of waste diverted from landfills. The kerbside collection has now changed to a wheelie bin system 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.	Not Achieved 64% of waste was diverted from landfill. Council's new contract with ESL, in place for 9 months, has recorded waste diversion differently than in the past and more accurately.

- 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

Cost of Service Statement for the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
REVENUE				
881	General rates		496	389
1,355	Targeted rates		1,614	1,746
19	Subsidies and grants		31	18
0	Investment revenue		0	0
557	Other revenue	1-5	434	328
15	Gain on sale of assets		0	6
0	Financial/upgrade contributions		0	0
10	Internal interest income		17	13
95	Internal income		0	0
0	Assets vested		0	0
2,932	TOTAL REVENUE		2,592	2,500
EXPENDITURE				
147	Personnel costs	7	127	143
0	Member expenses		0	0
6	Consultancy expenses		38	4
266	Administration		283	272
1,657	Operational and maintenance	6, 8	1,942	1,662
0	Roading expenses		0	0
51	Interest on capital reserves		48	36
398	Internal expenses		10	6
0	Finance costs		0	0
317	Loss on sale and assets written off		0	1
51	Funded depreciation		59	68
255	Non funded depreciation		215	223
3,148	TOTAL EXPENDITURE		2,722	2,415
(216) OPERATING SURPLUS/(DEFICIT)			(130)	85

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

** Non-funded depreciation represents a reduction in the service potential of the relevant asset and is expressed as a reduction in ratepayers' equity

Commentary on Community Services Financial Summary

Surplus/(Deficit)

The surplus for the year was \$85,000; \$215,000 more than the budgeted deficit of \$130,000.

Revenue

Total revenue for the year was \$2,500,000; \$90,000 less than the budgeted revenue of \$2,592,000.

- The anticipated level of income from plot and burial fees was \$26,000; \$16,000 less than the budget of \$42,000.
- Hall income is \$37,000, \$8,000 less than the budgeted hall income of \$45,000. This is due to the Tekapo Community hall being unavailable due to the renovations that were undertaken during the year and lower usage than budgeted with the Twizel Events Centre.
- Total pool income is \$36,000, \$4,000 lower than the budget of \$40,000. The main contributor to the variance was the delay in opening the Twizel pool due to problems finding suitably qualified staff.
- Revenue from Lake Alexandrina was budgeted at \$63,000 but relates to the 2013/2014 financial year.

Direct Expenditure

The total direct expenditure for the year was \$2,415,000; \$307,000 less than the budgeted direct expenditure of \$2,722,000.

The key variances from budget were:

6. Operational and Maintenance costs were \$1,662,000; \$280,000 lower than the budget of \$1,942,000. The main variances were costs of cemetery repairs and maintenance which were \$34,000; \$37,000 lower than budgeted costs of \$71,000. Also costs associated with township maintenance projects were \$227,000 lower than the budget of \$793,000. Tekapo contributed \$174,000 to the variance and Fairlie \$61,000 which relates to project money yet to be spent but will be spent in the 2013/2014 year offset by an overspend of \$20,000 in the Twizel Township.
7. Personnel costs are \$143,000; \$16,000 higher than the budget of \$127,000. This variance is due to Council employing a staff member to assist in the Tekapo Township town maintenance. The cost of this has been offset by a reduction in Contractor costs in Tekapo.
8. The solid waste collection costs were \$627,000; \$49,000 higher than the budget of \$578,000. This is the first full year of the service and the expenditure was not anticipated at the current level.

Capital Expenditure for the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
MEET ADDITIONAL DEMAND				
0	Vested assets		0	0
0	TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		0	0
IMPROVE LEVEL OF SERVICE				
Recreational Facilities				
Fairlie Township				
0	Comm Asset - public amenities		0	0
Twizel Reserves				
0	Other projects		0	0
Fairlie Pool				
25	Plant & equipment		0	16
Twizel Swimming Pool				
0	Plant & equipment		40	8
25	TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		40	24
REPLACE EXISTING ASSETS				
Community Services				
Pensioner Housing				
2	Buildings		0	0
Public Toilets				
0	Fairlie toilets		0	0
0	Twizel public toilets	2	200	4
Recreational Facilities				
Fairlie Township				
12	Village Green upgrade		30	0
0	Playground upgrade		0	5
0	Development and financial contributions		0	0
Tekapo Community Centre				
3	Buildings	1	0	556
0	Furniture & fittings		15	0
211	Tennis courts		0	0
Twizel Township				
27	Implementation of development plan	3	0	71
0	Furniture & fittings		0	0
Twizel Community Centre				
0	Furniture & fittings		0	17
255	TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		245	653
280	TOTAL CAPITAL EXPENDITURE		285	677

Results for the 2012/2013 year

Total Capital Expenditure for the year was \$677,000; \$392,000 more than the budget of \$285,000.

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

The major variances were:

1. Council undertook the upgrade of Aorangi Crescent Hall Tekapo. Cost was \$556,000 against a budget of \$nil. However the Tekapo Community Board has been rating for the project in prior years. So the cost has been funded from the Tekapo Hall Capital Reserve Fund.
2. Council delayed the progression of the toilets in Twizel budgeted at \$200,000 until the 2013/2014 year.
3. Council undertook to upgrade part of Market Place in Twizel. The cost is \$71,000 (budget \$nil). An affected business has contributed \$17,000 to this project.

Funding Impact Statement for the Year Ended 30 June 2013

2012			2013	
Annual Plan		Notes	Long Term Plan	Actual
\$000's			\$000's	\$000's
SOURCES OF OPERATING FUNDING				
862	General rates, uniform annual general charges, rates penalties		496	389
1,291	Targeted rates (other than a targeted rate for water supply)		1,614	1,746
27	Subsidies and grants for operating purposes		28	18
0	Fees, charges, and targeted rates for water supply		0	0
109	Internal charges and overheads recovered		17	13
576	Local authorities fuel tax, fines, infringement fees, and other receipts		434	328
2,865	TOTAL OPERATING FUNDING (A)		2,589	2,494
APPLICATIONS OF OPERATING FUNDING				
2,267	Payments to staff and suppliers		2,390	2,081
0	Finance costs		0	0
427	Internal charges and overheads applied		58	42
0	Other operating funding applications		0	0
2,694	TOTAL APPLICATIONS OF OPERATING FUNDING (B)		2,448	2,123
171	Surplus (deficit) of operating funding (A-B)		141	371
SOURCES OF CAPITAL FUNDING				
0	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	6
0	Lump sum contributions		0	0
0	TOTAL SOURCES OF CAPITAL FUNDING (C)		0	6
APPLICATIONS OF CAPITAL FUNDING				
	Capital expenditure			
0	- To meet additional demand		0	0
0	- To improve the level of service		40	24
0	- To replace existing assets		245	653
171	Increase (decrease) in reserves		(144)	(300)
0	Increase (decrease) of investments		0	0
171	TOTAL APPLICATIONS OF CAPITAL FUNDING (D)		141	377
(171)	Surplus (deficit) of capital funding (C-D)		(141)	(371)
0	FUNDING BALANCE ((A-B) + (C-D))		0	0

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 cannot be used to fund operating expenditure.

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

Community and Towns Activity Group
For the year ended 30 June 2013

Surplus (deficit) of operating funding	141	371
Add back:		
Financial contributions		
Gain on Sale Assets	0	6
Vested Assets	0	0
	0	6
Less:		
Depreciation	274	291
Loss on Sale and Assets Written off	0	1
	274	292
OPERATING SURPLUS/(DEFICIT)	(130)	85

Commercial Activities

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">• The income derived from investments is used to offset the rate requirement and as such reduces the rates charged.• The Council is committed to investing in the District through the forestry activity as all plantations must be within the District.• 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.• By leasing the commercial areas of land, the Council is assisting the lessees in running their businesses as well as providing rental returns.

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 2012-2013	Result for 2011-2012
Investments 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.	Achieved The Councils investment portfolio outperformed the benchmark (as measured by Bancorp Ltd) in all four quarters.	Not Achieved Council's investment portfolio outperformed the benchmark set by Bancorp, Councils independent fund manager, in two of the four quarters.
Mackenzie Forestry Board 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.	Not Achieved Council did not receive a Statement of Intent to review due to a serious accident involving Councils forestry advisor, who was put out of action for 3-4 months.	Not Achieved Council did not approve the Statement of Intent of the Forestry Board.
Rental Properties 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.	Achieved Council will ensure that the terms of each commercial lease agreement are adhered to.	Achieved Terms of all commercial leases were adhered to. Review of these agreements coincides with rent review periods.
Pukaki Airport Board 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.	Not Achieved Council did not receive a Statement of Intent.	Achieved Council reviewed the Statement of Intent for 2012-2015 on 3 rd April 2012.
Real Estate 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.	Council will progress the disposal of the areas of land identified for sale. Council will progress a land rationalisation process to identify further areas of land deemed surplus to its requirements.	Achieved The Board continually identify land for sale and continue to progress land sales. Not Achieved The land rationalisation process was deferred. Council will review to undertake a full rationalisation review for incorporation in the next LTP.	Achieved Council has a sub-committee to assist with this. It has also employed consultants to assist. Not Achieved The land rationalisation process was deferred. Council will review to undertake a full rationalisation review for incorporation in the next LTP.

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.

Cost of Service Statement for the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
REVENUE				
96	General rates		96	96
116	Targeted rates		105	107
381	Dividend		377	380
709	External interest revenue	1	703	544
618	Other revenue	3	252	484
0	Financial/upgrade contributions		0	1
(855)	Other gains/(losses)	2	0	538
0	Real estate sales		0	0
154	Internal interest income		154	119
52	Vested carbon emission reduction units		0	0
0	Assets vested	4	0	642
1,271			1,687	2,911
(952)	Less used to offset rates		(1,179)	(1,179)
319	TOTAL REVENUE		508	1,732
EXPENDITURE				
0	Personnel costs		0	0
33	Member expenses		26	22
203	Consultancy expenses	5	175	151
85	Administration		110	74
288	Operational and maintenance		295	300
0	Real estate cost of sales		0	0
127	Interest on capital reserves		75	89
138	Internal expenses		0	0
0	Finance costs		0	0
278	Assets impairment	6	0	51
0	Funded depreciation		0	0
53	Non funded depreciation		53	62
1,205	TOTAL EXPENDITURE		733	749
(886) OPERATING SURPLUS/(DEFICIT)			(225)	983

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

Commentary on Commercial Activities Financial Summary

Surplus/(Deficit)

The surplus for the year was \$983,000; \$1,208,000 more than the budgeted deficit of \$225,000.

Revenue

Total revenue for the year was \$1,732,000; \$1,224,000 more than the budgeted revenue of \$508,000. The key variances from budget were:

1. External interest was down on budget by \$159,000 due to maturity of Council's higher yield bonds.
2. Other gains/losses is a gain of \$538,000 relating to the revaluation of Council's forestry assets.
3. Other income is \$484,000; \$232,000 more than the budget of \$252,000. Forestry sales were lower than anticipated generating income of \$106,000 compared to a budget of \$170,000. However, this is offset by Pukaki Airport contributing \$56,000 compared to budget of \$33,000, real estate leases contributing \$149,000 compared to a budget of \$30,000 and other rentals contributing \$198,000 compared to a budget of \$12,000 which is due to insurance proceeds for loss of rents for \$40,000 along with additional income from insurance company construed loss on the Old Library Café.
4. Vested assets are \$642,000; \$642,000 more than the budget of \$nil. These assets relate to the completion of the section of the Alps 2 Ocean cycle trail in the Mackenzie District.

