



**TO THE MAYOR AND COUNCILLORS OF THE
MACKENZIE DISTRICT COUNCIL**

Membership of the Finance Committee:

Cr Graham Smith (Chair)
Claire Barlow (Mayor)
Cr Russell Armstrong
Cr Murray Cox
Cr Noel Jackson
Cr James Leslie
Cr Evan Williams

*Notice is given of a meeting of the Finance Committee to be
held on Tuesday 4 October 2016, at 9:30am*

VENUE: Mackenzie District Council Chambers, Fairlie

BUSINESS: Annual Report

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

MACKENZIE DISTRICT COUNCIL

REPORT TO: FINANCE COMMITTEE
SUBJECT: ANNUAL REPORT 30 JUNE 2016
MEETING DATE: 4 OCTOBER 2016
REF: FIN 1/4/2
FROM: CHIEF FINANCIAL OFFICER

PURPOSE OF REPORT:

For the Committee to recommend to Council that, subject to audit clearance, the Annual Report for the year ended 30 June 2016 be approved and adopted.

STAFF RECOMMENDATIONS:

1. That the report be received.
2. That the Draft Annual Report 30 June 2016, be recommended to Council for approval and adoption subject to final audit clearance.

PAUL MORRIS
CHIEF FINANCIAL OFFICER

WAYNE BARNETT
CHIEF EXECUTIVE OFFICER

ATTACHMENTS:

Annual Report 30 June 2016.

BACKGROUND:

Council is required to produce an annual report each year that complies with the International Accounting Standards and the Local Government Act 2002. These accounts are required to be audited. The audit process provides a level of comfort that the Council's assets both financial and non-financial are being prudently managed.

The accounts are required to be adopted by Council (including Audit Opinion) no later than 31st October 2016.

With the local body elections being held on 8th October the current Council will no longer be in a position to approve and adopt the report before the deadline.

It is appropriate that the current members, who had fiscal responsibility for the period covered by this report, should review and make a recommendation to the incoming Council in relation to this report.

Results in Summary

The Council recorded a surplus after tax of \$5.496 million compared to a predicted deficit of \$0.213 million. Total revenue was \$20.038 million compared to a budget of \$12.487 million. These results are driven by real estate sales in Tekapo (Tekapo Lakefront Development) and Twizel (Meridian). These contributed \$2.715million to the surplus. It should be noted that some of the real estate sales have occurred early. These sales were budgeted for the 2016/17 year. Also contributing to the surplus is the increase in value of carbon credits \$0.639 million along with additional carbon units received to \$0.739 million. Changes in the forestry valuation contributed \$2.092 million.

Direct expenditure was \$14.542 million compared to a budget of \$12.700 million.

Major contributors to the unfavourable variance is consultancy expenses due to higher than predicted legal costs in relation to debt collection and land sales, coupled with additional costs of business support in the finance team while staff recruitment took place.

Operational and maintenance costs were \$0.536 million above budget mainly due to higher than expected maintenance cost in water and the grant made to High Country Medical Trust towards the construction of its new medical facility. The grant is expected to be offset in the 2016/17 year from the sale of the old medical centre facilities.

Other comprehensive income consists of the increase in value of Council's holding in Alpine Energy Ltd.

The statement of financial position (Balance Sheet) records net assets of \$223.045 million up on the previous year \$218.122 million.

Cash is lower than the previous year but is expected to replenish as subsequent land sales in Tekapo and Twizel complete.

Council does not carry any debt and has capacity within its balance sheet to do so.

This has been a positive year for Council financially and the results show the decisions to commence a studied approach to rates rises coupled with the decision to undertake the Tekapo Lakefront development have proved correct.

SIGNIFICANCE OF DECISION

The decision is not considered to be significant.

ISSUES AND OPTIONS

There are two options available:

1. Not to recommend the Mackenzie District Council Draft Annual Report for the year ended 30 June 2016 to the new Council.
2. Recommend the Mackenzie District Council Draft Annual Report for the year ended 30 June 2016 to the new Council.

While the committee could choose not to recommend the report it is appropriate that, as the body with the fiscal responsibility for the year in question, they do.

CONCLUSION:

To give the incoming Council some degree of comfort it is appropriate for the Committee to recommend to Council that the Annual Report for the year ended 30 June 2016, subject to final audit clearance, be approved and adopted.



Mackenzie District Council

Annual Report
2015 – 2016

“Fostering Our Community”



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Your Council

As at June 2016

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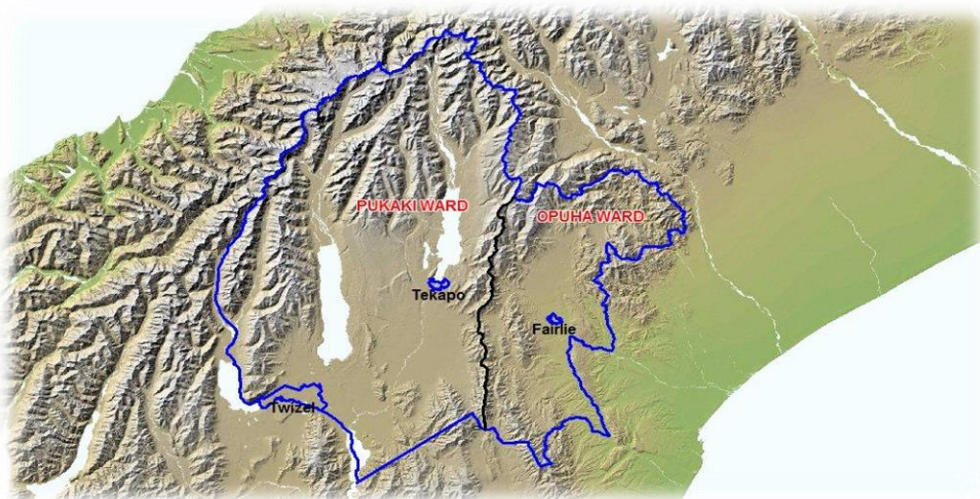
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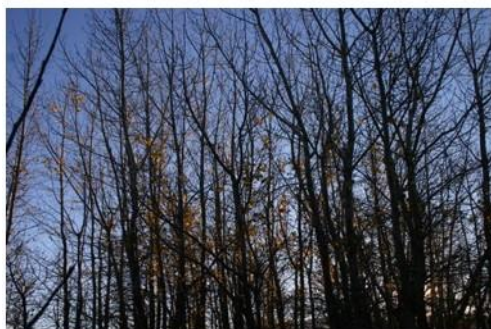
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INTRODUCTION

Introduction from the Mayor and
Chief Executive Officer

Statement of Compliance and
Responsibility

Audit Report

Community Outcomes

Introduction from the Mayor and Chief Executive Officer

We are pleased to introduce the Annual Report of the Mackenzie District Council for 2015/16. It has been another very busy year. Development activity has been strong and tourist numbers have again risen dramatically.

The success of our tourism sector has brought us a few headaches over summer with very high profile issues arising from the actions of a few visitors. Most of the media interest was focused on freedom camping and we have worked hard with the community and the tourist industry to address camping matters. Council has now adopted a new Responsible Camping Bylaw which was specifically written to address pressures experienced last year.

Another significant milestone for the year was the completion of the tender process for renewal of our Road Maintenance Contract. The renewal process was undertaken in conjunction with three of our neighbouring Councils to ensure consistent best practice within our purchasing agreements and to leverage scale advantage from a combined work package of \$60 million over five years. The process strengthened the overall ready capability of all member Councils and confirmed the operational credentials of the incumbent Mackenzie contractor.

The Twizel Water Treatment Plant upgrade was operational in April 2016. The system includes filtration, ultra violet disinfection and chlorine protection to provide a secure safe and reliable supply to the Twizel township. The total cost of the upgrade was \$2.5m including the relining of the reservoir. This is a significant asset for our community that will sustain the town for many years to come.

The 2014 Twizel fire highlighted water supply issues at the south west periphery of Twizel. This has now been addressed with the construction of a new booster pump.

The station was officially opened by local residents Jim and Michelle O'Carroll, as well as the Chairman of the Twizel Community Board and a Pukaki Ward Councillor in November 2015.

One of the most important responsibilities of Council is to look after the infrastructure that, as citizens, we often take for granted. This year we completed the replacement of 3.3 km of supply water main at Fairlie, began a twenty year replacement programme for the Twizel water reticulation network and rebuilt three local bridges. The total cost of these works was \$1,028,000.

Construction of the second stage of the Tekapo Lakefront Commercial Development was completed in May 2016. Three of these four prime commercial sites were pre-sold to underwrite the cost of the project. On-site development of the lakefront sites is expected to begin in the 2016/17 season and ramp up further in 2017/18. The final development will create a significant increase in Tekapo's commercial capacity.

The Tekapo alternative start to the Alps 2 Ocean Cycleway was officially opened on 27 January 2016. This ride continues to build in profile and is fast becoming one of our key tourist attractions.

One of the most satisfying aspects about being involved in Council activities is the diversity of our work. The examples noted above illustrate some of the year's highlight but there are many more areas where our staff and elected members have toiled hard to ensure that the critical day to day Council responsibilities are met. We would like to extend a very big thank you to staff and Councillors for their tireless efforts.



Mayor
Claire Barlow




Chief Executive Officer
Wayne Barnett

Statement of Compliance and Responsibility

Statement of Compliance

Statement of Responsibility

[TBC]
Mayor
[date] 2016



Wayne Barnett
Chief Executive Officer
[date] 2016

Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

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:

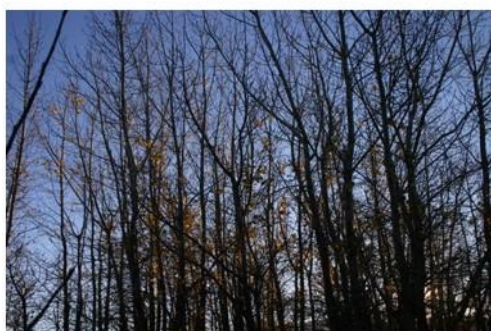
Outcome	Council Role
An attractive and highly valued natural environment The outcome desired by the community is to have the outstanding natural features of the district preserved, enhanced, accessible, and promoted	<ul style="list-style-type: none"> • Regulator through its District Plan. • Provider 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	<ul style="list-style-type: none"> • Essentially a support role. • Council will provide some limited funding of business advice from 2015/16 through a contractual agreement with Chamber of Commerce South Canterbury. 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	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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

Introduction to Group Activities

Introduction to Funding Impact Statements

Governance and Corporate Services

Water Supplies

Sewerage

Stormwater

Roading

Planning & Regulation

Community & Township Services

Tourism, Economic Development and
Commercial Activities

Overview

GOVERNANCE & CORPORATE SERVICES District Council Community Boards Elections Corporate Services Plant From page 17				
WATER SUPPLIES Fairlie Tekapo Twizel Rural From page 23	SEWERAGE Fairlie Tekapo Twizel Burkes Pass From page 31	STORMWATER Fairlie Tekapo Twizel From page 37	ROADING Fairlie Tekapo Twizel Rural Business Unit From page 42	PLANNING & REGULATION Civil Defence Animal Control Rural Fire Control Health & Liquor Licensing From page 48
COMMUNITY & TOWNSHIP SERVICES Pensioner Housing Medical Centres Cemeteries Public Toilets Community Grants Parks, Reserves & Township Maintenance From page 54			COMMERCIAL ACTIVITIES Investments Forestry Rental Properties Real Estate Tourism From page 60	COUNCIL CONTROLLED ORGANISATIONS From page 65

Introduction to Group Activities

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

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

How to read this section

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

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

Background

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

Community Outcomes to which these Activities Contribute

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

Statement of Service Provision

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

GOVERNANCE AND CORPORATE SERVICES

Background

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

Rationale for Council's Involvement

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

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

Community Outcomes to which these Activities Contribute

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

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

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

Statement of Service Provision;

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

Introduction to Funding Impact Statements

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

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

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

These statements are based on cash transactions prepared on an accrual basis and as such do not include non-cash accounting transactions that are included with the Statement of Comprehensive Revenue and Expense 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 Revenue and Expense.

Funding Impact Statement			
Governance and Corporate Services Activity Group			
For the year ended 30 June 2014			
Notes	2013	2014	
	Long Term Plan	Long Term Plan	Actual
	\$000's	\$000's	\$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	1,923	1,929	2,222
Targeted rates	29	30	30
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	107	111	102
Local authorities fuel tax, fines, infringement fees, and other receipts	102	136	141
TOTAL OPERATING FUNDING (A)	2,161	2,206	2,495
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	2,028	2,050	2,351
Finance costs	0	0	0
Internal charges and overheads applied	56	66	63
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,084	2,116	2,414
Surplus (deficit) of operating funding (A-B)	77	90	81
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
TOTAL SOURCES OF CAPITAL FUNDING (C)	0	0	0
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	
- To improve the level of service	19	0	18
- To replace existing assets	218	141	173
Increase (decrease) in reserves	(160)	(51)	(110)
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	77	90	81
Surplus (deficit) of capital funding (C-D)	(77)	(90)	(81)
FUNDING BALANCE ((A-B) + (C-D))	0	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.			

Governance and Corporate Services

Background

The Governance and Corporate Services activity supports all activities carried out by the Mackenzie District Council. The activity enables the Council to function and provide transparent, effective, efficient and accountable local governance to the District.

The activity includes all work associated with the elected Council, and Community Boards in Twizel, Tekapo and Fairlie. Elected members, being the community's representatives, make decisions within the framework of the Local Government Act 2002 (LGA) on behalf of the community. Council and Community Boards are elected every three years.

Every six years Council undertakes review of its representation, and this was carried out in the 2015/16 year.

The Council's Corporate Services arm manages the commercial activities of the Council and provides accounting, secretarial and administrative support to all other activities of Council.

Rationale for Council's Involvement

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

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

Levels of Service, Performance Measures and Results for 2015/16

Community outcomes to which these activities contribute				
Either directly or indirectly the Governance and Corporate Services activity contribute to the following community outcomes.				
<ol style="list-style-type: none"> 1. A thriving economy 2. Safe, effective and sustainable infrastructure 3. A fit and healthy community 4. A supportive and contributing community 5. An attractive and highly valued natural environment 6. A democracy which upholds the rights of the individual 				
Levels of Service	Performance Measure	Targets 2015/16	Results 2015/16	Results 2014/15
Prepare key accountability documents in accordance with good practice.	The annual report is prepared within statutory timeframes and with an unmodified audit opinion.	The annual report is prepared within statutory timeframes and with an unmodified audit opinion.	Achieved The Annual Report for the 2015 financial year was adopted on 30 Oct 2015. The Audit Opinion was unmodified.	Achieved The Annual Report for the 2014 financial year was adopted on 31 Oct 2014. The Audit Opinion was unmodified.
	The annual plan is prepared within statutory timeframes and with an unmodified audit opinion.	The annual plan is prepared within statutory timeframes and with an unmodified audit opinion.	Achieved The Annual Plan for the 2016/17 year was adopted by Council on 10 May 2016. Annual plans are not required to be audited, therefore no Audit Opinion was issued.	Not achieved The Long Term Plan for 2015-25 was adopted on 4 Aug 2015. This was a breach in the statutory deadline. The plan received an unmodified Audit Opinion.
Represent and govern the district on behalf of the community	The percentage of residents across the district who say they are satisfied with the performance of the Councillors and Mayor in the annual ratepayer survey.	60% or above	Achieved 82% were satisfied or somewhat satisfied with the performance of Councillors and the Mayor. The result is showing an upward trend.	Achieved 80% of respondents were satisfied or somewhat satisfied with the Councillors and Mayoral performances.
Build strong iwi relationships and encourage Māori to contribute to the decision-making process	Number of face-to-face meetings held each year between Council representatives and Papatipu Rūnanga, or Te Rūnanga o Ngai Tahu.	2 or more	Achieved Council met 6 times with Papatipu Rūnanga, or Te Rūnanga o Ngai Tahu during the year	Achieved Council met 6 times with Papatipu Rūnanga, or Te Rūnanga o Ngai Tahu during the year

Levels of Service	Performance Measure	Targets 2015/16	Results 2015/16	Results 2014/15
Provide opportunities for the community to engage with elected members	Number of public forums held each year with communities and groups	40 or more*	Achieved	Achieved

*Note: this includes both formal and informal meetings, workshops and drop-in sessions.

Identified Effects on the Community

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

Cost of Service Statement

Governance and Corporate Services Activity Group

For the year ended 30 June 2016

		2015	2016	
	Notes	Actual \$000's	Long Term Plan \$000's	Actual \$000's
REVENUE				
General rates		2,220	2,583	2,583
Targeted rates		25	25	25
Subsidies and grants		0	0	0
Investment revenue		0	0	0
Other revenue	1	157	166	261
Gain on sale of assets		15	0	0
Financial/upgrade contributions		0	0	0
Internal interest income		0	0	3
Internal income		111	124	123
Assets vested		0	0	0
TOTAL REVENUE		2,528	2,898	2,995
EXPENDITURE				
Personnel costs		1,308	1,446	1,444
Member expenses	2	299	321	310
Consultancy expenses	3	272	176	274
Administration		496	423	424
Operational and maintenance	4	231	299	312
Interest on capital reserves		10	10	7
Internal expenses		66	67	69
Finance costs		0	0	0
Funded depreciation*	5	137	153	164
Non funded depreciation**		15	0	1
TOTAL EXPENDITURE		2,834	2,895	3,005
OPERATING SURPLUS/(DEFICIT)		(306)	3	(10)

* Depreciation funded via rates (Funded Depreciations) 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 Governance and Corporate Services Financial Summary

Surplus/(deficit)

The deficit for the year was \$10,000, \$13,000 less than the budgeted surplus of \$3,000.

Revenue

Total revenue for the year was \$2,995,000, \$97,000 more than budgeted revenue of \$2,898.00.

The key variances from budget were:

1. Other revenue was higher than budget by \$54,000. This was mainly due to rates penalties up \$18,000, engineering fees received of \$14,000 and commissions on collection of rates was up \$20,000 on budget. Also \$41,000 of debt classified as doubtful in 2015 were recovered during the year.

Direct Expenditure

The total direct expenditure for the year was \$3,005,000; 110,000 more than the budgeted direct expenditure of \$2,895,000.

The key variances from budget were:

2. Member expenses were \$11,000 less than budget due to lower than expected cost, by year end, for elections (12,000).
3. Consultancy expenses were \$98,000 more than budgeted due to higher than anticipated legal expenses (\$37,000) in relation to a debt collection matter, and the Twizel waste water treatment plant. Coupled with \$45,000 for business accounting support while recruitment of new role was undertaken, along with \$10,000 for surveying cost associated with provision of land for High Country Medical Trust.
4. Operational and maintenance costs are more than budget by \$13,000. The variance is made up of higher IT site support costs with the resignation of Council's IT Manager in August 2015 offset by lower than anticipated vehicle runaway costs and lower than anticipated equipment lease costs.
5. Funded depreciation are \$11,000 more than budget mainly due to higher than anticipated depreciation costs on building assets (\$4,000) in Fairlie coupled with higher depreciation cost on IT equipment (\$14,000).

Funding Impact Statement

Governance and Corporate Services Activity Group

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan	Long Term Plan	Actual
	\$000's	\$000's	\$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	2,258	2,616	2,633
Targeted rates	25	25	25
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	111	124	126
Local authorities fuel tax, fines, infringement fees, and other receipts	121	117	170
TOTAL OPERATING FUNDING (A)	2,515	2,882	2,954
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	2,606	2,647	2,762
Finance costs	0	0	0
Internal charges and overheads applied	76	77	76
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,682	2,724	2,838
Surplus (deficit) of operating funding (A-B)	(167)	158	116
SOURCES OF CAPITAL FUNDING			
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	23	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
TOTAL SOURCES OF CAPITAL FUNDING (C)	23	0	0
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	0	28	0
- To replace existing assets	129	84	114
Increase (decrease) in reserves	(273)	46	2
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	(144)	158	116
Surplus (deficit) of capital funding (C-D)	167	(158)	(116)
FUNDING BALANCE ((A-B) + (C-D))	0	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

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
Surplus (deficit) of operating funding	(167)	158	116
Add back:			
Gross Proceeds from Sale of Assets	23	0	0
Doubtful debts recovered	0	0	41
Less:			
Depreciation	152	153	165
Disposal of Assets	8	0	0
OPERATING SURPLUS/(DEFICIT)	(306)	3	(10)

Capital Expenditure

Governance and Corporate Services Activity Group

For the year ended 30 June 2016

		2015	2016	
	Notes	Actual \$000's	Long Term Plan \$000's	Actual \$000's
Projects				
IMPROVE LEVEL OF SERVICE				
Corporate Services				
Information Technology				
REPLACE EXISTING ASSETS				
Corporate Services				
Administration				
Plant & equipment		1	3	0
Information Technology				
information management program		2	8	0
PC Server		0	20	0
Virtual Server		0	0	21
Website development	1	5	28	0
Network infrastructure		0	2	0
Software	1	19	18	26
GIS aerials		0	0	14
Communications equipment		1	0	0
Plant & Equipment				
Motor vehicles	2	81	28	38
Fairlie Building				
Furniture & Fittings - admin		2	3	10
Furniture & Fittings - other		2	2	4
Twizel Building				
Building - other		13	0	0
Furniture & Fittings - other		3	0	1
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		129	112	114
TOTAL CAPITAL EXPENDITURE		129	112	114

Reasons for Undertaking Capital Expenditure Projects

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

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

Results for the 2015/16 year

The total capital expenditure for the year was budgeted at \$112,000. Actual expenditure was \$114,000.

The key variances from budget were:

1. Council did not undertake a redevelopment of its website during the year as planned. This has created a \$28,000 favourable variance. This is offset against software with an \$8,000 unfavourable variance as Council chose to implement InfoCouncil. Council also contributed \$14,000 in advance to planned aerial photography. This was due in the 2016/17 year.
2. Motor vehicle replacement cost \$10,000 more than budget.

Water Supplies

Background

The Water Supplies activity aims to provide for the safe and effective treatment, storage and distribution of water to urban and rural parts of the district.

There are community water supplies in the townships of Twizel, Tekapo, Fairlie and Burkes Pass, a small stand-alone water supply at Pukaki Airport, and rural schemes at Allandale, Kimbell and Albury. The Council manages the four urban schemes, the Pukaki Airport supply, and the rural scheme at Allandale.

Management of the Albury water supply is undertaken by the Albury Rural Water Supply Society Inc. under a formal agreement with the 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.

There are two public stock water race systems in the District. They are Ashwick Opuha and School Road.

The water supply asset includes all Council owned pipelines, valves, hydrants, treatment facilities, and related infrastructure.



Rationale for the Council's Involvement

Safe and reliable drinking water is essential for the health and well-being of communities. The Council's water treatment facilities and the reticulated network contribute to that by providing the treatment and delivery of safe drinking water to communities served by Council-administered systems. Water supply is one of the Council's core functions, as provided by statute.

Levels of Service, Performance Measures and Results for 2015/16

Community outcomes to which these activities contribute				
1. A thriving economy 2. Safe, effective and sustainable infrastructure 3. An attractive and highly valued natural environment				
Levels of Service	Performance Measure	Targets 2015/16	Results 2015/16	Results 2014/15
Water supplies are available and reliable	The percentage of real water loss from the networked reticulation system.* ¹	Estimated target: <25%	Achieved 15% approx	Not applicable (new measure)
	The median response times to attend a call-out in response to a fault or unplanned interruption to the network reticulation system:			
	a) Attendance for urgent call- outs: from the time that the Council receives notification to the time that the service personnel reach the site,	2 hours	Achieved 100%	
	b) Resolution of urgent call-outs: from the time that the Council receives notification to the time that service personnel confirm resolution of the fault or interruption,	12 hours	Achieved 100%	
	c) Attendance for non-urgent call-outs: from the time that the Council receives notification to the time that the service personnel reach the site, and	72 hours	Not achieved 72.69%	
	d) Resolution of non-urgent call- outs: from the time that the Council receives notification to the time that service personnel confirm resolution of the fault or interruption.*	120 hours	Not achieved 66.67%	
	The average consumption of drinking water per day per resident within the District.*	<1.3m ³ per person per day within urban schemes.	Achieved 2.27m ³	Not applicable (new measure)

¹ There are known and recorded pumped volumes supplied to each scheme. However at present the district's urban schemes are each made up of non-metered and metered supplies, and are a mix of on-demand and restricted supply. This means that there is currently no way to measure a difference between supply and consumption. The Council is able to make a coarse estimate only.