Direct Expenditure

The total direct expenditure for the year was \$749,000; \$16,000 more than the budgeted direct expenditure of \$733,000.

The key variances from budget were:

5. Consultancy expenses were \$151,000 against a budget of \$175,000 due to on-going preliminary development costs for the land at Lake Tekapo.
6. Assets impaired during the year related to a write-down of Carbon Credits held by \$29,000 and loan investment in Mackenzie Tourism & Development Trust amounting to \$22,000.

Capital Expenditure for the Year Ended 30 June 2013

2012		Notes	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
MEET ADDITIONAL DEMAND				
<i>Commercial</i>				
0	Alps 2 Ocean Cycleway	1	0	642
0	TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		0	642
REPLACE EXISTING ASSETS				
<i>Pukaki Airport Board</i>				
42	Airport development		0	7
<i>Real Estate</i>				
0	Development costs	2	0	49
42	TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		0	56
42	TOTAL CAPITAL EXPENDITURE		0	698

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 2012/2013 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 received vested assets of \$642,000 for its section of the Alps 2 Ocean Cycleway. It was budgeted at \$nil.
2. Council has commenced capitalisation of land subdivision costs totalling \$49,000 for the Tekapo Lakefront development. The budget was \$nil.

Funding Impact Statement for the Year Ended 30 June 2013

2012			2013	
Annual Plan \$000's		Notes	Long Term Plan \$000's	Actual \$000's
SOURCES OF OPERATING FUNDING				
(1,698)	General rates, uniform annual general charges, rates penalties		(1,083)	(1,083)
84	Targeted rates (other than a targeted rate for water supply)		105	107
0	Subsidies and grants for operating purposes		0	0
0	Fees, charges, and targeted rates for water supply		0	0
1,063	Internal charges and overheads recovered		153	119
1,165	Local authorities fuel tax, fines, infringement fees, and other receipts		1,332	1,408
614	TOTAL OPERATING FUNDING (A)		507	551
APPLICATIONS OF OPERATING FUNDING				
438	Payments to staff and suppliers		606	547
0	Finance costs		0	0
285	Internal charges and overheads applied		75	89
0	Other operating funding applications		0	0
723	TOTAL APPLICATIONS OF OPERATING FUNDING (B)		681	636
(109)	Surplus (deficit) of operating funding (A-B)		(174)	(85)
SOURCES OF CAPITAL FUNDING				
0	Subsidies and grants for capital expenditure		0	0
0	Development and financial contributions		0	1
0	Increase (decrease) in debt		0	0
1,765	Gross proceeds from sale of assets		0	0
0	Lump sum contributions		0	0
1,765	TOTAL SOURCES OF CAPITAL FUNDING (C)		0	1
APPLICATIONS OF CAPITAL FUNDING				
	Capital expenditure			
0	- To meet additional demand		0	0
0	- To improve the level of service		0	0
0	- To replace existing assets		0	56
1,656	Increase (decrease) in reserves		(174)	(140)
0	Increase (decrease) of investments		0	0
1,656	TOTAL APPLICATIONS OF CAPITAL FUNDING (D)		(174)	(84)
109	Surplus (deficit) of operating funding (A-B)		174	85
0	FUNDING BALANCE ((A-B) + (C-D))		0	0

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 cannot be used to fund operating expenditure.

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

Commercial Activities

For the year ended 30 June 2013

Surplus (deficit) of operating funding	(174)	(85)
Add back:		
Financial contributions	0	1
Gain on Sale Assets	0	0
Other Gains/Losses	0	538
Vested Assets	0	642
	0	1,181
Less:		
Depreciation	53	62
Asset Impairment	0	51
Loss on Sale and Assets Written off	0	0
	53	113
OPERATING SURPLUS/(DEFICIT)	(225)	983

Council Controlled Organisations

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

COUNCIL CONTROLLED ORGANISATIONS

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 12th 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 13th 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 DISTRICT COMMITTEE

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

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 2012/2013 year, the Council did not formally meet with the Runanga (2011/2012 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

Introduction

The Local Government Act 2002 requires the Council to report its actual performance compared to targets published in the Long Term 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 2013. 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, interest payments 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 2013. 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 2013

2012		Notes to Accounts	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
REVENUE				
1,241	General Rates	3	1,668	1,539
4,359	Targeted Rates other than a targeted rate for water supply	3	4,469	4,435
178	Targeted rates for volumetric water supply	3	0	161
1,640	Subsidies and Grants	3	1,502	2,537
1,093	Investment Revenue	3	1,074	928
1,982	Other Revenue	3	1,282	1,684
0	Real Estate Sales	3	0	0
325	Financial/Upgrade Contributions	3	134	454
91	Reserve Contributions	3	0	211
30	Gain on Sale of Assets	3	0	6
(855)	Other Gains/Losses	3	0	538
261	Assets Vested	3	0	761
10,345	TOTAL REVENUE		10,129	13,254
EXPENDITURE				
1,598	Personnel Costs	4	1,702	1,816
278	Member Expenses	4	301	295
629	Consultancy Expenses		510	549
891	Administration		773	806
2,872	Operational and Maintenance		3,396	2,847
1,163	Roading Expenses		1,142	2,242
2,844	Depreciation and Amortisation	4	2,716	2,978
317	Loss on Sale and Assets Written Off	4	0	1
278	Asset Impairment	4	0	46
10,870	TOTAL OPERATING EXPENDITURE		10,540	11,580
(525)	Surplus/(Deficit) Before Taxation		(411)	1,674
0	Provision for Taxation		0	0
(525)	Surplus/(Deficit) After Taxation		(411)	1,674
OTHER COMPREHENSIVE INCOME				
(231)	Financial assets at fair value through other comprehensive income		0	2,187
(756)	NET COMPREHENSIVE INCOME		(411)	3,861

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 2013

2012		Notes to Accounts	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
184,080	EQUITY AT START OF THE YEAR		185,061	183,324
(756)	Net comprehensive income		(411)	3,861
(756)	Total recognised revenue for the year		(411)	3,861
183,324	TOTAL EQUITY AT END OF THE YEAR	7	184,650	187,185

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

Statement of Financial Position **As at 30 June 2013**

2012		Notes to Accounts	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
ASSETS				
Current Assets				
4,809	Cash and cash equivalents	8	4,110	7,950
2,498	Debtors and other receivables	9	2,763	2,241
3,845	Inventories	13	9,364	3,891
105	Current portion property intended for resale		0	105
2,410	Other Financial assets	11	1,000	1,059
13,667	TOTAL CURRENT ASSETS		17,237	15,246
Non-current Assets				
10,403	Other Financial assets	11	11,850	12,037
163	Intangible assets	15	0	176
2,197	Forestry assets	14	2,387	2,638
158,342	Property, plant and equipment	16	154,798	159,221
171,105	TOTAL NON-CURRENT ASSETS		169,035	174,072
184,772	Total Assets		186,272	189,318
LIABILITIES				
Current Liabilities				
1,235	Creditors and other payables	18	1,514	1,933
146	Employee entitlements	19	63	118
6	Provisions	20	0	6
1,387	TOTAL CURRENT LIABILITIES		1,577	2,057
Non-current Liabilities				
0	Employee entitlements	19	0	15
61	Provisions	20	45	61
0	Borrowings		0	0
61	TOTAL NON-CURRENT LIABILITIES		45	76
1,447	Total Liabilities		1,622	2,133
183,324	NET ASSETS		184,650	187,185
EQUITY				
95,955	Accumulated Funds	7	93,334	96,733
1,123	Capital Reserves	7	(751)	1,922
(1,437)	Operating Reserves	7	(629)	(893)
6,355	Special Funds	7	8,745	5,918
50	Other Reserves	7	50	40
81,278	Asset Revaluation Reserves	7	83,901	83,465
183,324	TOTAL EQUITY		184,650	187,185

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

Statement of Cashflows For the Year Ended 30 June 2013

2012		Notes to Accounts	2013	
Actual			Budget	Actual
\$000's			\$000's	\$000's
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
5,778	Receipts from rates revenue		6,137	6,403
1,640	Subsidies and grants received		1,504	2,537
1,992	Receipts from other revenue		1,415	1,811
696	Interest received		700	595
381	Dividends received		374	380
(129)	Goods and services tax (GST) received		0	0
10,358			10,130	11,726
Cash was applied to:				
6,956	Payments to suppliers and employees		7,825	8,503
0	Net goods and services tax (GST) paid		0	0
0	Finance costs		0	0
6,956			7,825	8,503
3,402	Net cashflow from operating activities	21	2,305	3,223
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
925	Sale of assets		0	970
0	Redemption of investments		2,260	1,875
925			2,260	2,845
Cash was applied to:				
3,120	Purchase of property, plant and equipment		4,205	2,927
0	Purchase of investments		2,750	0
3,120			6,955	2,927
(2,195)	Net cashflow from investing activities		(4,695)	(82)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
0	Proceeds from borrowings		0	0
0			0	0
Cash was applied to:				
0	Repayment of borrowings		0	0
0			0	0
0	Net cashflow from financing activities		0	0
3,402	Net Cashflows from operating activities		2,305	3,223
(2,195)	Net Cashflows from Investing Activities		(4,695)	(82)
0	Net Cashflows from Financing Activities		0	0
1,207	Net decrease in cash, cash equivalents and bank overdrafts		(2,390)	3,141
3,602	Cash, cash equivalents and bank overdrafts at the beginning of the year		6,500	4,809
4,809	Cash, cash equivalents and bank overdrafts at the end of the year	8	4,110	7,950

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

Funding Impact Statement for the Whole of Council

For the Year Ended 30 June 2013

2012		2013	
Annual Plan	Actual	Long Term Plan	Actual
\$000's	\$000's	\$000's	\$000's
Sources of Operating Funding			
1,152	1,241	1,668	1,571
4,565	4,537	4,469	4,435
849	839	755	1,743
78	0	81	161
942	1,093	1,074	928
3,539	1,982	1,133	1,652
11,125	9,692	9,180	10,490
Application of Operating Funding			
9,602	7,431	7,809	8,553
0	0	0	0
0	0	0	0
9,602	7,431	7,809	8,553
1,523	2,261	1,371	1,937
Surplus (deficit) of operating funding (A-B)			
Sources of Capital Funding			
876	801	800	794
33	416	134	666
0	0	0	0
1,762	15	0	6
0	0	0	0
2,671	1,232	934	1,466
Application of Capital Funding			
0	0	0	16
0	141	0	260
2,963	2,525	4,175	2,757
1,231	827	(1,870)	370
0	0	0	0
4,194	3,493	2,305	3,403
(1,523)	(2,261)	(1,371)	(1,937)
0	0	0	0
FUNDING BALANCE ((A-B) + (C-D))			

Reconciliation Surplus of Operating Funding to Cost of Service Statement Net Operating Surplus

For Whole Council

For the Year Ended 30 June 2013

2,261	Surplus (deficit) of operating funding	1,371	1,937
Add back:			
325	Financial contributions	134	454
91	Reserve Contributions	0	211
30	Gain on Sale Assets	0	6
0	Real Estate Sales	0	0
(855)	Other Gains/Losses	0	538
(231)	Increase/(decrease) revaluation	0	2,187
801	Subsidies treated as Capital	800	794
261	Vested Assets	0	761
422		934	4,951
Less:			
2,844	Depreciation	2,716	2,978
278	Asset Impairment	0	46
317	Loss on Sale and Assets Written off	0	1
3,439		2,716	3,025
(756)	Net Comprehensive Income	(411)	3,861

The Local Government Act was amended to require the implementation of the new funding impact statements. This also required Council to restate its 2011-2012 Annual Plan into this format. The overall result agrees to the 2011-2012 Annual Plan however the internal cost elimination does not net to zero as the difference has been included in other operational expenditure classification.