Levels of Service	Performance Measure	Targets 2015/16	Results 2015/16	Results 2014/15
Water is safe to drink	<p>The extent to which the drinking water supplies comply with the drinking water standards for protozoal compliance.*</p> <p>The extent to which the drinking water supplies comply with the drinking water standards for bacteria compliance*</p>	<p>2 of 4 supplies comply</p> <p>Twizel upgrade completed in 2015/16</p> <p>≥95% compliance for all 4 supplies</p>	<p>Achieved</p> <p>2 of 4 supplies comply</p> <p>98.98% – this is for 2015 as the MoH have not supplied this data for 2015/16.</p>	<p>Not applicable (new measure)</p> <p>1 of 4 urban drinking water supplies (Tekapo) complies with the DWS.</p> <p>Not applicable (new measure)</p>
Residents are satisfied with the water supply provided	<p>The total number of complaints received about any of the following:</p> <p>a) Drinking water clarity</p> <p>b) Drinking water taste</p> <p>c) Drinking water odour</p> <p>d) Drinking water pressure or flow</p> <p>e) Continuity of supply; and</p> <p>f) Council's response to any of the above,</p> <p>Expressed per 1000 connections to the networked reticulation system. *</p> <p>% of ratepayers satisfied with the water supply service.</p>	<p>Less than 5 complaints per 1000 connections within urban Schemes</p> <p>80%</p>	<p>Achieved</p> <p>8 complaints received out of 3000 connectable properties</p> <p>Achieved</p> <p>81%</p>	<p>Not applicable (new measure)</p> <p>Not achieved</p> <p>70% were satisfied</p>

* Mandatory Performance Measure

Definitions: *Urgent* – no water, major mains break or water leak with potential to effect large numbers of properties.

Non-urgent – applies to all other issues.

Notes

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

Frequency of testing for E.coli

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

Identified Effects on the Community

The Water Supplies activity provides for the sustainable supply of safe, clean water as needed by the community to support a good quality of life and physical and mental wellbeing. The provision of a reliable water supply also supports local businesses to enable them to continue their operation - knowing water is available to them as they require it.

Cost of Service Statement

Water Supplies Activity Group

For the year ended 30 June 2016

		2015	2016	
	Notes	Actual \$000's	Long Term Plan \$000's	Actual \$000's
REVENUE				
Targeted rates		979	912	916
Investment revenue		7	5	6
Other revenue	1	151	155	188
Financial/upgrade contributions	2	12	0	149
Other gains		2	0	0
Internal interest income		47	3	6
Internal income		3	3	3
Assets vested	3	120	0	40
TOTAL REVENUE		1,321	1,078	1,308
EXPENDITURE				
Personnel costs	4	17	11	17
Consultancy expenses		6	2	0
Administration	5	35	36	75
Operational and maintenance	6	456	460	656
Interest on capital reserves		59	55	48
Internal expenses		3	3	3
Finance costs		0	3	0
Assets impairment		0	0	0
Funded depreciation*		436	496	429
Non funded depreciation**		48	0	61
TOTAL EXPENDITURE		1,060	1,065	1,289
OPERATING SURPLUS/(DEFICIT)		261	13	19

*Depreciation funded via rates (Funded Depreciations) 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 \$19,000, \$6,000 more than the budgeted surplus of \$13,000.

Revenue

Total revenue for the year was \$1,308,000, \$230,000 more than budgeted revenue of \$1,078,000.

The key variances from budget were:

1. Other revenue is \$33,000 higher than budget due to the higher than anticipated water meter income of \$115,000. The budget was \$87,000. This is due to the dry year.
2. Financial/upgrade contributions are \$149,000 above budget due to higher than anticipated section development within the district. These contributions are driven by developer activity.
3. Assets vested were \$40,000 higher than budget. These assets are driven by past developer activity and this vesting was higher than anticipated.

Direct expenditure

The total direct expenditure for the year was \$1,289,000; \$224,000 more than the budgeted direct expenditure of \$1,065,000.

The key variances from budget were:

4. Personnel costs were \$6,000 above budget. The costs relate to the Albury Water Supply for which Council does not prepare a budget as this is administered by a separate committee.
5. Administration costs were \$39,000 more than budget due mainly to rates being charged to individual activities rather than charged to the District as a whole (\$41,000).
6. Operational and maintenance expenses were \$196,000 more than budget mainly due to higher than anticipated costs associated with the Allandale Scheme which was \$33,000 above budget due to costs associated with clearing a blocked intake and numerous leaks throughout the Scheme. Coupled with this was a replacement required for the Fairlie Chlorine Doser for the unit that failed and significant maintenance on the Fairlie-Kimbell line due to breakages.

Funding Impact Statement

Water Supplies Activity Group

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan	Long Term Plan	Actual
	\$000's	\$000's	\$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	979	912	916
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	50	6	9
Local authorities fuel tax, fines, infringement fees, and other receipts	158	160	194
TOTAL OPERATING FUNDING (A)	1,187	1,078	1,119
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	514	506	748
Finance costs	0	3	0
Internal charges and overheads applied	62	58	51
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	576	568	799
Surplus (deficit) of operating funding (A-B)	611	510	320
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	12	0	149
Increase (decrease) in debt	0	105	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
TOTAL SOURCES OF CAPITAL FUNDING (C)	12	105	149
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	349	1,451	1,425
- To replace existing assets	1,022	0	934
Increase (decrease) in reserves	(748)	(836)	(1,890)
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	623	615	469
Surplus (deficit) of capital funding (C-D)	(611)	(510)	(320)
FUNDING BALANCE ((A-B) + (C-D))	0	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 of cost of Service Statement Net Operating Surplus

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
Surplus (deficit) of operating funding	611	510	320
Add back:			
Other gains	2	(1)	0
Financial contributions	12	0	149
Vested Assets	120	0	40
	134	(1)	189
Less:			
Depreciation	484	496	490
OPERATING SURPLUS/(DEFICIT)	261	13	19

Capital Expenditure

Water Supplies Activity Group

For the year ended 30 June 2016

Projects	Notes	2015	2016	
		Actual \$000's	Long Term Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
Urban Water				
Vested assets	3	120	0	40
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		120	0	40
IMPROVE LEVEL OF SERVICE				
Urban Water				
Treatment/Storage - new		14	0	0
Town Reticulation - renewal	2	2	1,441	502
Head Works - new		70	0	0
Head Works - renewal	1	0	0	37
Treatment - new	1	245	0	886
Headworks		14	0	0
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		345	1,441	1,425
REPLACE EXISTING ASSETS				
Urban Water				
Town Reticulation - renewal		110	0	347
Service connections		15	0	0
Service connections		0	0	57
Treatment - renewal		5	0	528
Service Connections - renewal		27	0	0
Treatment - new	1	861	0	0
Communy Assets - water supply		3	10	0
Fire hydrant markers		0	0	2
Water meters		1	0	0
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		1,022	10	934
TOTAL CAPITAL EXPENDITURE		1,487	1,451	2,398

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 was 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 2015/16 year

Total capital for the year was budgeted at \$1,151,000. Actual expenditure was \$2,398,000 which produced a \$947,000 unfavourable variance.

The key variances from budget were:

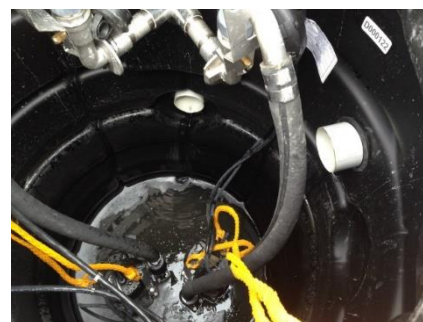
1. Work on the Twizel water supply headworks and treatment commenced late in the last financial year. The budgeted cost was \$2,649,000 with actual expenditure for the current year being \$1,451,000. The total costs of the project is \$2,557,000.
2. Council spent \$400,000 on replacement of part of the main line from Fairlie to Kimbell. This was unbudgeted and resulted from a significant number of breakages in that time.
3. Council expected \$nil of vested assets during the financial year in question. \$40,000 was received, creating a \$40,000 favourable variance. Vested assets are reliant on developers to complete subdivisions and is therefore somewhat out of Council control.

Sewerage

Background

The Council is responsible for the management of wastewater (sewage) collection, treatment and disposal services for its urban communities. Sewerage services are provided to support the development of the district and to protect the physical environment and the health of the community.

There are community sewerage systems in the townships of Fairlie, Burkes Pass, Tekapo and Twizel. In each case, effluent is collected and treated by way of an oxidation pond system and then discharged to ground. The sewerage asset includes all Council-owned pipelines, manholes, treatment facilities and related infrastructure.



Rationale for Council's Involvement

Appropriate collection and treatment of wastewater is essential for the health and well-being of communities. Wastewater treatment plants, pumping stations and reticulation systems contribute to maintaining public health and environmental quality, by controlling the quality of effluent and minimising the risk of undesirable wastes directly entering the environment. Wastewater is one of the core functions of Council, as provided by statute.

Levels of Service, Performance Measures and Results for 2015/16

Community outcomes to which these activities contribute				
1. Safe, effective and sustainable infrastructure 2. A fit and healthy community 3. An attractive and highly valued natural environment				
Levels of Service	Performance Measure	Targets 2015/16	Results 2015/16	Results 2014/15
Sewage is managed without risk to public health	The number of dry weather sewerage overflows from Council's sewerage system, expressed per 1000 sewerage connections to that sewerage system.*	≤5	Achieved 1	Not applicable (new measure 2015/16)
Safe discharge of wastewater	Compliance with the Council's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders, and d) convictions Received by the Council in relation those resource consents.*	Nil Nil Nil Nil	Achieved Nil Nil Nil Nil	Not applicable (new measure 2015/16)
Sewage is able to be disposed of without significant disruption	Where the Council attends to sewerage overflows resulting from a blockage or other fault in the Council's sewerage system, the following median response times measured: a) attendance time: from the time that the territorial authority receives notification to the time that service personnel reach the site, and b) resolution time: from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault.*	≤1 hour ≤4 hours	Not achieved 88.24% were attended with the 1hr response/ issues were resolved within 4hrs of notification 76.47% were attended with the 1hr response/ issues were resolved within 4hrs of notification	Not applicable (new measure 2015/16)

Levels of Service	Performance Measure	Targets 2015/16	Results 2015/16	Results 2014/15
Sewage is able to be disposed of without significant disruption	The total number of complaints received by the Council about any of the following: a) sewage odour b) sewerage system faults c) sewerage system blockages, and d) the Council's response to issues with its sewerage system. Expressed per 1000 connections to the Council's sewerage system.*	≤50	Achieved 0.63% – there were 19 complaints from the 4 schemes with a total of 3000 connectable properties	Not applicable (new measure 2015/16)
Sewage is managed without risk to public health	Percentage of ratepayers satisfied with the sewage treatment and disposal service.	85%	Achieved 100%	Achieved 96%

* Mandatory Performance Measure

Definitions: *Urgent* – sewerage overflow, sewerage pump failure and blocked drains.

Non-urgent – odours and all other reports.

Identified Effects on the Community

This activity ensures the sanitary collection and safe treatment and disposal of wastewater to cater for basic human needs for a safe standard of living across the District. The provision of services within the Sewerage activity area assists in enabling communities to function in a healthy environment, with appropriate mechanisms in place to dispose of wastewater in an environmentally appropriate way.

Cost of Service Statement

Sewerage Activity Group

For the year ended 30 June 2016

		2015	2016	
	Notes	Actual \$000's	Long Term Plan \$000's	Actual \$000's
REVENUE				
Targeted rates		464	443	445
Other revenue		7	6	6
Financial/upgrade contributions	1	10	0	185
Internal interest income		39	46	86
Assets vested	2	137	0	33
TOTAL REVENUE		657	495	755
EXPENDITURE				
Consultancy expenses		0	0	11
Administration		7	11	38
Operational and maintenance		150	147	178
Interest on capital reserves		9	6	4
Internal expenses		0	0	0
Finance costs		0	0	0
Funded depreciation*		319	323	325
Non funded depreciation		0	0	0
TOTAL EXPENDITURE		485	487	556
OPERATING SURPLUS/(DEFICIT)		172	8	199

*Depreciation funded via rates (Funded Depreciations) 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 \$199,000, \$191,000 more than the budgeted surplus of \$8,000.

Revenue

Total revenue for the year was \$755,000, \$260,000 more than the budget of \$495,000.

The key variances from budget were:

1. Financial/Upgrade contributions for the year were \$185,000 more than allowed for in the budget of nil. This is driven by developer activity and is difficult to accurately determine.
2. Assets vested for the year was \$33,000 which is \$33,000 more than budget. This is driven by developer activity and is difficult to determine.

Funding Impact Statement

Sewerage Activity Group

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	464	443	445
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	39	46	86
Local authorities fuel tax, fines, infringement fees, and other receipts	7	6	6
TOTAL OPERATING FUNDING (A)	510	495	537
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	157	158	227
Finance costs	0	0	0
Internal charges and overheads applied	9	6	4
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	166	164	231
Surplus (deficit) of operating funding (A-B)	344	331	306
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	10	0	185
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
TOTAL SOURCES OF CAPITAL FUNDING (C)	10	0	185
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	21	902	312
- To replace existing assets	101	0	10
Increase (decrease) in reserves	232	(571)	169
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	354	331	491
Surplus (deficit) of capital funding (C-D)	(344)	(331)	(306)
FUNDING BALANCE ((A-B) + (C-D))	0	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

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
Surplus (deficit) of operating funding	344	331	306
Add back:			
Financial contributions	10	0	185
Vested Assets	137	0	33
	147	0	218
Less:			
Depreciation	319	323	325
OPERATING SURPLUS/(DEFICIT)	172	8	199

Capital Expenditure

Sewerage Activity Group

For the year ended 30 June 2016

Projects	Notes	2015	2016	
		Actual \$000's	Long Term Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
Urban Sewer				
Vested assets	2	137	0	32
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		137	0	32
IMPROVE LEVEL OF SERVICE				
Urban Sewer				
Sewer Pump Station - renewal		13	0	0
Sewer Reticulation - Eversley		1	0	0
Sewer Reticulation - new		6	0	0
Sewer Reticulation - new		1	0	0
Sewer Treatment - new		0	0	312
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		21	0	312
REPLACE EXISTING ASSETS				
Urban Sewer				
Sewer Reticulation - renewal	1	8	902	10
Pump Station		6	0	0
Sewer Treatment - new		87	0	0
Resource consent costs		0	0	0
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		101	902	10
TOTAL CAPITAL EXPENDITURE		259	902	354

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 2015/16 year

Total capital expenditure for the year was \$354,000; \$548,000 less than the budget of \$902,000.

Key variances from budget were:

1. Council planned to upgrade the Twizel disposal/treatment field. This has been delayed due to issues in securing the necessary land.
2. Council received \$32,000 in vested assets compared to a budget of nil. Vested assets are reliant on developers to complete subdivisions and is therefore out of Council's control.

Stormwater

Background

Council is responsible for the management of \$5.16 million worth of stormwater assets. The stormwater network provides drainage away from the road corridor and homes to minimise the incidence of flooding.

There are simple networks in Fairlie, Tekapo and Twizel only. They discharge to ground or to water after flowing through some form of treatment facility such as a swale or larger vegetated treatment area.

The stormwater network does not include the drainage control assets consisting of kerb and channel, surface water channels, catch pits, soak pits, side drains, and culverts of less than 3.4 m² cross sectional area. These are included in roading assets.



Rationale for Council's Involvement

Council provides a safe, effective and sustainable stormwater system to:

- Provide and maintain adequate stormwater systems that protect public health and property.
- Ensure there is no detrimental impact on the environment from the disposal of stormwater in Twizel, Tekapo and Fairlie.

Levels of Service, Performance Measures and Results for 2015/16

Community outcomes to which these activities contribute				
1. Safe, effective and sustainable infrastructure 2. An attractive and highly valued natural environment				
Levels of Service	Performance Measure	Targets 2015/16	Results 2015/16	Results 2014/15
System adequacy – the stormwater system is adequately sized and maintained.	The number of flooding events that occur in the district.*	Less than or equal to 2 flooding events.	Achieved Nil – no flooding events occurred during 2015/16	Achieved Nil
	For each flooding event, the number of habitable floors affected (per 1000 properties connected to the Council's stormwater system)*	Less than or equal to 2 per flooding event, per 1000 properties connected to the stormwater system.	Nil – no reports of flood water entering houses	Nil – no reports of flood water entering houses
Discharge compliance – the stormwater system is managed in accordance with consent conditions.	Compliance with the Council's resource consents for discharge from its stormwater system, measured by the number of abatement notices, infringement notices, enforcement orders, and convictions*	Nil abatement or infringement notices Nil enforcement orders or convictions	Achieved No abatement or infringement notices issued for the period No enforcement orders or convictions issued for the period	Not applicable (new measure)
Response times – flooding events from the stormwater system are promptly attended to.	The median response time to attend a flooding event, measured from the time that the Council receives notification to the time that service personnel reach the site.*	2 hours, including travel time to remote parts of the district.	Not applicable (no flooding events occurred)	Achieved 100% of events were responded to within 1 hour
Customer satisfaction – the stormwater system is managed to an appropriate quality of service.	The number of complaints received by the Council about the performance of its stormwater system, expressed per 1000 properties connected to the stormwater system.*	Less than 5 complaints per 1000 properties connected to the stormwater system.	Achieved No complaints received	Not applicable (new measure)

* Mandatory Performance Measure

Definitions: *Urgent* – imminent risk to property.
Non-urgent – all other issues.

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

Identified Effects on the Community

The Stormwater activity helps ensure the protection of people's lives and property in times of rainfall, by ensuring runoff is efficiently and effectively dealt with, to assist in achieving social and commercial certainty and avoiding the risk of flooding. It also assists in preserving the community's environment from degradation in terms of soil and water quality.

Cost of Service Statement

Stormwater Activity Group

For the year ended 30 June 2016

		2015	2016	
	Notes	Actual \$000's	Long Term Plan \$000's	Actual \$000's
REVENUE				
Targeted rates		82	79	79
Financial/upgrade contributions		1	0	3
Internal interest income	1	9	8	21
Assets vested	2	128	0	32
TOTAL REVENUE		220	87	135
EXPENDITURE				
Consultancy expenses		0	0	0
Administration	3	0	1	10
Operational and maintenance		30	25	18
Funded depreciation*		61	62	63
Non funded depreciation		0	0	0
TOTAL EXPENDITURE		91	88	91
OPERATING SURPLUS/(DEFICIT)		129	(1)	44

*Depreciation funded via rates (Funded Depreciations) 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 \$44,000, \$45,000 more than the budgeted deficit of \$1,000.

Revenue

Total revenue for the year was \$135,000, \$48,000 more than budgeted revenue of \$87,000.

The key variances from budget were:

1. Internal interest income received on Capital Reserves is ahead of budget due to higher levels of reserves held than forecast.
2. Vested Assets of \$32,000 were not budgeted for as these are dependent on the completion of the subdivision.
3. Administration expenses of \$10,000 were higher than budget of \$1,000, as rates were paid in full this year, and were not budgeted for due to a change in Council policy.

Funding Impact Statement

Stormwater Activity Group

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	82	79	79
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	9	8	21
Local authorities fuel tax, fines, infringement fees, and other receipts	0	0	0
TOTAL OPERATING FUNDING (A)	91	88	100
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	30	27	28
Finance costs	0	0	0
Internal charges and overheads applied	0	0	0
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	30	27	28
Surplus (deficit) of operating funding (A-B)	61	61	72
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	3
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
TOTAL SOURCES OF CAPITAL FUNDING (C)	0	0	3
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	58	0	2
- To replace existing assets	0	0	0
Increase (decrease) in reserves	3	61	73
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	61	61	75
Surplus (deficit) of capital funding (C-D)	(61)	(61)	(72)
FUNDING BALANCE ((A-B) + (C-D))	0	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

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
Surplus (deficit) of operating funding	61	61	72
Add back:			
Financial contributions	0	0	3
Vested Assets	128	0	32
	128	0	35
Less:			
Depreciation	61	62	63
OPERATING SURPLUS/(DEFICIT)	128	(1)	44

Capital Expenditure

Stormwater Activity Group

For the year ended 30 June 2016

Projects	Notes	2015	2016	
		Actual \$000's	Long Term Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
Urban Stormwater				
Vested assets	1	128	0	32
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		128	0	32
IMPROVE LEVEL OF SERVICE				
Urban Stormwater				
S/water structure - new		58	0	0
Resource consent costs	2	0	0	2
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		58	0	2
TOTAL CAPITAL EXPENDITURE		186	0	34

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 2015/16 year

Total capital expenditure was \$34,000; more than the budget of \$nil.

The key variances from budget were:

- \$32,000 of capital expenditure related to vested assets which are not budgeted for as they are dependent on the completion of the subdivision.
- \$2,000 was spent on the Resource Consent for Simpson's Lane in Lake Tekapo.

Roading

Background

The Council owns and maintains 731 kilometres of local roads within the district, made up of 212 km sealed and 519 km of unsealed roads. That is all the roads in the district except for state highways which are managed by the New Zealand Transport Agency (NZTA), and roading in Mt Cook Village which is administered by the Department of Conservation. Rural roads make up 92% of the network.

The roading assets administered by the Council include more than just roads. There are also footpaths, bridges, streetlights, signage and other assets associated with transportation. The total replacement cost for Council's roading assets is \$84.9 million (July 2013 valuation).

Rationale for Council's Involvement

The roading network links areas, connects people with each other and essential services, underpins the District's iconic tourism economy, enables businesses to access resources/markets and provides people with social, cultural, recreational and employment opportunities. The Council plans to continue to own, control and manage the district's entire roading network as one of its core activities. As a result our first priority is to maintain, operate and protect the existing roading network.



Levels of Service, Performance Measures and Results for 2015/16

Community outcomes to which these activities contribute				
1. A thriving economy 2. Safe, effective and sustainable infrastructure 3. A fit and healthy community 4. An attractive and highly valued natural environment				
Levels of Service	Performance Measure	Targets 2015/16	Results 2015/16	Results 2014/15
Council provides safe, smooth, quality sealed roads in order to reduce travel times and vehicle wear.	The average quality of ride on a sealed local road network, measured by smooth travel exposure.*	90% for rural and 75% for urban roads.	Achieved 98% for rural and 96% for urban roads.	Not applicable (new measure)
	The percentage of the sealed local road network that is resurfaced.*	≥4%	10% (21.6km resurfaced)	Not applicable (new measure)
	The percentage of the unsealed road network renewed using wearing course and stabilisation techniques.	≥2%	11% (57km wearing course)	Not applicable (new measure)
	The percentage of road users satisfied with the roading network.	≥80%	Achieved 87%	88%
Council provides a safe and efficient roading network.	The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network caused by road conditions, expressed as a number.*	Change from previous financial year = 0 (equates to a total target of ≤2 fatality and serious injury crashes).	Achieved Unchanged	Not applicable (new measure)
	The percentage of customer service requests relating to roads and footpaths to which Council responds within the timeframe specified in the LTP.*	≥75% of service requests relating to roads and footpaths will be responded to within 10 working days.	75%	New measure
Footpaths are maintained in good condition and are fit for purpose	The percentage of footpaths that fall within the level of service or service standard for the condition of footpaths that is set out in the LTP.*	≥75% of the total length of footpaths are at or above the 'average condition rating'. Condition rating will be undertaken at not less than 5 years frequency.	Achieved 86%	Not applicable (new measure)

*Mandatory Performance Measure

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.
- *** As there have been no significant changes in traffic mix or use and regular maintenance has been undertaken, it is reasonable to assume that the level of service has not changed significantly

Identified Effects on the Community

The Roding activity area focuses primarily on the provision of a safe and reliable local roading network. The network performs a number of important functions including linking areas and connecting people with each other and essential services. It underpins the District’s iconic tourism economy, enables businesses to access resources/markets, and provides people with social, cultural, recreational and employment opportunities. This in turn contributes to the District’s economic vitality and social wellbeing.