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 Mackenzie District Council is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly, Mackenzie District 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).

BASIS OF PREPARATION**Statement of Compliance**

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

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

The financial statements of Mackenzie District Council are for the year ended 30 June 2013. The financial statements were authorised by Council on 30th October 2013.

Measurement Base

The general accounting principles recognised as appropriate for the measurement and reporting of results and financial position on a historical cost basis modified by the revaluation of land, buildings, certain infrastructural assets, investment property, and biological assets, have been followed.

Subsidiaries

The Council has two subsidiaries which have been dormant during the financial year 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 and group 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.

CHANGES IN ACCOUNTING POLICIES

No changes to accounting policies have been implemented during the year.

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 and group, 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 a 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 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods

beginning on or after 1 July 2014. This means the Council expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the Council is unable to assess 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.

SUMMARY OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. They comply with NZ IFRS and other applicable financial reporting standards as appropriate for PBEs. The principal accounting policies adopted are set out below.

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 initially valued at fair value. This requires the estimation of current market values.

Value of investments carried at fair value

Council holds unlisted investments and requires estimate and assumptions estimate to determine its 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 Council's 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

Any increases in equity as a result of assets being revalued have been recognised as an increase to the Asset Revaluation Reserve. Any decreases as a result of a devaluation have been recognised as a decrease to the Asset Revaluation Reserve to the extent of any credit balance. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the Statement of Financial Performance will be recognised first in the Statement of Financial performance up to the amount previously expensed, and the remainder credited to the revaluation reserve for that class of asset. Any devaluations that result in the relevant asset being valued at less than the original cost have been recognised as an expense.

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 measurement²³:

- 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 include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.

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 a mortised 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 a mortised 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 a mortised 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
▪ Resource Recovery Parks:	
▪ Formation/Site Development	35 years
▪ Surfacing/Metalling	15 years
▪ Signage, Plant & Equipment	5-10 years

8. Forestry

Forests were valued as at 30 June 2013, 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% (2012 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, staff numbers and floor area.

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 group 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.

Notes to the Financial Statements For the Year Ended 30 June 2013

NOTE 2 – Summary cost of service statement

2012		2013	
Actual		Budget	Actual
\$000's		\$000's	\$000's
INCOME			
2,900	Governance and Corporate Services	2,161	2,254
1,295	Water supplies	872	1,223
820	Sewerage	402	732
91	Stormwater	89	131
3,350	Roading	2,933	3,955
1,106	Planning and Regulatory	958	1,096
2,932	Community and Towns	2,592	2,500
319	Commercial activities	508	1,732
12,813		10,515	13,623
(259)	Less interest on capital reserves	(215)	(210)
(2,210)	Less internal income	(178)	(157)
10,344	Total revenue	10,122	13,255
EXPENDITURE			
3,016	Governance and Corporate Services	2,161	2,348
990	Water supplies	862	840
528	Sewerage	421	394
91	Stormwater	89	76
3,322	Roading	2,962	4,213
1,035	Planning and Regulatory	975	910
3,148	Community and Towns	2,723	2,415
1,205	Commercial activities	733	749
13,335		10,926	11,945
(257)	Less interest on capital reserves	(215)	(209)
(2,209)	Less internal expenditure	(178)	(155)
10,869	Total expenditure	10,533	11,581
(525)	OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION	(411)	1,674

Income includes assets vested reclassification.

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

NOTE 3 – Revenue

2012		2013
Actual		Actual
\$000's		\$000's
1,241	Note 3a. General rates	1,539
178	Note 3b. Fees, charges, and targeted rates for water supply	161
	Note 3c. TARGETED RATES²	
84	Governance and Corporate Services	29
710	Water Supplies	629
515	Sewerage	403
84	Stormwater	80
1,404	Roading	1,305
123	Planning and Regulatory Services	136
1,355	Community and Towns	1,746
116	Commercial Activities	139
4,391	TOTAL TARGETED RATES REQUIRED	4,467
	<i>Less Distribution of Investment Income</i>	
(32)	Budgeted contribution to rates from commercial activities	(32)
4,359	Targeted rates struck	4,435
	Note 3d. SUBSIDIES AND GRANTS	
19	Grants	22
1,551	NZTA subsidies ¹	2,443
70	Petroleum tax	72
1,640	Total subsidies and grants	2,537
	Note 3e. INVESTMENT REVENUE	
381	Dividend	380
712	External interest	548
259	Internal interest	6
1,352	TOTAL INVESTMENT REVENUE	934
(259)	Less Internal Interest	(6)
1,093	Total investment revenue	928
	Note 3f. OTHER REVENUE	
332	Rental income	329
729	User fees and donations	794
921	Other	561
1,982	Total other revenue	1,684
	Note 3g. OTHER GAINS/(LOSSES)	
(191)	Gain on changes in fair value of forestry assets	498
(664)	Sale of operational land and buildings	40
0	Revalue assets for disposal	0
(855)	Total other gains/(losses)	538
416	Contributions	665
30	Gain on sale of assets including real estate	6
261	Assets vested ³	761
10,345	TOTAL REVENUE	13,254

¹There 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 2013 (continued)

²TARGETED 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.

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.

2012		2013
Actual		Actual
\$000's		\$000's
Rates remissions are comprised of:		
7	Community sporting and non-profit organisations	9
7	TOTAL REMISSIONS	9

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 \$8,520.85 (2012: \$7,291.30).

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.

³ASSETS VESTED

The Council has had vested to it certain infrastructural assets and land as part of the sub divisional 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.

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

NOTE 4 – Expenditure

2012		2013
Actual		Actual
\$000's		\$000's
1,598	Note 4a. Personnel costs	1,816
278	Note 4b. Elected members fees and reimbursements	295
	Note 4c. DEPRECIATION AND AMORTISATION	
233	Building	226
30	Plant and machinery	28
56	Motor vehicles	60
3	Office equipment	3
10	Furniture and fittings	12
21	Computer equipment	12
16	Resource recovery parks	13
12	Resource consents	13
247	Sewerage schemes	249
61	Stormwater schemes	61
372	Rural and urban water supplies	376
4	Landfills	4
62	Village projects	68
0	Alps 2 Ocean Cycleway	1
1,700	Roads	1,823
2,827	TOTAL DEPRECIATION	2,949
17	Computer software	29
17	TOTAL AMORTISATION	29
2,844	Total depreciation and amortisation expenses	2,978
	Note 4d. OTHER EXPENSES	
	Audit fees	
89	Fees for financial statement audit	80
94	Fees paid for 2012-2022 Long Term Plan audit	0
148	Insurance	198
44	Subscriptions	32
105	Donations and grants	126
5,075	Other operating expenses	6,008
5,555	Total other operating expenses	6,444
317	Note 4e. Loss on sale of assets and assets written off	1
	Note 4f. ASSET IMPAIRMENT	
45	Carbon credits	29
233	Mackenzie Tourism and Development Trust Loan	22
0	Albury Water Supply - Aorangi Securities	(5)
278	Total Asset impairment	46
10,870	TOTAL EXPENDITURE	11,580

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

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.

2012		2013	
Actual		Actual	
\$000's		\$000's	
INTERNAL INCOME			
1,950	Governance and Corporate Services	150	
3	Water supplies	3	
0	Sewerage	0	
0	Stormwater	0	
130	Roading	1	
31	Planning and Regulatory	0	
95	Community and Towns	0	
0	Commercial activities	0	
2,209	Total Internal Income	154	
INTERNAL EXPENSES			
814	Governance and Corporate Services	75	
125	Water supplies	3	
88	Sewerage	0	
23	Stormwater	0	
324	Roading	25	
299	Planning and Regulatory	45	
398	Community and Towns	6	
138	Commercial activities	0	
2,209	Total Internal Expenses	154	

NOTE 6 – Internal borrowings

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

2012					
Activity	Opening Balance \$000's	Repayments	Borrowings	Closing Balance \$000's	Interest Paid \$000's
Planning and Regulatory Activity Group					
Resource management	782	(40)	100	842	0
Community and Towns Activity Group					
Twizel township	924	(73)	28	879	0
Waste management operating reserve	418	(310)	322	430	0
Total internal borrowing	2,124	(423)	450	2,151	0

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

NOTE 7 - Equity

2012				2013				Activity to which the fund relates	Purpose
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		
93,147	3,333	(525)	95,955	95,955	1,674	(896)	96,733		
93,147	3,333	(525)	95,955	95,955	1,674	(896)	96,733		
ACCUMULATED GENERAL FUNDS									
Total accumulated general funds				95,955	1,674	(896)	96,733		
REVALUATION RESERVES									
2,941	0	0	2,941	2,941	2,276	0	5,217	Commercial	Accumulate changes in value of Councils Share investments
423	0	(62)	361	361	0	(89)	272	Commercial	Accumulate movements in Councils long term investments
Infrastructure assets revaluation reserves									
29,427	0	(2,428)	26,999	26,999	0	0	26,999	Governance and Corporate	Accumulate changes in value of Councils land holdings
9,621	0	0	9,621	9,621	0	0	9,621	Water	Accumulate changes in value of Councils water infrastructure
4,305	0	0	4,305	4,305	0	0	4,305	Sewerage	Accumulate changes in value of Councils wastewater infrastructure
1,937	0	0	1,937	1,937	0	0	1,937	Stormwater	Accumulate changes in value of Councils stormwater infrastructure
27,501	0	0	27,501	27,501	0	0	27,501	Roading	Accumulate changes in value of Councils roading infrastructure
187	0	(155)	32	32	0	0	32	Communities and Towns	Accumulate changes in value of Councils plant assets
7,983	0	(402)	7,581	7,581	0	0	7,581	Governance and Corporate	Accumulate changes in value of Councils buildings
84,325	0	(3,047)	81,278	81,278	2,276	(89)	83,465		
Total revaluation reserves									
SPECIAL FUND RESERVES									
40	0	0	40	40	0	0	40	Communities and Towns	To fund Albury Water
(40)	0	0	(40)	(40)	0	0	(40)	Communities and Towns	To fund Ashwick/Opuha Water
(51)	19	(57)	(89)	(89)	89	0	0	Communities and Towns	To fund repairs and maintenance of certain council amenity assets
7	0	0	7	7	0	0	7	Communities and Towns	To fund district housing
200	0	0	200	200	0	0	200	Governance and Corporate	To fund disaster cover
774	91	(236)	629	629	211	0	840	Communities and Towns	To fund district wide projects
2	0	0	2	2	0	0	2	Communities and Towns	To fund pensioner housing amenities
57	0	(13)	44	44	0	0	44	Governance and Corporate	Held to cover increased insurance costs of Riskpool
82	1	0	83	83	0	0	83	Governance and Corporate	Held on behalf of Mackenzie County Scholarship Trust
0	17	0	17	17	0	0	17	Governance and Corporate	Held on behalf of Masonic Scholarship Fund
5,461	0	0	5,461	5,461	0	(737)	4,724	Commercial	Accumulate operating results from Councils Real Estate activities
1	0	0	1	1	0	0	1	Communities and Towns	To fund Strathconan pool capital
6,533	128	(306)	6,355	6,355	300	(737)	5,918		
Total special funds reserves									
OTHER RESERVES									
6	0	(2)	4	4	0	0	4	Communities and Towns	Funding of maintenance of the districts war memorials
3	1	0	4	4	0	0	4	Communities and Towns	Funding of maintenance of the districts war memorials
1	0	0	1	1	0	0	1	Communities and Towns	Bequests for cemetery maintenance
1	0	(1)	0	0	0	0	0	Communities and Towns	Bequests for library books
1	0	0	1	1	0	0	1	Communities and Towns	Bequests for cemetery maintenance
10	0	0	10	10	0	0	10	Communities and Towns	Funding of maintenance at Paterson Ponds
28	2	0	30	30	2	(12)	20	Communities and Towns	To fund expenditure in the Fairlie township
50	3	(3)	50	50	2	(12)	40		
Total other reserves									