Cost of Service statement

Roding Activity Group

For the year ended 30 June 2016

		2015	2016	
	Notes	Actual \$000's	Long Term Plan \$000's	Actual \$000's
REVENUE				
Targeted rates		1,330	952	959
Subsidies and grants	1	2,223	1,584	1,871
Other revenue		34	26	38
Financial/upgrade contributions		0	0	0
Internal interest income		6	6	0
Internal income		0	0	0
Assets vested	2	299	0	127
TOTAL REVENUE		3,892	2,568	2,995
EXPENDITURE				
Personnel costs	3	112	152	178
Consultancy expenses	4	98	95	118
Administration		3	0	13
Roading expenses		1,269	1,173	1,185
Interest on capital reserves		3	2	16
Internal expenses		10	14	12
Loss on sale and assets written off		0	0	0
Funded depreciation*	5	896	1,881	949
Non funded depreciation**	5	1,006	0	1,066
TOTAL EXPENDITURE		3,397	3,317	3,537
OPERATING SURPLUS/(DEFICIT)		495	(749)	(542)

* Depreciation funded via rates (Funded Depreciations) 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 Roding Financial Summary

Surplus/(deficit)

The loss for the year was \$542,000, \$207,000 less than the budgeted deficit of \$749,000.

Revenue

Total revenue for the year was \$2,995,000; \$427,000 higher than budgeted revenue of \$2,568,000.

The key variances from budget were:

1. Subsidies and grants of \$1,871,000; \$287,000 more than the budget of \$1,584,000 due to additional funding of \$180,000 from NZTA to cover the additional capital spends. \$71,000 of petrol tax was received which wasn't budget for
2. \$127,000 of assets vested with Council during the year. These were not budgeted for as they are dependent upon the completion of subdivisions.

Direct expenditure

The total direct expenditure for the year was \$3,537,000; \$220,000 higher than the budgeted direct expenditure of \$3,317,000.

The key variances from budget were:

3. Personnel costs are \$178,000, \$26,000 higher than budget of \$152,000, as a higher proportion of the infrastructure staff's salaries were approved by NZTA for subsidy.
4. Consultancy expenses are \$118,000, \$23,000 higher than the budgeted consultancy expenses of \$95,000. This is due to unbudgeted costs associated with the roading collaboration.
5. Depreciation costs of \$2,015,000, \$134,000 higher than budget of \$1,881,000. This is due to the higher levels of capital expenditure in the previous years than budgeted.

Funding Impact Statement

Roading Activity Group

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan	Long Term Plan	Actual
	\$000's	\$000's	\$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	1,330	952	959
Subsidies and grants for operating purposes	736	988	786
Fees and charges	0	0	0
Internal charges and overheads recovered	5	6	0
Local authorities fuel tax, fines, infringement fees, and other receipts	105	43	108
TOTAL OPERATING FUNDING (A)	2,176	1,989	1,853
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	1,482	1,438	1,494
Finance costs	0	0	0
Internal charges and overheads applied	12	15	28
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	1,494	1,453	1,522
Surplus (deficit) of operating funding (A-B)	682	536	331
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	1,416	596	1,015
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
TOTAL SOURCES OF CAPITAL FUNDING (C)	1,416	596	1,015
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	173	0	20
- To replace existing assets	2,449	1,871	1,877
Increase (decrease) in reserves	(524)	(739)	(551)
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	2,098	1,132	1,346
Surplus (deficit) of capital funding (C-D)	(682)	(536)	(331)
FUNDING BALANCE ((A-B) + (C-D))	0	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

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
Surplus (deficit) of operating funding	682	536	331
Add back:			
Financial contributions	0	0	0
Capital Subsidies and Grants	1,416	596	1,015
Vested Assets	299	0	127
	1,715	596	1,142
Less:			
Depreciation	1,902	1,881	2,015
OPERATING SURPLUS/(DEFICIT)	495	(749)	(542)

Capital Expenditure

Roading Activity Group

For the year ended 30 June 2016

Projects	Notes	2015	2016	
		Actual	Long Term Plan	Actual
		\$000's	\$000's	\$000's
MEET ADDITIONAL DEMAND				
<i>District Roothing</i>				
Vested assets	1	299	0	127
TOTAL CAPITAL EXPENDITURE TO MEET ADDITIONAL DEMAND		299	0	127
IMPROVE LEVEL OF SERVICE				
<i>District Roothing</i>				
Footpaths - surfacing		76	20	18
Manuka Terrace		80	0	0
<i>Professional Roothing Business Unit</i>				
Computers		17	0	2
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE	2	173	20	20
REPLACE EXISTING ASSETS				
<i>District Roothing</i>				
Twizel cemetery overflow parking		0	0	0
Unsealed road metalling		457	266	596
Sealed road resurfacing		483	1,002	671
Footbridge - Tekapo		697	0	0
Drainage renewal		78	60	110
Plant and equipment		0	5	0
Sealed road pavement rehabilitation		155	173	210
Structures component replacements bridges		40	20	0
Structures component replacements cattlestops		0	6	0
Traffic services renewals		41	69	41
Associated improvements		4	0	0
Minor improvements		494	250	249
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS	2	2,449	1,851	1,877
TOTAL CAPITAL EXPENDITURE		2,921	1,871	2,024

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

Results for 2015/16 year

Total capital expenditure for the year was \$2,024,000; \$153,000 more than the budget of \$1,871,000. The key variances from budget were:

1. \$127,000 of assets vested with Council during the year. These are unbudgeted as it is dependent on the completion of subdivisions.
2. Within the District Roothing split there are budget alignment issues, but actual total expenditure is \$26,000 higher than budget. This will be covered by the increase in NZTA funding received.

Regulatory Services

Background

The Regulatory Services group of activities includes environmental and planning functions, building control, public health and liquor licensing, rural fire, civil defence and animal control.

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. It processes building consent applications, checks plans and conducts site inspections to ensure buildings are constructed in accordance with the approved plans. The Council is an accredited Building Consent Authority under the Building Act 2004, which is required for it to continue its consenting functions under that Act.

The Council's functions of licencing and monitoring premises under the Food Act 2014 is managed through a contract with Timaru District Council. Council's contract with Timaru District Council also extends to supporting Council's functions under the Sale and Supply of Alcohol Act 2012 working with the Mackenzie District Licencing Committee.

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 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 Mid-South Canterbury Rural Fire Authority, a joint venture of Mackenzie, Timaru, Waimate and Ashburton District Councils, the Department of Conservation, the New Zealand Fire Service and a Forest Owners Group. The costs of administering the rural fire authority are split evenly amongst the four Councils, Department of Conservation, and the forest owners group.

Rationale for Council's Involvement

The Council's Regulatory Services roles are prescribed by a number of statutes, including:

- Resource Management Act 1991
- Civil Defence and Emergency Management Act 2002
- Dog Control Act 1996
- Health Act 1956
- Sale and Supply of Alcohol Act 2012
- Food Act 2014
- Forest and Rural Fires Act 1977
- Gambling Act 2003

These regulatory activities enhance the safety of those who live in and visit the Mackenzie District.



Levels of Service, Performance Measures and Results for 2015/16

Community outcomes to which these activities contribute				
1. A thriving economy. 2. Safe, effective and sustainable infrastructure. 3. A fit and healthy community. 4. An attractive and highly valued natural environment.				
Levels of Service	Performance Measure	Targets 2015/16	Results 2015/16	Results 2014/15
To effectively manage environmental issues within the District.	The percentage of those surveyed that are satisfied by the belief that the Council are adequately managing resource management issues in the District.	≥80% positive feedback to a customer survey.	Achieved CINTA Survey 2016 showed 82% satisfaction.	Not Achieved CINTA Survey 2015 showed 71% satisfaction.
To provide a customer focused service for processing resource consents while achieving our obligations under the Resource Management Act 1991.	Non-notified consents are processed within the statutory timeframe of 20 working days.	≥95% compliance.	Not Achieved 74% of consents were processed within the timeframe.	Not Achieved 91% of consents were processed within the timeframe.
	The percentage of applicants for resource consents that are satisfied with the quality of the service they receive.	80% positive feedback to a customer survey.	Not Achieved Research First Survey 2016 showed 62% satisfaction.	Not Achieved CINTA Survey 2015 showed 79% satisfaction*.
To provide a customer focussed building control service that achieves our obligations under the Building Act 2004.	Building consents are processed within the statutory timeframe of 20 working days.	95% compliance	Not Achieved 85% of consents were processed within the timeframe.	Not Achieved 94% of consents were processed within the timeframe.
	The percentage of applicants for building consents that are satisfied with the quality of the service they receive.	≥80% positive feedback to a customer survey.	Not Achieved Research First Survey 2016 showed 62% satisfaction.	Not Achieved CINTA Survey 2015 showed 69% satisfaction**.
To provide a safe environment for dogs and the public to co-exist.	The percentage of those surveyed that believe the Council is adequately managing dog control issues in the District.	≥80% positive feedback to a customer survey.	Achieved CINTA Survey 2016 showed 84% satisfaction.	Achieved CINTA Survey 2015 showed 85% satisfaction.
For the Council to be prepared to respond to a civil defence emergency.	Council staff and volunteers are familiar with their roles and are adequately trained.	Training is attended as required, and the Council will participate in one training exercise per year.	Achieved Council staff participated in Emergency Operations Centre training in April 2016.	Achieved Council staff participated in a South Island wide training exercise.
For the public to be adequately prepared for a civil defence emergency.	The percentage of the community surveyed that believe they are adequately prepared for a civil defence emergency.	≥80% favourable response from a customer survey.	Achieved CINTA Survey 2016 showed 89% satisfaction.	Not Achieved CINTA Survey 2015 showed 77% satisfaction.

* Note this survey was conducted with a sample of the entire population, not just those applying for resource consents.

** Note this survey was conducted with a sample of the entire population, not just those applying for building consents.

Identified Effects on the Community

The Regulatory Services group of activities assists the Council in the improvement of local communities through the regulation of building work, the control of social issues via bylaws, and the protection of lifestyles and the environment enjoyed by residents, making a safer District for all. Many mechanisms of the Regulatory Services group are mandatory or legislatively required, but the underlying theme is the protection and safety of our communities and an increase in social and economic wellbeing.

Cost of Service Statement

Planning and Regulatory Activity Group

For the year ended 30 June 2016

		2015	2016	
	Notes	Actual \$000's	Long Term Plan \$000's	Actual \$000's
REVENUE				
General rates		276	421	421
Targeted rates		155	165	165
Other revenue	1	559	625	848
Gain on sale of assets		0	0	10
Reserve contributions	2	16	120	250
Internal interest income		1	1	1
TOTAL REVENUE		1,007	1,332	1,695
EXPENDITURE				
Personnel costs	3	551	740	625
Consultancy expenses	4	293	432	548
Administration		66	78	49
Operational and maintenance	5	182	213	198
Interest on capital reserves		5	61	72
Internal expenses		31	36	36
Loss on sale and assets written off		0	0	0
Funded depreciation*		50	42	44
Non funded depreciation		1	0	11
TOTAL EXPENDITURE		1,179	1,602	1,583
OPERATING SURPLUS/(DEFICIT)		(172)	(270)	112

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

Commentary on Planning & Regulatory Financial Summary

Surplus/(deficit)

The surplus for the year was \$112,000; \$382,000 more than the budgeted deficit of \$270,000.

Revenue

Total revenue for the year was \$1,695,000; \$363,000 more than budgeted revenue of \$1,332,000.