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

2012			
Opening Balance Actual \$000's	Movement Into Reserve Actual \$000's	Movement from Reserve Actual \$000's	Closing Balance Actual \$000's

Note 7 - Equity: Reserves

CAPITAL RESERVES

(49)	4	(13)	(58)	Administration
(538)	68	(11)	(481)	Allandale water
(8)	8	(8)	(8)	Animal control
31	8	(1)	38	Ashwick/Opuha water
6	1		7	Asset management
(9)	4	(1)	(6)	Burkes Pass sewer
(6)	3	(7)	(10)	Burkes Pass water
(1)	0	0	(1)	CEO department
25	5	0	30	Civil defence
(1)	5	0	4	Community facilities
(5)	0	0	(5)	District Council
0	0	0	0	Council building: Fairlie
0	0	0	0	Council building: Twizel
37	5	0	42	District general
0	0	0	0	District wide roading
93	0	0	93	Downlands water
(1)	0	0	(1)	Eversley sewer
0	0	0	0	Fairlie medical centre
66	9	(2)	73	Fairlie pensioner housing
43	63	0	106	Fairlie roading
(77)	2	0	(75)	Fairlie resource recovery park
(127)	37	(153)	(243)	Fairlie sewer
(54)	20	0	(34)	Fairlie stormwater
(15)	11	(11)	(15)	Fairlie township
(700)	109	(224)	(815)	Fairlie water
375	0	(248)	127	Forestry
(3)	1	0	(2)	Hardfill sites
1	0	0	1	Inspectorate
29	40	(45)	24	Information technology department
9	2	0	11	Kimbell water
272	447	(214)	505	Lake Tekapo community hall
38	19	(26)	31	Lake Tekapo roading
(118)	5	0	(113)	Lake Tekapo resource recovery park
(572)	259	(31)	(344)	Lake Tekapo sewer
82	13	0	95	Lake Tekapo stormwater
90	0	(150)	(60)	Lake Tekapo township
415	169	(22)	562	Lake Tekapo water
0	0	0	0	Mackenzie community centre
(13)	18	(23)	(18)	Manuka Terrace water

2013			
Opening Balance Actual \$000's	Movement Into Reserve Actual \$000's	Movement from Reserve Actual \$000's	Closing Balance Actual \$000's

Activity to which the fund relates

Opening Balance Actual \$000's

(58)	2	(4)	(60)	Governance and Corporate	To fund capital replacements of Administration Assets
(481)	50	(1)	(432)	Water	To Fund debt repayment of the Allandale Water Scheme construction and to fund its eventual replacement.
(8)	0	(7)	(15)	Regulatory	To fund capital requirements of animal control
38	10	0	48	Water	To fund capital requirements of the Ashwick/Opuha Water scheme
7	0	0	7	Governance and Corporate	To fund capital requirements of asset management
(6)	4	(1)	(3)	Sewerage	To fund sewer capital works in Burkes Pass
(10)	7	(1)	(4)	Water	To fund capital requirements of the Burkes Pass Water scheme
(1)	1	0	0	Governance and Corporate	To fund capital requirements of the CEO department
30	4	0	34	Regulatory	To fund capital requirements of Civil Defence
4	0	(4)	0	Communities and Towns	To fund capital requirements of community facilities
(5)	0	0	(5)	Governance and Corporate	To fund capital requirements of the Governance Activity
0	9	(18)	(9)	Governance and Corporate	To fund replacement of Councils Administration Building in Fairlie
0	4	(14)	(10)	Governance and Corporate	To fund replacement of Councils Administration Building in Twizel
42	1	0	43	Communities and Towns	To fund capital requirements of the District
0	1,724	(1,631)	93	Roading	To fund roading capital works district wide.
93	0	0	93	Water	Councils share of a Joint Venture to fund the capital requirements of the Downlands Water Scheme
(1)	0	0	(1)	Sewerage	To fund capital requirements of the Eversley water scheme
0	2	0	2	Communities and Towns	To fund replacement of medical facilities in Fairlie
73	4	0	77	Communities and Towns	To fund the eventual replacement of the pensioner housing stock in Fairlie
106	0	0	106	Roading	To fund roading projects in Fairlie
(75)	4	0	(71)	Communities and Towns	To fund capital upgrades and replacement for Fairlie Recovery Park
(243)	66	0	(177)	Sewerage	To fund sewer capital works in Fairlie
(34)	34	0	0	Stormwater	To fund stormwater capital works in Fairlie
(15)	20	(5)	0	Communities and Towns	To fund capital works in the Fairlie Township
(815)	137	(276)	(954)	Water	To fund capital requirements of the Fairlie Water scheme
127	444	0	571	Commercial	To fund the operations of Councils Forestry Assets
(2)	1	0	(1)	Communities and Towns	To fund costs arising from operations of the Councils Hardfill sites
1	0	0	1	Regulatory	Fund the capital requirements of the inspectorate department
24	43	(82)	(15)	Governance and Corporate	To Fund capital replacement of Councils IT assets
11	2	0	13	Water	To fund capital requirements of the Kimbell Water scheme
505	52	(556)	1	Communities and Towns	To fund replacement of the Tekapo Community Hall
31	0	0	31	Roading	To fund roading projects in Tekapo
(113)	5	0	(108)	Communities and Towns	To fund capital upgrades and replacements for Tekapo Recovery Park
(344)	379	0	35	Sewerage	To fund sewer capital works in Tekapo
95	39	0	134	Stormwater	To fund stormwater capital works in Tekapo
(60)	111	(51)	0	Communities and Towns	To fund capital works in the Tekapo Township
562	284	(161)	685	Water	To fund water capital works in Tekapo
0	7	0	7	Communities and Towns	To fund the capital works at the Fairlie community centre
(18)	28	0	10	Water	To Fund investigation and construction of a new water supply for Manuka Terrace

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

2012				Note 7 - Equity: Reserves	2013				Activity to which the fund relates	Opening 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		Opening Balance Actual \$000's	Movement Into Reserve Actual \$000's	Movement from Reserve Actual \$000's	Closing Balance Actual \$000's		
(59)	144	(37)	48	Plant account	48	72	(98)	22	Governance and Corporate	To fund capital replacement of Councils Motor Vehicle assets
0	0	0	0	Public Toilets	0	4	(4)	0	Communities and Towns	To fund replacement of Public Toilets within the district
(540)	0	(35)	(575)	Pukaki airport board	(575)	7	0	(568)	Commercial	To fund the operations of Councils Airport Assets
0	0	0	0	Real estate	0	0	(49)	(49)	Commercial	To fund subdivision of Councils real estate assets
2	1	0	3	Roading professional business unit	3	2	(9)	(4)	Roading	To fund capital requirements of the Roading Business unit
(21)	12	(86)	(95)	Rural fire control	(95)	35	(9)	(69)	Regulatory	To fund capital requirements of Rural fire
799	130	(149)	780	Rural roading	780	0	(24)	756	Roading	To fund roading projects in Rural area
(4)	6	(1)	1	School Road water	1	4	0	5	Water	To fund capital requirements of the School Road Water scheme
14	3	0	17	Sherwood Downs hall	17	1	0	18	Communities and Towns	To fund capital requirements of the Sherwood Downs Reserves
34	3	0	37	Sherwood Downs recreation reserve	37	0	(1)	36	Communities and Towns	To fund capital requirements of the Sherwood Downs Hall
(58)	35	0	(23)	Spur Road water	(23)	22	0	(1)	Water	To fund Spur Road capital debt
0	0	0	0	Swimming pool: Strathconan	0	3	(16)	(13)	Communities and Towns	To fund replacement of the Fairlie swimming pool
0	0	0	0	Swimming pool: Twizel	0	2	(8)	(6)	Communities and Towns	To fund replacement of the Twizel swimming pool
(172)	2	0	(170)	Treatment of organic waste	(170)	0	0	(170)	Communities and Towns	To fund treatment of organic waste
0	0	0	0	Twizel community centre	0	18	0	18	Communities and Towns	To fund replacement of the Twizel Events Centre
0	1	0	1	Twizel medical centre	1	1	(1)	1	Communities and Towns	To fund replacement of medical facilities in Twizel
13	5	0	18	Twizel pensioner housing	18	1	0	19	Communities and Towns	To fund the eventual replacement of the pensioner housing stock in Twizel
54	130	(135)	49	Twizel roading	49	0	0	49	Roading	To fund roading projects in Twizel
(129)	7	0	(122)	Twizel resource recovery park	(122)	8	0	(114)	Communities and Towns	To fund capital upgrades and replacement for Twizel Recovery Park
793	250	(31)	1,012	Twizel sewer	1,012	136	(25)	1,123	Sewerage	To fund sewer capital works in Twizel
240	28	(1)	267	Twizel stormwater	267	28	(91)	204	Stormwater	To fund stormwater capital works in Twizel
(924)	73	(28)	(879)	Twizel township	(879)	162	(71)	(788)	Communities and Towns	To fund capital works in the Twizel Township
1,100	266	(72)	1,294	Twizel water	1,294	186	(153)	1,327	Water	To fund water capital works in Twizel
457	2,431	(1,765)	1,123	Total capital reserves	1,123	4,170	(3,371)	1,922		
				OPERATING RESERVES						
0	4	0	4	Albury hall	4	3	0	7	Communities and Towns	To fund operations at the Albury Hall
3	1	(1)	3	Albury community refuse collection	3	0	0	3	Communities and Towns	Council's refuse collection operations
18	30	0	48	Albury water supply	48	27	0	75	Water	Accumulate surpluses/deficits from General Rate funded operations
(80)	765	(632)	53	District general	53	413	(281)	185	Communities and Towns	Accumulate surpluses/deficits from General Rate funded operations
19	0	(30)	(11)	Downlands water supply	(11)	16	0	5	Water	Accumulate surpluses/deficits from General Rate funded operations
(1)	0	0	(1)	Eversley/Punaroa water races	(1)	0	0	(1)	Water	Accumulate surpluses/deficits to fund Eversley/Puneroa operating activities
25	0	(14)	11	Fairlie community refuse collection	11	0	0	11	Communities and Towns	Council's refuse collection operations
0	0	0	0	Fairlie township	0	0	0	0	Communities and Towns	Accumulate surpluses/deficits from Fairlie rate funded operations
81	14	(29)	66	Fairlie works and services	66	218	(281)	3	Communities and Towns	Accumulate surpluses/deficits from Fairlie Works and Services Rate funded operations
0	1	0	1	Lake Alexandrina refuse collection	1	0	0	1	Communities and Towns	Council's refuse collection operations
27	0	(17)	10	Lake Tekapo community refuse collection	10	0	0	10	Communities and Towns	Council's refuse collection operations
0	0	0	0	Lake Tekapo township	0	0	0	0	Communities and Towns	Accumulate surpluses/deficits from Tekapo rate funded operations