The key variances from budget were:

1. Other revenue was \$848,000; \$223,000 more than budgeted revenue of \$625,000. The main reason is due to higher revenue from Building Inspectorate (\$155,000) due to significant building activity in the District.
2. Reserve contributions were \$250,000; \$130,000 more than the budget of \$120,000 mainly due to higher than anticipated section creation during the year.

Direct expenditure

The total direct expenditure for the year was \$1,583,000; \$9,000 lower than the budgeted direct expenditure of \$1,602,000.

The key variances from budget were:

3. Personnel costs were \$625,000; \$115,000 lower than the budget of \$740,000. Staff turnover in the planning area and the inability to recruit appropriate replacements has created a favourable variance. This has been added to by the resignation of the Council's Building Control Manager.
4. Consultancy expenses were \$548,000; \$116,000 higher than budgeted expenses of \$432,000. This is mainly due to work being undertaken by consultants due to the staffing issues detailed above.
5. Operational and maintenance costs are \$198,000, \$15,000 lower than budget of \$213,000. This is due to lower than anticipated operational grant to SCRFA (\$4,000) and lower than anticipated cost of contractors for Health and Liquor (\$5,000).

Funding Impact Statement

Planning and Regulatory Activity Group

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	276	421	421
Targeted rates	155	165	165
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	1	1	1
Local authorities fuel tax, fines, infringement fees, and other receipts	559	625	848
TOTAL OPERATING FUNDING (A)	991	1,212	1,435
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	1,092	1,463	1,420
Finance costs	0	0	0
Internal charges and overheads applied	36	97	108
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	1,128	1,560	1,528
Surplus (deficit) of operating funding (A-B)	(137)	(348)	(93)
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	16	120	250
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	10
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
TOTAL SOURCES OF CAPITAL FUNDING (C)	16	120	260
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	0
- To replace existing assets	9	86	52
Increase (decrease) in reserves	(130)	(314)	115
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	(121)	(228)	167
Surplus (deficit) of capital funding (C-D)	137	348	93
FUNDING BALANCE ((A-B) + (C-D))	0	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

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
Surplus (deficit) of operating funding	(137)	(348)	(93)
Add back:			
Financial contributions	16	120	250
Gain on Sale Assets	0	0	10
Vested Assets	0	0	0
	16	120	260
Less:			
Depreciation	51	42	55
OPERATING SURPLUS/(DEFICIT)	(172)	(270)	112

Capital Expenditure

Planning and Regulatory Activity Group

For the year ended 30 June 2016

		2015	2016	
	Notes	Actual \$000's	Long Term Plan \$000's	Actual \$000's
Projects				
REPLACE EXISTING ASSETS				
Regulatory Services				
Civil Defence				
Plant & equipment	1	9	25	0
Rural Fire				
Plant & equipment		0	6	7
Vehicles		0	55	45
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		9	86	52
TOTAL CAPITAL EXPENDITURE		9	86	52

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 capital expenditure are as follows:

- To maintain an appropriate level of capability in the regulatory area.

Results for 2016/16 year

Total capital expenditure for the year was \$52,000; \$34,000 less than the budget of \$86,000.

The key variances from budget were:

- Civil Defence generator for Tekapo totalling \$25,000 was not purchased during the year due to alternative arrangements being available.

Community and Township Services

Background

The Council provides township amenity areas and recreational facilities including the district's pools, parks, reserves, libraries, community centres and halls.

It also provides a range of services including pensioner housing, cemeteries, medical centres, public toilets and grants to the Resource Centres in Fairlie and Twizel. Council also administers and distributes grants from Sport New Zealand and Creative New Zealand.

The Council has historically provided solid waste collection services and operated a number of landfills. All landfills in the district have now been closed. The kerbside collection and operation of the three Resource Recovery Parks are managed by contractors.



Rationale for Council's Involvement

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

There is a statutory requirement for councils to provide cemeteries and we have been providing these 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 economic provider of these facilities.

Council provides 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.

Effective solid waste management benefits the community through protecting public health and the environment from solid waste. The Council currently provides a kerbside collection to township and limited rural areas, and operates Resource Recovery Parks and clean fill sites in Fairlie, Tekapo and Twizel to enable the appropriate disposal of waste.

Levels of Service, Performance Measures and Results for 2015/16

Community outcomes to which these activities contribute				
1. A thriving economy 2. Safe, effective and sustainable infrastructure 3. A fit and healthy community 4. A supportive and contributing community 5. An attractive and highly valued natural environment				
Levels of Service	Performance Measure	Targets 2015/16	Results 2015/16	Results 2014/15
Township services and facilities are provided and maintained to an acceptable level	Average customer satisfaction rating for township services and facilities.	84% or above	Achieved 90.66% of those surveyed were satisfied with township services & facilities; the averaged was pulled down by satisfaction with public toilets. In both Tekapo & Twizel Council is responding by making changes at Twizel & bought forward replacement toilets in Tekapo	Achieved 94.0% of those surveyed were satisfied with township services and facilities; the averaged was pulled down by satisfaction with public toilets
Engage the community to achieve waste reduction	The percentage of solid waste from the district resource recovery diverted from landfills.	>37%	Achieved 38.2%	Achieved 37.7% diverted
Waste is handled hygienically	Compliance with resource consent conditions.	100% compliance	Achieved 100% compliant	Not applicable (new measure)

Identified Effects on the Community

The provision of services within the Community and Township Services group of activities primarily focuses on improving the social and cultural wellbeing of the community. Effective solid waste management benefits the community through protecting public health and the environment from solid waste. Recreational facilities, such as parks and reserves, have a positive impact in the community and relate to aspects of life that are important for a person's happiness, quality of life and welfare. Libraries also service the educational and cultural needs of the community, at a low cost to the user, making historical, cultural, and educational resources accessible for all. Other facilities such as pensioner housing give people in the community the opportunity to have access to basic housing needs in an affordable way, creating a positive impact in the lives of those who utilise these facilities.

Cost of Service Statement

Community and Township Activity Group

For the year ended 30 June 2016

		2015	2016	
	Notes	Actual \$000's	Long Term Plan \$000's	Actual \$000's
REVENUE				
General rates		566	628	624
Targeted rates	1	1,940	1,874	1,970
Subsidies and grants		19	18	19
Other revenue	2	460	483	622
Gain on sale of assets		1	0	6
Internal interest income		10	12	13
TOTAL REVENUE		2,996	3,015	3,254
EXPENDITURE				
Personnel costs		123	129	127
Consultancy expenses		24	27	21
Administration	3	246	292	253
Operational and maintenance	4	1,975	2,189	2,466
Interest on capital reserves		52	88	91
Internal expenses		4	8	6
Funded depreciation*		127	330	131
Non funded depreciation**		221	0	201
TOTAL EXPENDITURE		2,772	3,065	3,296
OPERATING SURPLUS/(DEFICIT)		224	(50)	(42)

* Depreciation funded via rates (Funded Depreciations) 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 and Township Summary

Surplus/(deficit)

The deficit for the year was \$42,000; \$8,000 less than the budgeted deficit of \$50,000.

Revenue

Total revenue for the year was \$3,254,000; \$239,000 higher than budgeted revenue of \$3,015,000.

The key variances from budget were:

1. Targeted rates received were \$1,970,000, \$96,000 higher than the budget of \$1,874,000. This was due to a conservative budget estimation being made. However the rates strike was made according to the funding impact statement.
2. Other revenue of \$622,000, \$139,000 higher than the budget of \$483,000. This is due to an increase in income from Resource Recovery Park gate sales (\$50,000) \$46,000 in funding was received for the glass stockpile utilisation project.

Lease income was up on budget from the Gateway Holiday Park in Fairlie (\$15,000) the Lake Alexandrina Hut rentals (\$14,000) and hireage fees of the Twizel Community Centre (\$11,000).

Direct expenditure

The total direct expenditure for the year was \$3,296,000; \$231,000 more than the budgeted direct expenditure of \$3,065,000.

The key variances from budget were:

3. Administration was \$253,000; \$39,000 lower than the budget administration of \$292,000. This was due to rates being charged to the specific activities this year as a result of a change in Council policy.
4. Operational and maintenance was \$2,466,000, \$277,000 more than the budget of \$2,189,000. The main reasons are lower than anticipated spends on contractors in district general (\$30,000), Twizel Community Centre (\$30,000), Tekapo township projects (\$83,000), Fairlie township projects (\$13,000), Twizel township projects (\$9,000), walkway maintenance (\$10,000). This was offset by overspends in solid waste collections (\$150,000) due to an increase in the volume of rubbish and the cost of metal disposal. \$46,000 was also paid out for the glass utilisation project. A \$330,000 grant has been made to the High Country Medical Trust which was not budgeted for. For further details refer to Note 5: *Expenditure* and Note 27: *Contingencies*.

Funding Impact Statement

Community and Township Activity Group

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	566	628	624
Targeted rates	1,940	1,874	1,970
Subsidies and grants for operating purposes	19	18	19
Fees and charges	0	0	0
Internal charges and overheads recovered	10	12	13
Local authorities fuel tax, fines, infringement fees, and other receipts	460	479	622
TOTAL OPERATING FUNDING (A)	2,995	3,011	3,248
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	2,368	2,636	2,867
Finance costs	0	0	0
Internal charges and overheads applied	56	95	97
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	2,424	2,731	2,964
Surplus (deficit) of operating funding (A-B)	571	280	284
SOURCES OF CAPITAL FUNDING			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
TOTAL SOURCES OF CAPITAL FUNDING (C)	0	0	0
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	41	0	23
- To replace existing assets	378	465	45
Increase (decrease) in reserves	152	(186)	216
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	571	279	284
Surplus (deficit) of capital funding (C-D)	(571)	(279)	(284)
FUNDING BALANCE ((A-B) + (C-D))	0	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

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
Surplus (deficit) of operating funding	571	280	284
Add back:			
Financial contributions			
Gain on Sale Assets	1	0	6
Vested Assets	0	0	0
	1	0	6
Less:			
Depreciation	348	330	332
OPERATING SURPLUS/(DEFICIT)	224	(50)	(42)

Capital Expenditure

Community and Township Activity Group

For the year ended 30 June 2016

Projects	Notes	2015	2016	
		Actual \$000's	Long Term Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
IMPROVE LEVEL OF SERVICE				
Recreational Facilities				
Fairlie Township				
Comm Asset - public amenities	2	0	0	20
Twizel Reserves				
Other projects		41	0	0
Fairlie Pool				
Plant & equipment		0	0	3
TOTAL CAPITAL EXPENDITURE TO IMPROVE LEVEL OF SERVICE		41	0	23
REPLACE EXISTING ASSETS				
Community Services				
Twizel Pensioner Housing				
Plant & equipment		0	0	2
Public Toilets				
Buildings	1	364	465	34
Recreational Facilities				
Mackenzie Community Centre				
Plant & equipment		1	0	0
Furniture & fittings - other		3	0	0
Tekapo Community Centre				
Furniture & fittings		10	0	0
Fairlie Domain				
Furniture & fittings		0	0	6
Twizel Community Centre				
Plant & equipment		0	0	3
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		378	465	45
TOTAL CAPITAL EXPENDITURE		419	465	68

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 capital expenditure are as follows:

- To maintain appropriate levels of public toilets throughout the district.
- To ensure existing community facilities do not deteriorate.

Results for 2015/16 year

Total Capital Expenditure for the year was \$68,000; \$397,000 less than the budget of \$465,000.

The major variances were:

1. The \$465,000 budgeted was for replacement of the Lake Tekapo toilets. This project did not proceed this year. However \$25,000 was spent on an upgrade of the Fairlie toilets and \$9,000 was incurred to demolish the old Twizel toilet block.
2. \$20,000 was spent in the Fairlie township on entranceway signs (\$13,000) and the photo boards (\$7,000). This was budgeted for in township project expenditure.

Tourism, Economic Development and Commercial Activities

Background

The Council's tourism and economic development activity consists of:

- Promotion of the Mackenzie District as a tourist destination.
- Economic development services including business support, training and events; promotion of education opportunities; website and visitor/attraction promotion.
- Employing Tourism Waitaki to operate and manage the Alps 2 Ocean cycle trail tourism business and operations (in conjunction with the Waitaki District Council).