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

2012					2013				Activity to which the fund relates	Purpose
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		
210	224	(300)	134	Lake Tekapo works and services	134	156	(113)	177	Communities and Towns	Accumulate surpluses/deficits from Tekapo Works and Services Rate funded operations
202	54	(33)	223	Other reserves	223	0	(9)	214	Communities and Towns	Accumulate surpluses from Lake Alexandrina rental receipts
32	0	(42)	(10)	Roading professional services business unit	(10)	3	(20)	(27)	Roading	Accumulate operating results of Councils Rooding Business Unit
36	0	(550)	(514)	Real estate	(514)	737	(152)	71	Commercial	Holds returns from real estate transactions
(782)	40	(100)	(842)	Resource management	(842)	110	(211)	(943)	Regulatory	Deficit from Plan Change 13
171	51	(154)	68	Rural works and services	68	8	(8)	68	Communities and Towns	Accumulate surpluses/deficits from Rural Works and Services Rate funded operations
(10)	0	(271)	(281)	Tourism and development	(281)	784	(843)	(340)	Commercial	Accumulate operating results from ownership of the Pukaki Visitors Centre
15	0	(13)	2	Twizel community refuse collection	2	0	0	2	Communities and Towns	Councils refuse collection operations
0	0	0	0	Twizel township	0	0	0	0	Communities and Towns	Accumulate surpluses/deficits from Twizel rate funded operations
(4)	150	(117)	29	Twizel works and services	29	178	(200)	7	Communities and Towns	Accumulate surpluses/deficits from Twizel Works and Services Rate funded operations
(418)	310	(322)	(430)	Waste management	(430)	9	0	(421)	Communities and Towns	Accumulate surpluses/(deficits) from Council's Solid Waste operation
(456)	1,644	(2,625)	(1,437)	Total operating reserves	(1,437)	2,662	(2,118)	(893)		
184,056	7,539	(8,271)	183,324	TOTAL EQUITY	183,324	11,084	(7,223)	187,185		

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

NOTE 8 – Cash and cash equivalents

2012		2013
Actual		Actual
\$000's		\$000's
186	Cash at bank and in hand	539
4,623	Short-term deposits maturing three months or less from date of acquisition	7,411
4,809	TOTAL CASH AND CASH EQUIVALENTS	7,950
<i>Cash and bank overdrafts include the following for the purposes of the cash flow statement:</i>		
0	Cash at bank and in hand	0
74	National Bank current account	270
112	Westpac Banking Corporation	269
4,623	Short-term deposits maturing three months or less from date of acquisition	7,411
4,809	Total cash and cash equivalents	7,950

Fair value

The carrying value of short term deposits with maturity dates of three months or less approximate fair value. The total value of cash that can only be used for a specified purpose as outlined in the relevant trust deeds is \$nil (2012: \$25,000).

NOTE 9 – Debtors and receivables

2012		2013
Actual		Actual
\$000's		\$000's
2,498	Current	2,241
2,498	TOTAL DEBTORS AND OTHER RECEIVABLES	2,241
<i>Debtors are comprised of:</i>		
116	Rates	168
150	Dividend receivable	150
133	Interest receivable	86
48	Prepayments	57
2,075	Other receivables	1,789
2,522		2,249
(24)	Less provision for impairment of rates receivables	(8)
2,498	Total debtors and other receivables	2,241

Fair value

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

There is no concentration of credit risk with respect to receivables outside the Group, as the Group 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 judgment, then Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

As of 30 June 2012 and 2013, all overdue receivables, except for rates receivable, have been assessed for impairment. No impairment has been indicated. Council holds no collateral as security or other credit enhancements over receivables that are either past or impaired.

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

NOTE 9a - Aging of Receivables

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

2012			9a - Aging of Receivables	2013		
Gross \$000's	Impairment \$000's	Net \$000's		Gross \$000's	Impairment \$000's	Net \$000's
2,417	0	2,417	Not past due	2,156	0	2,156
32	0	32	Past due 1-30 days	24	0	24
1	0	1	Past due 31-60 days	8	0	8
67	24	43	Past due >90 days to 1 year	61	8	53
5	0	5	Past due 1-2 years	0	0	0
0	0	0	Past due 3 years	0	0	0
0	0	0	Past due 4 years	0	0	0
0	0	0	Past due >5 years	0	0	0
2,522	24	2,498	TOTAL AGED RECEIVABLES	2,249	8	2,241

NOTE 10 - Taxation

2012		2013	
Actual		Actual	
\$000's		\$000's	
(525)	SURPLUS/(DEFICT) FROM OPERATIONS	1,674	
(147)	Prima Facie Taxation @28% (2012: 28%)	469	
0	Taxation effect of permanent differences	0	
0	Imputation credit adjustment	0	
147	Non-taxable income/expenditure	(469)	
0	TOTAL TAXATION EXPENSE	0	
<i>The taxation charge is represented by:</i>			
0	Prior year over provision	0	
0	Current taxation	0	
0	Deferred taxation	0	
0		0	

The Council has unrecognised tax losses \$64,118 (2012: \$75,345), with the tax effect \$17,953 at 28% (2012: \$21,097) available for carry forward in offsetting assessable income in future years.

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

NOTE 11 – Other financial assets

2012		2013	
Actual		Actual	
\$000's		\$000's	
2,410	Current	1,059	
10,403	Non-current	12,037	
12,813	TOTAL OTHER FINANCIAL ASSETS	13,096	
<i>Investments are comprised of:</i>			
CURRENT PORTION			
Fair value through equity			
Bonds			
1,888	Other registered banks	768	
513	Strongly rated corporate bonds	257	
0	Local authority stock	0	
Loans and receivables			
9	Eversley Sewerage	10	
0	Term deposits (original maturities greater than three months)	24	
2,410	TOTAL CURRENT PORTION	1,059	
NON-CURRENT PORTION			
Fair value through equity			
Bonds			
2,180	Other registered banks	2,136	
501	Strongly rated corporate bonds	0	
1,098	Local authority stock	1,077	
Shares			
6,355	Alpine Energy Limited	8,630	
Investment in other entities			
28	Mackenzie Tourism and Development Trust	28	
(28)	Less impairment	(28)	
Loans and receivables			
221	Eversley Sewerage	193	
232	Mackenzie Tourism and Development Trust	255	
(232)	Less impairment	(255)	
48	Term deposits	0	
10,403	TOTAL NON-CURRENT PORTION	12,037	
12,813	Total other financial assets	13,096	

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.

Impairment

Mackenzie Tourism and Development Trust investment and loan has been fully impaired (2012: Fully impaired). No other impairment provisions have been provided on any of the other financial assets. None of the financial assets are past due.

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

NOTE 11a – Maturity analysis

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

2012		2013
Actual	Maturity Analysis	Actual
\$'000's		\$'000's
FAIR VALUE:		
2,410	Other investments maturing within 1 year or less:	1,059
1,045	Investments maturing after 1 year but less than 2 years	1,076
1,099	Investments maturing after 2 year but less than 3 years	0
0	Investments maturing after 3 year but less than 5 years	1,050
560	Investments maturing after 4 year but less than 5 years	1,087
7,699	More than five years	8,823
12,813	Fair value of financial assets as at 30 June 2013	13,096
CARRYING VALUE:		
2,352	Other investments maturing within 1 year or less:	1,024
1,000	Investments maturing after 1 year but less than 2 years	1,000
1,000	Investments maturing after 2 year but less than 3 years	0
0	Investments maturing after 3 year but less than 5 years	1,000
500	Investments maturing after 4 year but less than 5 years	1,027
7,651	More than five years	8,823
12,503	Carrying value of financial assets as at 30 June 2013	12,874

NOTE 11b – Valuation and effective interest rates

2013	Total	Valuation Technique		
		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
Loans and receivables				
Eversley Sewerage	203	0	0	203
Term deposits (original maturities greater than three months)	24	0	24	0
2012				
	Total	Valuation Technique		
		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	4,068	0	4,068	0
Strongly rated corporate bonds	1,014	0	1,014	0
Local authority stock	1,098	0	1,098	0
Equity investment held in another company				
Shares				
Alpine Energy Limited	6,355	0	0	6,355
Loans and receivables				
Eversley Sewerage	230	0	0	230
Term deposits (original maturities greater than three months)	48	0	48	0

Notes to the Financial Statements For the Year Ended 30 June 2013 (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.

2012				2013	
Number of shares held	Value per share			Number of shares held	Value per share
2,049,870	\$ 3.10	Current assets		2,049,870	\$ 4.21

2012			2013
Actual \$'000's		Shares in Alpine Energy Ltd	Actual \$'000's
6,355		Opening Balance	6,355
0		Plus revaluations	2,275
6,355		CLOSING BALANCE	8,630

INTEREST RATES

The weighted average effective interest rates on investments were:

2012		2013
2.50%	Call accounts	2.50%
5.93%	Local authority stock	5.92%
6.97%	State owned enterprises and strongly rated corporates	7.10%
8.10%	Trading bank stock	6.94%

NOTE 12 – Joint venture

Name of Entity: **Downlands Water Supply**
 Balance date: **30 June 2013**
 Membership: **2013: 4% (2012: 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 serves 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.

2012		2013
Actual \$'000's		Actual \$'000's
<i>The Council's interests in the jointly controlled asset are as follows:</i>		
47	Revenue	52
(39)	Expenses	(40)
8	Share of Net Surplus (Deficit)	12
111	Current assets	124
571	Non-current assets	581
(7)	Current liabilities	(12)
0	Non-current liabilities	0
675	Share of assets employed	693

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 Council'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 2013 (continued)

NOTE 13 – Inventories

2012		2013
Actual		Actual
\$000's		\$000's
11	Held for distribution or consumption:	8
3,834	Commercial inventory - land developed for sale ⁴	3,883
3,845	TOTAL INVENTORIES	3,891

Inventories held for distribution or consumption are 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.

⁴ The Council has developed land for future sale and costs capitalised to date, which are not expected to be recovered until after 30 June 2013 in line with the expected business operating cycle for this activity.

For further details; Refer to Note 22; *Surplus Property*.

No inventories are pledged as security for liability.

The carrying amount of inventories held for distribution has been measured at cost, adjusted when applicable for any loss of service potential.

NOTE 14 – Forestry

2012		2013
Actual		Actual
\$000's		\$000's
2,388	Opening balance	2,197
257	Gains arising from changes in fair value less estimated point of sale costs attributable to physical changes	274
(448)	Gains arising from changes in fair value less estimated point of sale costs attributable to price changes	224
0	Decrease due to harvest	(57)
2,197	CLOSING BALANCE	2,638

One stand of 9.3 hectares of Corsican Pine has been harvested during 2013 (2012: Nil).

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>	Fox Peak - Sherwood
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.

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

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:

Hectares	Species
620.9	Douglas fir
122.2	Radiata pine
152.3	Corsican pine
<u>84.7</u>	Other species
980.1	

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. Higher log prices, and
2. 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.

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

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 2012/13 financial year increased from their low point in July 2012. The usual increases in prices through the summer occurred through the period with prices tailing away somewhat in April. Prices though appear to have firmed again, this would have been aided by a strengthening US dollar. 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.

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 increased by 10.3%, which has resulted in the value increasing by 10.2% since last year.

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 2013 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% (2012: 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%. 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 only one plantation 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 the se 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 2013 (continued)

NOTE 15 - Intangible assets

	1 July 2012			30 June 2013								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 ⁵	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLE ASSETS	375	212	163	0	0	69	0	0	29	27	176	444	268	176

	1 July 2011			30 June 2012								30 June 2012		
	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	209	143	66	0	0	43	0	0	0	17	92	252	160	92
Carbon emissions	71	0	71	0	0	52	0	0	52	0	71	123	52	71
Capital work in progress ¹	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLE ASSETS	280	143	137	0	0	95	0	0	52	17	163	375	212	163

¹ 'Intangible capital work in progress' has been reclassified separately from 'property, plant and equipment capital work in progress' totalling nil in the current year (2012: Nil).

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. Mackenzie District Council was allocated NZU's relating to its pre-1990 forested land during 2013.

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. 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 also 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 2013 (continued)

NOTE 16 - Property, plant and equipment

	1 July 2012			30 June 2013									30 June 2013		
	Cost / Revaluation	Accum.dep and impairment charges	Carrying amount	Current year revaluation	Accum. Depn reversed on revaluation	Current year additions ⁷	Current year trfs within PPE	Current year disposals	Current year disposals depreciation	Current year impairment charges	Current year depreciation	Net Book Value	Cost	Accum. Depn and impairment charges	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	\$000's
OPERATIONAL ASSETS															
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
Total Operational Assets	32,396	2,758	29,638	0	0	265	(1,443)	106	82	0	354	28,082	31,112	3,030	28,082
RESTRICTED ASSETS															
Land	4,325	0	4,325	0	0	0	0	0	0	0	0	4,325	4,325	0	4,325
Total Restricted Assets	4,325	0	4,325	0	0	0	0	0	0	0	0	4,325	4,325	0	4,325
INFRASTRUCTURAL ASSETS															
Landfills	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	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 schemes	3,617	121	3,496	0	0	26	0	0	0	0	61	3,461	3,643	182	3,461
Sewerage schemes	13,022	500	12,522	0	0	65	0	0	0	0	249	12,338	13,087	749	12,338
Water supplies	18,659	790	17,869	0	0	418	62	0	0	0	359	17,990	19,139	1,149	17,990
Total Infrastructural Assets	123,202	5,498	117,705	0	0	2,845	62	0	0	0	2,579	118,032	126,109	8,077	118,032
Capital Work in Progress ⁶	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
TOTAL PROPERTY, PLANT AND EQUIPMENT	166,720	8,378	158,343	0	0	3,868	0	122	82	0	2,949	159,221	170,466	11,245	159,221

⁶ 'Intangible capital work in progress' has been reclassified separately from 'property, plant and equipment capital work in progress' totalling nil in the current year (2012: Nil).

⁷Total capital expenditure shown in the above table differs from the Capital Statements within Groups of Activities due to the inclusion of Joint Venture and separately managed water schemes.

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

	1 July 2011			30 June 2012									30 June 2012		
	Cost /	Accum.dep	Carrying	Current	Accum.	Current	Current year	Current	Current year	Current	Current year	Net Book	Cost	Accum. Depn	Carrying
	Revaluation	and impairment charges	amount	year revaluation	Depn reversed on	year additions	trfs to PPE intended for sale	year disposals	year disposals	year depreciation	year impairment charges	Value		and impairment charges	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	\$000's
OPERATIONAL ASSETS															
Buildings	12,902	284	12,618	0	0	281	0	317	0	166	233	12,183	12,866	683	12,183
Computer hardware	488	455	33	0	0	3	0	0	0	0	21	15	491	476	15
Furniture and fittings	436	394	42	0	0	0	0	0	0	0	10	32	436	404	32
Heritage assets	30	11	19	0	0	0	0	0	0	0	0	19	30	11	19
Land	16,216	0	16,216	0	0	0	701	0	0	0	0	16,917	16,917	0	16,917
Motor vehicles	496	386	110	0	0	97	0	0	0	0	56	151	593	442	151
Office equipment	176	161	15	0	0	0	0	0	0	0	3	12	176	164	12
Plant and machinery	676	471	205	0	0	25	0	0	0	0	31	199	701	502	199
Resource recovery parks	186	60	126	0	0	0	0	0	0	0	16	110	186	76	110
Total Operational Assets	31,606	2,222	29,384	0	0	406	701	317	0	166	370	29,638	32,396	2,758	29,638
RESTRICTED ASSETS															
Land	4,325	0	4,325	0	0	0	0	0	0	0	0	4,325	4,325	0	4,325
Total Restricted Assets	4,325	0	4,325	0	0	0	0	0	0	0	0	4,325	4,325	0	4,325
INFRASTRUCTURAL ASSETS															
Landfill	136	45	91	0	0	0	0	0	0	0	4	87	136	49	87
Village projects	1,953	447	1,506	0	0	255	0	0	0	0	62	1,699	2,208	509	1,699
Harbour facilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Land under roads	5,901	0	5,901	0	0	0	0	0	0	0	0	5,901	5,901	0	5,901
Roads	77,494	1,799	75,695	0	0	1,818	0	0	0	0	1,700	75,813	79,312	3,499	75,813
Resource consents	335	18	317	0	0	12	0	0	0	0	12	317	347	30	317
Stormwater schemes	3,617	61	3,556	0	0	0	0	0	0	0	60	3,496	3,617	121	3,496
Sewerage schemes	12,846	253	12,593	0	0	176	0	0	0	0	247	12,522	13,022	500	12,522
Water supplies	18,174	437	17,737	0	0	485	0	0	0	0	353	17,869	18,659	790	17,869
Total Infrastructural Assets	120,456	3,060	117,396	0	0	2,746	0	0	0	0	2,438	117,704	123,202	5,498	117,704
Capital work in progress ¹	519	0	519	0	0	96	0	311	0	0	0	304	304	0	304
Joint venture assets	671	104	567	0	0	22	0	0	0	0	18	571	693	122	571
Surplus properties identified for sale	9,030	0	9,030	0	0	0	(3,230)	0	0	0	0	5,800	5,800	0	5,800
TOTAL PROPERTY, PLANT AND EQUIPMENT	166,607	5,386	161,221	0	0	3,270	(2,529)	628	0	166	2,826	158,342	166,720	8,378	158,342

¹ 'Intangible capital work in progress' has been reclassified separately from 'property, plant and equipment capital work in progress' totalling \$nil in the current year (2012: \$nil).

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

VALUATION

OPERATIONAL ASSETS

Buildings are measured at fair value less accumulated depreciation with subsequent additions recorded at cost. Buildings were revalued at 1 July 2010 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 fit-out.

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 2010. 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 2010 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 2010. 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 2013 financial year in relation to property, plant and equipment (2012: \$166,000).

Work in progress

The total amount of property, plant and equipment in the course of construction is \$964,809 (2012: \$304,000). 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 2013 (continued)

NOTE 17 – Subsidiary

Name of Entity: **Mackenzie Holdings Ltd and Mackenzie Tourism and Development Trust**

Balance date: **30 June 2013**

Council does not operate in a Group. Council resolved on 13 June 2013 to wind up the Mackenzie Tourism and Development Trust (MTDT) 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. Consequently, no Group financial transactions have been included in these results.

The following depicts 2011-2012 impact arising from the subsidiary in Council's financial statements:

2012		2013
Actual		Actual
\$000's		\$000's
1,286	Revenue	0
(1,450)	Expenses	0
(164)	Share of Net Surplus (Deficit)	0
62	Cash and cash equivalents	0
68	Debtors and other receivables	0
9	Inventories	0
(204)	Creditors and other payables (including current portion of borrowings)	0
(47)	Employee entitlements and other liabilities	0
30	Property, plant and equipment	0
(233)	Borrowings	0
(315)	Share of assets employed	0

NOTE 18 – Creditors and other payables

2012		2013
Actual		Actual
\$000's		\$000's
1,164	Creditors	1,444
56	Rates in advance	376
15	Revenue in advance	114
1,235	TOTAL CREDITORS AND OTHER PAYABLES	1,933

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 2013 (continued)

NOTE 19 – Employee entitlements

2012		2013
Actual		Actual
\$000's		\$000's
146	Current	118
0	Non-current	15
146	TOTAL EMPLOYEE ENTITLEMENTS	133
Employee entitlements are comprised of:		
CURRENT PORTION		
39	Accrued salaries and wages	38
57	Annual leave	53
25	Long service leave	10
25	Sick leave	17
146	TOTAL CURRENT PORTION	118
NON-CURRENT PORTION		
0	Retirement gratuities	15
0	TOTAL NON-CURRENT PORTION	15
146	Total employee entitlements	133

NOTE 20 – Provisions

2012		2013
Actual		Actual
\$000's		\$000's
6	Current	6
61	Non-current	61
67	TOTAL PROVISIONS	67
CURRENT PORTION		
6	Landfill aftercare liability	6
0	Mackenzie Tourism and Development Trust	0
6	TOTAL CURRENT PROVISIONS	6
NON-CURRENT PORTION		
61	Landfill aftercare liability	61
61	TOTAL NON-CURRENT PROVISIONS	61
67	Total provisions	67
Movements for each class of provision are as follows:		
LANDFILL AFTERCARE LIABILITY		
67	Opening balance	67
0	Additional/(reduction) in provision made during the year	0
0	Amounts used during the year	0
0	Discount unwinding	0
67	Total landfill aftercare liability	67

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 on-going 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.