The Council's commercial activities are:

- Cash & Equity Investments
- Forestry Investments
- Real Estate including Tekapo Lakefront Development
- Rental Properties
- Pukaki Airport



Rationale for Council's Involvement

The Council is involved in tourism and economic development because it considers the economic wellbeing of the district to be of fundamental importance. The Council has a role in promoting sustainable development for tourism and business. Economic growth creates employment and assists business prosperity. This in turn allows a wider range of social, cultural and recreational facilities, and spreads the rating requirement across a wider base.

The Council is involved in commercial activities to ensure maximum commercial returns are generated for the benefit of Mackenzie's ratepayers and residents. These returns are used to minimise rates and to provide a catalyst for growth and economic development.

Levels of Service, Performance Measures and Results for 2015/16

Community outcomes to which these activities contribute				
1. A thriving economy 2. Safe, effective and sustainable infrastructure				
Levels of Service	Performance Measure	Targets 2015/16	Results 2015/16	Results 2014/15
Investments – The community expects the investments of the Council to be managed wisely.	Council's cash investment portfolio independently reviewed each quarter, and performance of investments against the Bancorp Ltd benchmark portfolio.	Council's cash investment portfolio independently reviewed each quarter and investments outperform the Bancorp Ltd benchmark portfolio.	Achieved The Council's investment portfolio outperformed the Bancorp Ltd benchmark in all four quarters.	Not achieved The Council's investment portfolio outperformed the Bancorp Ltd benchmark on three of the four quarters.
To foster the economic development of the district as a whole.	Percentage of ratepayers satisfied with the Council's tourism promotion and economic development	≥80%	Achieved 83% of respondents were either satisfied or somewhat satisfied with Council's performance. The results of the survey in relation to Economic Development seem to have driven the decrease in satisfaction.	Achieved 92% of respondents were either satisfied or somewhat satisfied with Council's performance.

Identified Effects on the Community

Council invests in economic development and works where possible with key partners such as central government, the community and industry, ultimately to improve people's standard of living with better employment opportunities, amenities, facilities and improved wellbeing.

Cost of Service Statement

Commercial Activity Group

For the year ended 30 June 2016

		2015	2016	
	Notes	Actual \$000's	Long Term Plan \$000's	Actual \$000's
REVENUE				
Targeted rates		244	432	373
Dividend	1	401	400	425
External interest revenue	2	504	230	235
Other revenue	3	374	172	953
Other gains	4	734	688	2,092
Asset impairment	5	0	72	639
Real estate sales	6	0	0	3,273
Internal interest income	7	145	204	388
Internal income		0	0	0
		2,402	2,197	8,378
Less used to offset rates		-1,070	-863	-831
TOTAL REVENUE		1,332	1,334	7,547
EXPENDITURE				
Personnel costs		84	36	51
Member expenses		20	20	20
Consultancy expenses	8	216	111	185
Administration		94	87	131
Operational and maintenance	9	370	474	519
Real estate cost of sales		41	0	558
Interest on capital reserves	10	118	95	279
Assets impairment		0	0	0
Funded depreciation		0	0	0
Non funded depreciation*		72	82	87
TOTAL EXPENDITURE		1,015	906	1,830
OPERATING SURPLUS/(DEFICIT)		317	428	5,717

* 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 Commercial Activities Summary

Surplus/(deficit)

The surplus for the year was \$5,717,000, \$5,289,000 more than the budgeted surplus of \$428,000.

Revenue

Total revenue for the year was \$7,547,000, \$6,213,000 more than budgeted revenue of \$1,334,000.

The key variances from budget were:

- Dividends received this year totalled \$425,000, the budget for dividends was included in the external interest revenue, and was \$29,000 less than was received.

2. External interest revenue of \$235,000 was \$5,000 less than the budget of \$230,000.
3. Other revenue is \$781,000 more than the budget of \$172,000 due to the inclusion of carbon credits received for the year of \$739,000, and an increase in commission from the Twizel Information Centre (\$14,000).
4. Other gains is \$1,404,000 more than the budget of \$688,000. This is due to an increase in the valuation of the forestry assets.
5. Asset impairment was \$639,000; \$567,000 greater than the budget of \$72,000. This is due to an increase in the price of carbon credits.
6. Real estate sales of \$3,273,000 were achieved this year from two lake front sections in Lake Tekapo, the section sale to Meridian in Twizel, and other sundry sales. The cost of the land pertaining to these sales was \$558,000 showing in the expenditure section.
7. Internal interest income was \$388,000, \$184,000 more than the budget of \$204,000. This is due to higher levels of forestry reserves (\$66,000) held than forecast, and interest charged on the real estate activity which was not budgeted (\$118,000).

Direct expenditure

The total direct expenditure for the year was \$1,830,000, \$924,000 more than the budgeted direct expenditure of \$906,000.

The key variances from budget were:

8. Consultancy expenses are \$185,000, \$74,000 more than the budget of \$111,000. This is mainly due to legal fees associated with the Lake Tekapo development, additional unbudgeted property sales (\$70,000) and engineering costs related to the High Country Medical Trust (\$7,000).
9. Operational and maintenance costs are \$519,000, \$155,000 less than the budget of \$674,000 mainly due to the timing of contribution payments for tourism and economic development.
10. Interest on capital reserves was \$279,000 being \$184,000 over the budget of \$95,000. This was due to higher capital expenditure occurring at the beginning of the year (\$82,000) and interest charged on the real estate activity which had not been budgeted for (\$101,000).

Funding Impact Statement

Commercial Activity Group

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
SOURCES OF OPERATING FUNDING			
General rates, uniform annual general charges, rates penalties	(1,070)	(863)	(831)
Targeted rates	244	432	373
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	145	949	388
Local authorities fuel tax, fines, infringement fees, and other receipts	1,279	859	1,645
TOTAL OPERATING FUNDING (A)	598	1,377	1,575
APPLICATIONS OF OPERATING FUNDING			
Payments to staff and suppliers	784	729	906
Finance costs	0	0	0
Internal charges and overheads applied	118	95	311
Other operating funding applications	0	0	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	902	824	1,217
Surplus (deficit) of operating funding (A-B)	(304)	554	358
SOURCES OF CAPITAL FUNDING			
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	3,880	3,273
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
TOTAL SOURCES OF CAPITAL FUNDING (C)	0	3,880	3,273
APPLICATIONS OF CAPITAL FUNDING			
Capital expenditure			
- To meet additional demand	0	0	0
- To improve the level of service	0	0	0
- To replace existing assets	2,187	0	2,595
Increase (decrease) in reserves	(2,491)	4,434	1,036
Increase (decrease) of investments	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	(304)	4,434	3,631
Surplus (deficit) of operating funding (A-B)	304	(554)	(358)
FUNDING BALANCE ((A-B) + (C-D))	0	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

For the year ended 30 June 2016

	2015	2016	
	Long Term Plan \$000's	Long Term Plan \$000's	Actual \$000's
Surplus (deficit) of operating funding	(304)	554	358
Add back:			
Other Gains/Losses	734	688	2,092
Asset Impairment		72	639
Real Estate sales	0		3,273
	734	759	6,004
Less:			
Depreciation	72	82	87
Asset Impairment	0	0	0
Real Estate cost of sales	41		558
	113	82	645
OPERATING SURPLUS/(DEFICIT)	317	1,231	5,717

Capital Expenditure

Commercial Activity Group

For the year ended 30 June 2016

Projects	Notes	2015	2016	
		Actual \$000's	Long Term Plan \$000's	Actual \$000's
MEET ADDITIONAL DEMAND				
REPLACE EXISTING ASSETS				
<i>Old Library Café</i>				
Building - renewal		670	0	0
<i>Real Estate</i>				
Development costs	1	1,517	0	2,595
TOTAL CAPITAL EXPENDITURE TO REPLACE EXISTING ASSETS		2,187	0	2,595
TOTAL CAPITAL EXPENDITURE		2,187	0	2,595

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 2015/2016 year

Total capital expenditure for the year was \$2,595,000 which had not been budgeted for.

The key variance from budget was:

- \$2,595,000 was spent to complete the Tekapo lakefront development. This was a carry-over of expenditure from the prior year's budget.

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 resolved on 12 June 2014 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's 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 resolved on 13 June 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.

Processes to Provide Opportunities for Māori to Contribute to Decision-Making Processes

Local Government Act 2002

Section 81 of the Local Government Act 2002 requires all local authorities to establish and maintain processes to provide opportunities for Māori to contribute to Council's decision-making processes.

It also requires Councils to consider ways to foster the development of Māori capacity to contribute to these processes and to provide Māori with relevant information about the above.

Papatipu Rūnanga

There are three Papatipu Rūnanga that have an interest in the Mackenzie District: Te Rūnanga o Arowhenua based at Arowhenua, Temuka, Te Rūnanga o Waihao based just north of the Waitaki River, South Canterbury, and Te Rūnanga O Moeraki based at Moeraki. The Council considers it important to better establish relationships with these Rūnanga, as these are seen as key relationships in terms of the contribution of Māori to the decision-making process. The Council will endeavour to extend and promote opportunities for involvement as far as practicable, and as available resources allow.

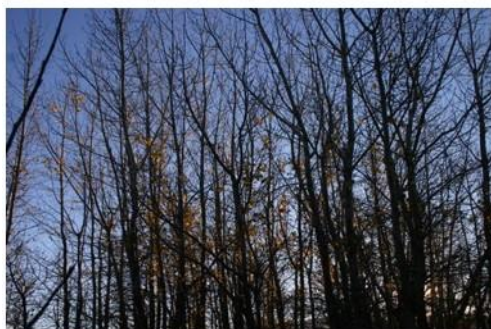
Council's policy is to provide copies of all plans, including the long term plans and annual plans, with opportunities for the Rūnanga to make submissions on any issues deemed appropriate. Early consultation on resource management plans and policies is also undertaken, and opportunities considered for appointments on planning and resource consent hearing committees as they arise. Council staff will continue to directly consult and liaise with Māori where decisions involve and are relevant to Māori.

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

Result for the year

Council provided Te Runaka O Arowhenua with copies of its 2015-2025 Long Term Plan and encouraged comment. During the 2015/2016 year, the Council met six times with Papatipu Rūnanga or Te Rūnanga O Ngai Tahu.

During the 2015/16 year consultation was initiated with the three Papatipu Rūnanga and Te Rūnanga O Ngai Tahu on the review of the District Plan, and during bylaw and policy development processes. There were no planning or resource consent hearings in the period, so no opportunities arose for Rūnanga appointments to hearings panels.



FINANCIAL STATEMENTS

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Statement of Changes in Equity

Statement of Financial Position

Statement of Projected Cash Flows

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Notes to the Accounts

A Guide to Financial Statements

Introduction

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

The financial information includes the Statement of Comprehensive Revenue and Expense, 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 Revenue and Expense

The Statement of Comprehensive Revenue and Expense shows all of the Council's revenue earned and expenses incurred for the 12 months up to 30 June 2016. Revenue includes income received from rates and other income such as investment income, rent and fees while expenses paid includes costs such as operating costs and depreciation. This statement shows how total comprehensive revenue is arrived at. Total comprehensive revenue 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 2016. 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 Revenue and Expense.