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

NOTE 21 – Reconciliation of net surplus/(deficit) to net cash flow from operating activities

2012		2013
Actual		Actual
\$000's		\$000's
(525)	REPORTED OPERATING SURPLUS	1,674
	Add(less): Non-cash items:	
(261)	Vested assets	(761)
2,844	Depreciation and amortisation	2,978
191	(Gains)/losses on fair value of forestry assets	(498)
0	Forestry cost of sales	57
	Movements in current assets (other than cash)	
(45)	Recognition of carbon credits	(10)
284	Impairment of assets	17
428	(Gain)/loss on sale of assets written off	1
65	Investment valuation	0
3,506		1,784
	Add(less) Movements in working capital items	
16	Increase (decrease) in Accounts payable	504
(8)	Increase (decrease) in Employee entitlements	(28)
(205)	(Increase) decrease in Accounts receivable	(668)
(2,496)	(Increase) decrease in Inventories	(3)
2,545	(Increase) decrease in Properties intended for disposal	0
(148)		(195)
	Add(less): Items classified as investing activities	
0	Net losses on sale of property intended for disposal	0
569	Gain/(loss) on Sale included in Investing Activity	(40)
569		(40)
3,402	Net Cash inflow from operating activities	3,223

NOTE 22 – Surplus property

2012		2013
Actual		Actual
\$000's		\$000's
	LAND	
12,985	Opening Balance	9,739
	Add/(less):	
(701)	Transfer from operational land	1,443
(2,545)	Disposals/change in valuation	40
9,739	CLOSING BALANCE	11,222
9,739	TOTAL SURPLUS PROPERTY	11,222
	Total surplus properties are comprised of:	
3,834	Inventory	3,883
5,800	Surplus property held for sale	7,233
105	Current portion of Property intended for disposal	105
9,739	Total Surplus Properties	11,222

In 2011, some surplus properties were reclassified as inventory and Property, Plant and Equipment in accordance with reporting standards.

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

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 2013, Mackenzie District Council made no severance payments to employees (2012: Nil).

NOTE 24 – Remuneration

During the year to 30 June 2013, 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.

2012		2013
Actual		Actual
\$000's		\$000's
PRESENT COUNCIL		
54	Mayor Claire Barlow	55
17	Councillor Graham Smith	17
16	Councillor Evan Williams	16
16	Councillor Graeme Page	16
19	Councillor John Bishop	19
17	Councillor Peter Maxwell	17
20	Councillor Annette Money	21
159		161
COMMUNITY BOARDS		
9	Fairlie Community Board Members	8
9	Tekapo Community Board Members	9
9	Twizel Community Board Members	9
27		26
186	TOTAL REMUNERATION PAID TO ELECTED REPRESENTATIVES	187

These figures include mileage.

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 2013 (continued)

The Chief Executive of Mackenzie District Council received the following remuneration:

2012		2013
Actual		Actual
\$000's		\$000's
146	Salary	157
14	Vehicle (Market value)	17
0	Telephone	1
6	Superannuation subsidy	6
166	Total remuneration paid to Chief Executive position	181

For the year ended 30 June 2013, the total annual cost of the Chief Executive remuneration to the Mackenzie District Council of the \$180,570 (2012: \$166,000). As there was change in the person who held the role, the remuneration has been apportioned accordingly.

The remuneration disclosed above includes both the previous and the current Chief Executive's remuneration from the date of employment with Council on 12 November 2012.

The annual remuneration package for the current Chief Executive position is disclosed below:

The annual remuneration package for the current Chief Executive position is disclosed below:

2012		2013
Actual		Actual
\$000's		\$000's
0	Salary	150
0	Vehicle (Market value)	18
0	Telephone	1
0	Total remuneration package of the current Chief Executive	168

COUNCIL EMPLOYEES

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

2012		2013
14	<\$60,000	20
5	\$60,000-\$99,999	6
3	\$100,000-\$169,999	3
22	Total employees	29

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 19 (2012: 17) full-time employees, with the balance of staff representing 7 (2012: 2) full-time equivalent employees. A full-time employee is determined on a basis of a 37.5 hour working week.

NOTE 25 – Related party transactions

Mackenzie District Council is the ultimate parent 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 2013 (2012: Nil). No related party debts have been written off or forgiven during the period (2012: Nil).

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

The following transactions were carried out with related parties:

KEY MANAGEMENT PERSONNEL

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

2012		2013	
Actual		Actual	
\$000's		\$000's	
744	Salaries and other short term employee benefits	752	
0	Post employment benefits	0	
0	Other long term benefits	0	
0	Termination benefits	0	

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

2012		2013	
Actual		Actual	
\$000's		\$000's	
279	Grants and levies provided by Mackenzie District Council	55	
233	Loans payable to Mackenzie District Council	255	
5	Accounts payable to Mackenzie District Council	0	
0	Accounts receivable from the Mackenzie District Council	0	
21	Mackenzie Tourism and Development Trust reimbursements to Council	22	
0	Council reimbursements to EPU for assets purchased on behalf of Council	0	

Mackenzie Tourism and Development Trust provides Tourism and Development services in the Mackenzie. Council has loaned the Mackenzie Tourism and Development Trust 255,000 (2012: \$233,000) with the following terms and conditions:

- Term expiry date:** 30 June 2025
- Repayment of principal sum:** \$100,000 of the outstanding principal is to be repaid in equal monthly instalments of \$833.34 beginning on 31 July 2015, so that \$100,000 of the principal will be repaid by 30 June 2025. The balance of the outstanding principal is to be repaid to the lender on the term expiry date.
* OCR as at 31 January in each year plus 4% per annum, payable as from 1 July in such year.
** OCR as at 31 January in each year plus 9% per annum, payable as from 1 July in such year.
- Interest commencement date:** 01 July 2013
- Interest dates:** The first payment is to be made on 31 July 2013 and monthly thereafter until the principal sum has been repaid in full.

No loans have been forgiven or written off by Council during the year. However, this loan has been fully impaired.

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

NOTE 26 – Contingencies

Council is aware of the following contingent liabilities as at 30 June 2013:

2012		2013
Actual		Actual
\$000's		\$000's
CONTINGENCIES:		
516	Housing New Zealand contribution to Fairlie Pensioner Housing Units	516
516	TOTAL CONTINGENT LIABILITIES	516

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 (2012: Nil).

NOTE 27 – Events after balance date

No post balance date events occurred up to the date of the report a doption that are known to have a material effect on the Financial Statements and Notes to the Financial Statements of Council.

In 2011/12, the following events occurred after balance date and were disclosed in the financial statements:

MACKENZIE TOURISM AND DEVELOPMENT TRUST

Council, as a result of public consultation through its 2012-2022 Long-Term Plan, has decided to cease funding the Mackenzie Tourism and Development Trust as the vehicle used to provide Tourism and Development services in the Mackenzie. Council has a working party of interested people to develop a way forward for delivery of the tourism and development activity. In the meantime, Council has appointed Christchurch and Canterbury Marketing for one year to undertake the role performed by the Trust.

Council has also provided an extra \$55,000 in loan money to the Mackenzie Tourism and Development Trust at the end of July 2012.

NOTE 28 – Commitments

OPERATING LEASES AS LESSEE

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

2012		2013
Actual		Actual
\$000's		\$000's
2,415	Not later than one year	3,202
5,104	Later than one year, not later than two years	476
2,021	Later than two years, not later than five years	1,427
72	Later than five years	1,585
9,612	Total non-cancellable operating leases as lessee	6,690

JOINT VENTURE OPERATING LEASE COMMITMENTS

There are no operating lease commitments associated with the joint venture, Downlands Water Supply, as at 30 June 2013 (2012: Nil).

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

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:

2012		2013
Actual		Actual
\$000's		\$000's
109	Not later than one year	109
375	Later than one year, not later than five years	312
79	Later than five years	1,692
563	Total non-cancellable operating leases as lessor	2,113

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

NOTE 29 – Financial instruments

NOTE 29a – Financial instrument categories

2012		2013
Actual		Actual
\$000's		\$000's
FINANCIAL ASSETS		
Loans and receivables		
4,809	Cash and cash equivalents	7,950
2,498	Debtors and other receivables	2,241
230	Eversley Loan	203
48	Term deposits	24
7,585	TOTAL LOANS AND RECEIVABLES	10,418
Fair value through equity		
6,132	Investments	4,239
0	Debentures and other stock	0
6,355	Unlisted shares	8,630
12,487	TOTAL FAIR VALUE THROUGH EQUITY	12,869
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
1,235	Creditors and other payables	1,933
1,235	TOTAL FINANCIAL LIABILITIES AT AMORTISED COST	1,933

NOTE 29b – 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 with the exception of shares held in Alpine Energy Limited which are held to ensure local ownership and supply of electricity infrastructure. Council invests in the following instruments:

- Government investments
- Registered bank investments
- Local Authority investments

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

- 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.

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 approved 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:

2012		2013	
Actual		Actual	
\$000's		\$000's	
4,809	Cash at bank and term deposits	7,950	
2,498	Debtors and other receivables	2,241	
5,506	Investments and debentures	2,905	
12,813	Total credit risk	13,096	

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

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:

2012		2013	
Actual		Actual	
\$000's		\$000's	
COUNTERPARTIES WITH CREDIT RATINGS			
Cash at bank and term deposits			
4,809	AA-		7,950
4,809	TOTAL CASH AT BANK AND TERM DEPOSITS		7,950
Investments			
0	AAA		0
560	AA		549
2,706	AA-		2,180
242	A		247
1,650	A-		257
485	A3		501
5,643	TOTAL INVESTMENTS		3,735
COUNTERPARTIES WITHOUT CREDIT RATINGS			
537	Investments not rated with no defaults in the past		528
230	Community loans with no defaults in the past		203
767	Total financial assets without credit ratings		731

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.

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.

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

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	2013				
	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	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 corporate bonds	4,051	4,273	1,059	3,213	0
Eversley sewerage	203	203	0	0	203
Total	14,445	14,667	11,251	3,213	203

Contractual maturity analysis: financial assets	2012				
	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	186	186	186	0	0
Debtors and other receivables	2,498	2,498	2,498	0	0
Other investments					
Term deposits	4,623	4,623	4,623	0	0
Local authority stock and government bonds	4,900	5,162	2,410	2,704	48
Eversley sewerage	230	230	0	0	230
Total	12,437	12,699	9,717	2,704	278

Contractual maturity analysis: financial liabilities	2013				
	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	1,933	1,933	1,933	0	0
Total	1,933	1,933	1,933	0	0

Contractual maturity analysis: financial liabilities	2012				
	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	1,235	1,235	1,235	0	0
Total	1,235	1,235	1,235	0	0

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

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.

2012					2013				
Profit	-100bps Other Equity	Profit	+100bps Other Equity	Sensitivity analysis	Note	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									
(48)	0	48	0	Cash and cash equivalents	1	(79)	0	79	0
(2)	0	2	0	Eversley Loan	2	(2)	0	2	0
(50)	0	(50)	0	Total sensitivity to interest rate risk		(81)	0	81	0
Profit	-10% Other Equity	Profit	10% Other Equity		Note	Profit	-10% Other Equity	Profit	10% Other Equity
\$000's	\$000's	\$000's	\$000's			\$000's	\$000's	\$000's	\$000's
EQUITY PRICE RISK									
Financial assets									
0	(635)	0	635	Unlisted shares	3	0	(863)	0	863
0	(635)	0	635	Total sensitivity to equity price risk		0	(863)	0	863

EXPLANATION OF SENSITIVITY ANALYSIS

1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include deposits at call totalling \$7,945,000 (2012: \$4,871,000) which are at floating rates. A movement in interest rates of plus or minus 1.0% has an effect on interest income of \$79,450 (2012: \$48,710).

2. 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 (2012: \$635,000).

Notes to the Financial Statements For the Year Ended 30 June 2013 (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 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 a 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;
- Self-insurance 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.

Self-insurance reserves are built up annually from general rates 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 2012-2013 Annual Plan are as follows:

STATEMENT OF COMPREHENSIVE INCOME

Council's net operating surplus of \$1,674,000 was more than the budgeted deficit of \$411,000. Revenue was \$13,254,000 (including assets vested in Council), compared to the budgeted revenue of \$10,129,000. This is due to the net effect of the following variances in revenue and in expenditure as detailed below.

REVENUE

Refer to Note 3; *Revenue*.

Subsidies and grants

Subsidies and grants were \$2,598,000 being \$1,096,000 above the budget of \$1,502,000. This is due to two storm events occurring in the District. The significant 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 \$928,000 was less than budget of \$1,074,000 due to Council's higher yielding bonds maturing and swapping to lower return term deposits. Council had expected an increase in the Official Cash Rate and therefore other interest rates for the period covered by this report.

Notes to the Financial Statements For the Year Ended 30 June 2013 (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 Council's 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 \$1,623,000; \$341,000 more than the budget of \$1,282,000. This is mainly due to higher levels of commissions earned and rates penalties charged totally \$23,000 along with higher than anticipated recoverable services from Corporate Services. Planning and Regulation, specifically Building Services has generated an additional \$77,000 due to increased building consent applications. Commercial Activities contributed \$289,000 towards the variance with unbudgeted income from Pukaki Airport Board (\$23,000) real estate leases contributing \$119,000 along with other rentals contributing \$186,000. This includes loss of rental insurance returns (\$40,000) and an accrued \$145,600 Old Library Café insurance settlement.

Other gains/losses

Other gains/losses is \$538,000 higher than the budget of \$nil. This consists of an increase in the value of forestry assets totally \$498,000 plus a wash-up of real estate from 2011/2012 of \$40,000.

Vested Assets

Council received \$761,000 in assets vested with Council from developers. The major contributor relates to Council's share of the Alps 2 Ocean Cycleway which totalled \$642,000. The balance of \$119,000 is made up of sewer assets \$53,000, stormwater assets \$26,000 and water assets \$40,000.

EXPENDITURE

Refer to Note 4; Expenditure.

Personnel Costs

Costs relating to personnel are \$1,816,000; \$114,000 more than the budget of \$1,702,000. The major contributors to this variance are due to Council employing a specialist GIS (Geographical Information Systems) person and a senior planner to assist Council through its District Plan review (total cost of these two positions \$111,000). The balance of the increase relates to staff position regrading.

Operational and Maintenance Expenses

Costs for the year are \$2,847,000; \$549,000 less than the budget cost of \$3,396,000. 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 \$174,000 from its township budget while Fairlie did not spend \$61,000. Repairs and maintenance and costs associated with burials is \$37,000 down on budget. Costs of maintenance of the various water schemes was lower than anticipated by \$58,000.

Roading expenses

Roading expenses were \$2,242,000; \$1,100,000 more than the budget of \$1,142,000. The main reason for this variance is Council experienced two major weather events at each end of the financial year. Unbudgeted Emergency Re-instatement costs over both these events totalled \$1,183,000.

NOTE 32 – Insurance of infrastructure

Council does not carry separate insurance for underground infrastructure assets. It is also not a member of L.A.P.P. Council has assessed that it has sufficient reserves to cover the eventuality of a natural disaster within the District.

Council Structure

Council Structure

Division of Responsibility between Council and Management

Community Board Structure

Organisational Chart

COUNCIL STRUCTURE

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 2013 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

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;

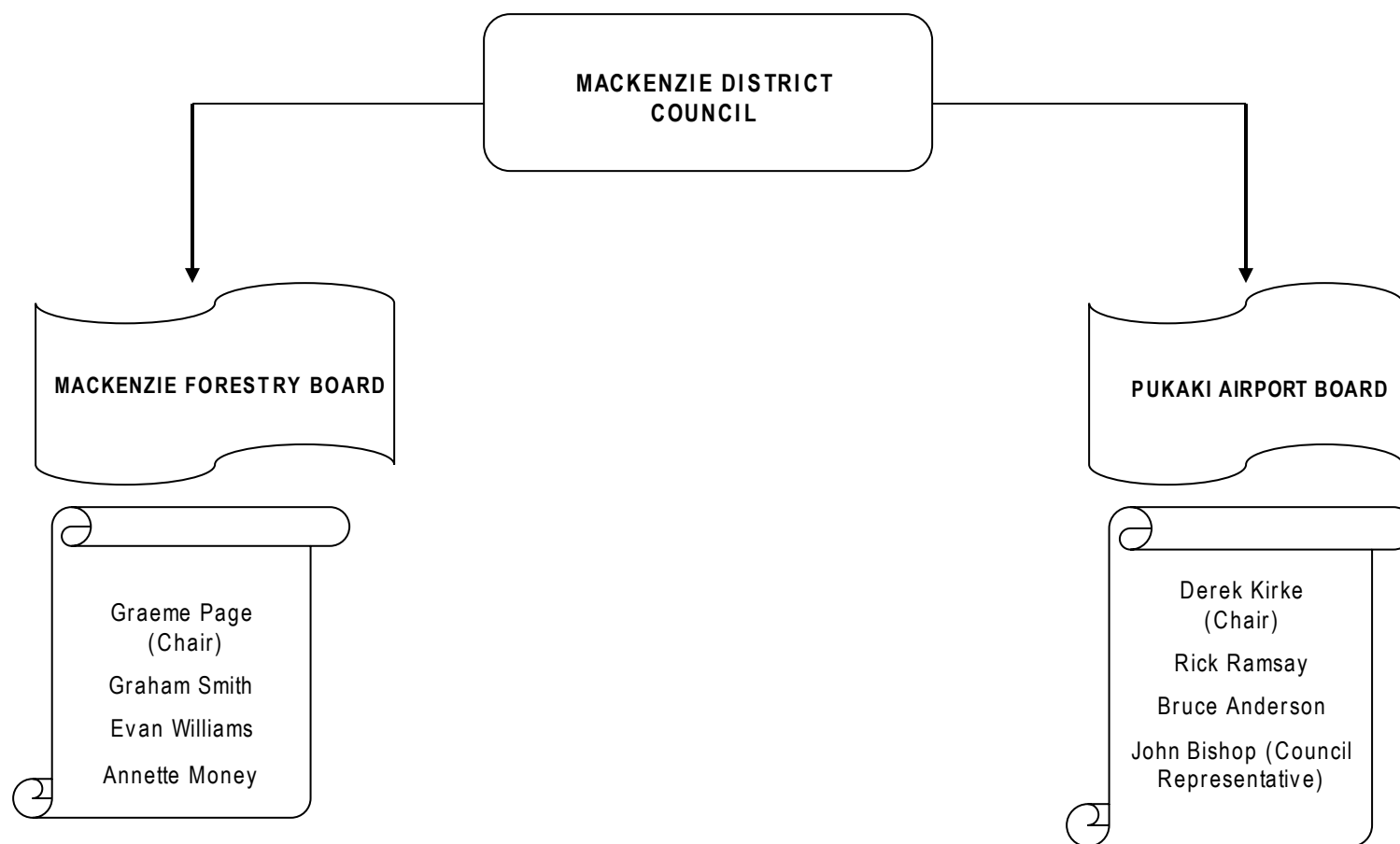
Council holds regular meetings to ensure that the affairs of the authority are being conducted in accordance with its legislative mandate and Council objectives. The Council also monitors through its Chief Executive Officer, whether staff adhere to the principles of “good citizenship” and high standards 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.

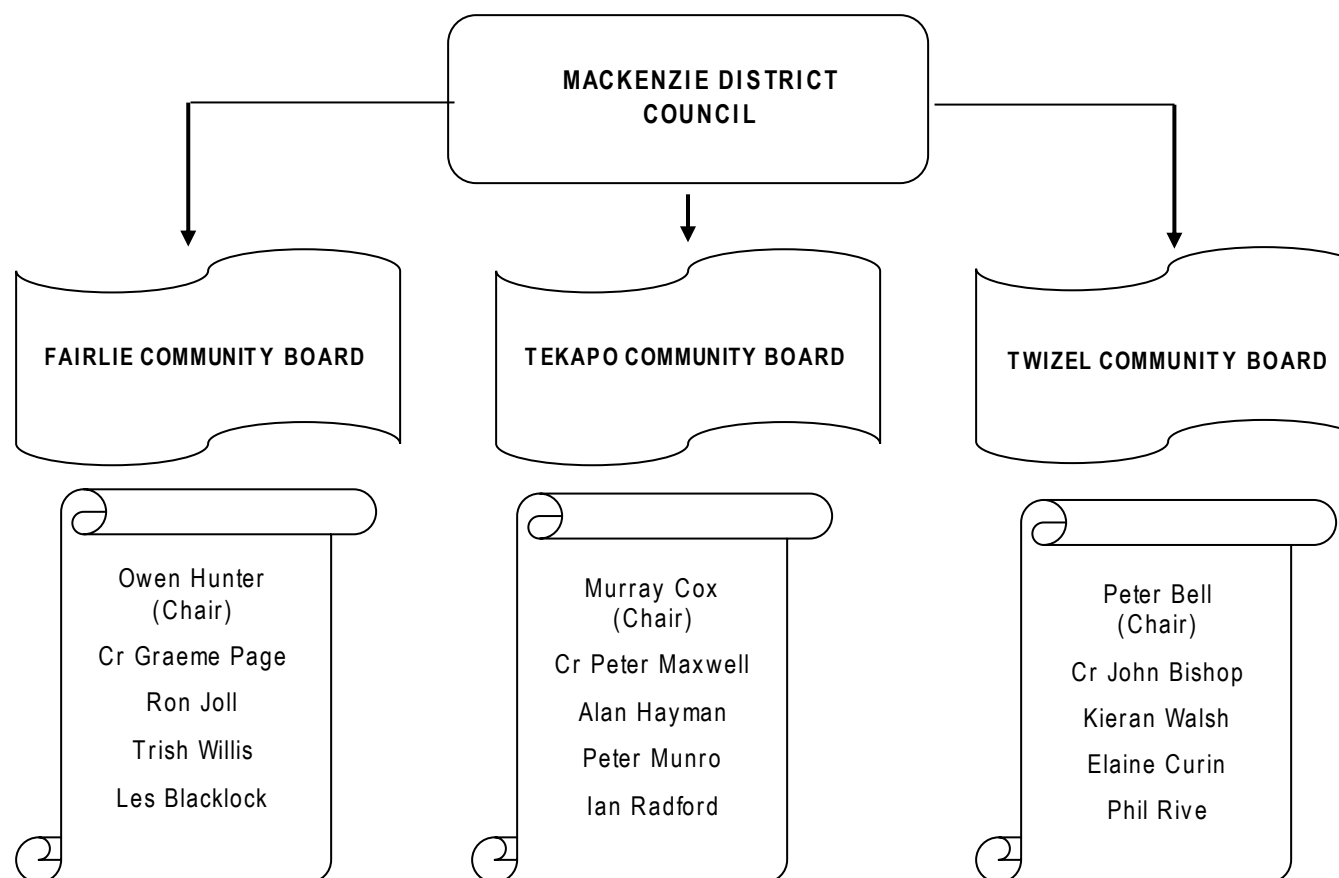
Legislative Compliance

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 2013



COMMUNITY BOARD STRUCTURE as at June 2013



ORGANISATIONAL CHART *as at June 2013*