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 2016

		2015	2016	
	Notes to Accounts	Actual \$000's	Long term Plan \$000's	Actual \$000's
REVENUE				
Rates	4	7,211	7,685	7,728
Subsidies and Grants	4	2,242	1,602	1,891
Investment Revenue	4	914	634	666
Other Revenue	4	1,742	1,686	2,915
Real Estate Sales	4	0	0	3,273
Contributions	4	38	120	587
Other Gains	4	753	760	2,747
Assets Vested	4	684	0	231
TOTAL REVENUE		13,584	12,487	20,038
EXPENSES				
Personnel Costs	5	2,196	2,515	2,442
Member Expenses	5	319	341	330
Consultancy Expenses		908	844	1,159
Administration		949	928	992
Finance Costs		0	3	0
Operational and Maintenance		3,394	3,807	4,343
Roading Expenses		1,269	1,173	1,185
Depreciation and Amortisation	5	3,389	3,089	3,533
Finance Costs	5	0	0	0
Real Estate Cost of Sales	5	41	0	558
Loss on Sale and Assets Written Off	5	0	0	0
Asset Impairment	5	0	0	0
Other Losses		0	0	0
TOTAL EXPENSES		12,465	12,700	14,542
Surplus/(Deficit) Before Taxation		1,119	(213)	5,496
Provision for Taxation		0	0	0
Surplus/(Deficit) After Taxation		1,119	(213)	5,496
OTHER COMPREHENSIVE REVENUE AND EXPENSE				
Items that will not be reclassified to surplus/(deficit)				
Financial assets at fair value through other comprehensive income		9,252	0	1,058
Items that could be reclassified to surplus/(deficit)				
Gain on infrastructure revaluations		0	0	0
NET COMPREHENSIVE REVENUE AND EXPENSE		10,371	(213)	6,554

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

* Certain amounts shown here do not correspond to the 2014 financial statements and reflect adjustments made due to first time adoption of Public Benefit Entity (PBE) standards.

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 2016

	Notes to Accounts	2015	2016	
		Actual	Long Term Plan	Actual
		\$000's	\$000's	\$000's
EQUITY AT START OF THE YEAR		207,723	209,669	218,122
Inventory recognition taken to equity		28	0	0
Property, plant and equipment valuation gains/(losses) taken to equity		0	0	(1,631)
Net income/(expense) recognised directly in equity		28	0	(1,631)
Net comprehensive income		10,371	(213)	6,554
Total recognised revenue for the year		10,399	(213)	4,923
TOTAL EQUITY AT END OF THE YEAR	8	218,122	209,456	223,045

* Certain amounts shown here do not correspond to the 2014 financial statements and reflect adjustments made due to first time adoption of Public Benefit Entity (PBE) standards.

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

Statement of Financial Position

As at 30 June 2016

		2015	2016	
	Notes to Accounts	Actual	Long Term Plan	Actual
		\$000's	\$000's	\$000's
ASSETS				
Current Assets				
Cash and cash equivalents	10	7,286	6,038	3,270
Receivables	11	1,866	1,617	2,410
Inventories	15	5,686	4,103	6,482
Other Financial assets	13	81	1,035	148
TOTAL CURRENT ASSETS		14,919	12,793	12,310
Non-current Assets				
Other Financial assets	13	20,164	10,770	22,482
Intangible assets	17	780	366	2,150
Forestry assets	16	2,813	2,292	4,905
Property, plant and equipment	18	182,711	185,438	184,071
TOTAL NON-CURRENT ASSETS		206,468	198,866	213,608
Total Assets		221,387	211,658	225,918
LIABILITIES				
Current Liabilities				
Payables and deferred revenue	20	3,030	1,880	2,596
Employee entitlements	21	157	156	197
Provisions	22	2	0	3
TOTAL CURRENT LIABILITIES		3,189	2,036	2,796
Non-current Liabilities				
Employee entitlements	21	18	0	19
Provisions	22	57	62	58
Borrowings and other financial liabilities		0	105	0
TOTAL NON-CURRENT LIABILITIES		75	167	77
Total Liabilities		3,264	2,203	2,873
NET ASSETS		218,122	209,456	223,045
EQUITY				
Accumulated Funds	9	100,727	102,972	104,743
Capital Reserves	9	(278)	(4,080)	(45)
Operating Reserves	9	(2,270)	(110)	(485)
Special Funds	9	6,114	6,097	5,770
Other Reserves	9	44	42	46
Asset Revaluation Reserves	9	113,785	104,535	113,016
TOTAL EQUITY		218,122	209,456	223,045

* Certain amounts shown here do not correspond to the 2014 financial statements and reflect adjustments made due to first time adoption of Public Benefit Entity (PBE) standards.

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

Statement of Cash Flows

For the year ended 30 June 2016

Notes to Accounts	2015	2016	
	Actual \$000's	Long Term Plan \$000's	Actual \$000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from rates revenue	7,148	7,685	7,702
Receipts from other revenue	1,715	1,602	2,969
Receipts from fees and charges	0	0	0
Receipts from grants and subsidies	2,242	1,806	1,891
Interest received	550	634	254
Dividends received	393	0	415
Property sales	0	3,880	0
	12,048	15,607	13,231
Cash was applied to:			
Payments to suppliers	6,485	9,713	8,771
Payments to employees	2,177	0	2,401
Interest paid	0	3	0
	8,662	9,716	11,172
Net cashflow from operating activities	3,386	5,891	2,059
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Receipts from sale of property, plant and equipment	23	0	2,713
Receipts from sale of investments	993	0	0
	1,016	0	2,713
Cash was applied to:			
Purchase of property, plant and equipment	6,524	4,886	7,462
Purchase of investments	0	0	1,326
	6,524	4,886	8,788
Net cashflow from investing activities	(5,508)	(4,886)	(6,075)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from borrowings	0	105	0
	0	105	0
Cash was applied to:			
Repayment of borrowings	0	0	0
	0	0	0
Net cashflow from financing activities	0	105	0
Net Cashflows from operating activities	3,386	5,891	2,059
Net Cashflows from Investing Activities	(5,508)	(4,886)	(6,075)
Net Cashflows from Financing Activities	0	105	0
Net decrease in cash, cash equivalents and bank overdrafts	(2,122)	1,110	(4,016)
Cash, cash equivalents and bank overdrafts at the beginning of the year	9,408	4,928	7,286
Cash, cash equivalents and bank overdrafts at the end of the year	7,286	6,038	3,270

* Certain amounts shown here do not correspond to the 2014 financial statements and reflect adjustments made due to first time adoption of Public Benefit Entity (PBE) standards.

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

Funding Impact Statement for Whole of Council

For the year ended 30 June 2016

	2015		2016	
	Annual Plan	Actual	Long Term Plan	Actual
	\$000's	\$000's	\$000's	\$000's
Sources of Operating Funding				
General rates, uniform annual general charges, rates pen	2,158	2,030	2,802	2,847
Targeted rates (other than a targeted rate for water suppl	5,100	5,219	4,883	4,932
Subsidies and grants for operating purposes	727	755	1,006	805
Fees, charges, and targeted rates for water supply	0	0	0	0
Interest and dividends from investments	1,017	912	634	666
Local authorities fuel tax, fines, infringement fees, and ot	1,345	1,777	1,656	2,895
TOTAL OPERATING FUNDING (A)	10,347	10,693	10,981	12,145
Application of Operating Funding				
Payments to staff and suppliers	8,929	9,034	9,609	10,452
Finance costs	0	0	3	0
Other operating funding applications	0	0	444	0
TOTAL APPLICATIONS OF OPERATING FUNDING (B)	8,929	9,034	10,056	10,452
Surplus (deficit) of operating funding (A-B)	1,418	1,659	925	1,693
Sources of Capital Funding				
Subsidies and grants for capital expenditure	801	1,416	596	1,015
Development and financial contributions	432	39	120	587
Increase (decrease) in debt	0	0	105	0
Gross proceeds from sale of assets	3,794	23	3,880	3,283
Lump sum contributions	0	0	0	0
Other dedicated capital funding	0	0	0	0
TOTAL SOURCES OF CAPITAL FUNDING (C)	5,027	1,478	4,701	4,885
Application of Capital Funding				
Capital expenditure				
- To meet additional demand	3,700	0	0	0
- To improve the level of service	884	642	2,381	1,782
- To replace existing assets	4,362	6,275	2,506	5,627
Increase (decrease) in reserves	(2,500)	(3,780)	739	(831)
Increase (decrease) of investments	0	0	0	0
TOTAL APPLICATIONS OF CAPITAL FUNDING (D)	6,446	3,137	5,626	6,578
Surplus (deficit) of capital funding (C-D)	(1,418)	(1,659)	(925)	(1,693)
FUNDING BALANCE ((A-B) + (C-D))	0	0	0	0

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

For the year ended 30 June 2016

	2015		2016	
	Annual Plan	Actual	Long Term Plan	Actual
	\$000's	\$000's	\$000's	\$000's
Surplus (deficit) of operating funding	1,418	1,659	925	1,693
Add back:				
Contributions	432	39	120	587
Gain on Sale Assets	0	23	0	0
	0	0	0	41
Real Estate Sales	3,794	0	0	3,273
Other Gains/Losses	0	736	760	2,747
Increase/(decrease) revaluation	0	9,252	0	1,058
Subsidies treated as Capital	801	1,416	596	1,015
Vested Assets	659	684	0	231
	5,686	12,150	1,476	8,952
Less:				
Depreciation	3,278	3,389	3,089	3,533
Asset Impairment	30	8	0	0
Real Estate Cost of Sales	3,006	41	0	558
Other Losses	0	0	(474)	0
	6,314	3,438	2,615	4,091
Net Comprehensive Income	791	10,371	(213)	6,554

* Certain amounts shown here do not correspond to the 2014 financial statements and reflect adjustments made due to first time adoption of Public Benefit Entity (PBE) standards.

Notes to the Financial Statements

NOTE 1 – Statement of Accounting Policies

Reporting Entity

Mackenzie District Council (Council) is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The principal activity of Mackenzie District Council is the provision of local authority services, including resource management, water, storm water, waste water and roading services, hazard management, recreation and cultural services and building control to the community. The Council does not operate to make a financial return.

The Council has designated itself as a public benefit entity (PBEs) for financial reporting purposes. The financial statements of the Council are for the year ended 30 June 2016. The financial statements were authorised for issue by Council on XX October 2016.

Summary of Significant Accounting Policies

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Basis of Preparation

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

The Council and management of Mackenzie District Council are responsible for the preparation of the financial statements, including the appropriateness of the assumptions underlying the financial statements and other required disclosures.

Council, who are authorised to do so, believe the assumptions underlying the financial statements are appropriate.

Statement of Compliance and Preparation

The financial statements of Council have been prepared in accordance with the Local Government Act 2002, which requires compliance with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements comply with PBE Standards. The Financial Statements have been prepared in accordance with Tier 2 PBE Standards and disclosure concessions have been applied.

The criteria under which Council is eligible to report in accordance with Tier 2 PBE Standards are:

- Council is not considered large with expenses greater than \$2 million and less than \$30 million per annum, and

- Not publicly accountable

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

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for land and buildings classified as property, plant and equipment, certain infrastructure assets, investment property and forestry.

Changes in accounting policies

There have been no changes in accounting policy.

Summary of significant accounting policies

Basis of consolidation

Consolidated financial statements are prepared adding together like items of assets, liabilities, equity, revenue, and expenses on a line-by-line basis. All significant intragroup balances, transactions, revenue, and expenses are eliminated on consolidation.

Subsidiaries

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

Joint venture

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control.

PBE IPSAS 8 requires venturers to account for their investment in a jointly controlled entity using either proportionate consolidation or equity accounting.

Mackenzie District Council has a 4% interest in a jointly controlled asset called the Downlands Water Supply has chosen the proportionate method for accounting for its joint venture. Council recognises in its financial statements its share of each of the assets, liabilities, revenue, and expenses of the joint venture.

Revenue Recognition

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

Revenue from Non Exchange Transactions

Rates revenue

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.
- Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.
- Rates collected on behalf of the Environment Canterbury are not recognised in the financial statements, as the Council is acting as an agent for Environment Canterbury.

New Zealand Transport Agency roading subsidies

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

Other grants received

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

Building and resource consent revenue

Revenue from building consents is recognised when payment of the consent is received. Fees and charges for resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

Entrance fees

Entrance fees are fees charged to users of the Council's local facilities, such as the pools. Revenue from entrance fees is recognised upon entry to such facilities.

Provision of goods and services

Services provided to third parties on commercial terms are exchange transactions. Revenue from these services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Contributions

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.

Vested or donated physical assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.

Infringement fees and fines

Infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The fair value of this revenue is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

Landfill fees

Fees for disposing of waste are recognised as waste is disposed of by users.

Revenue from Exchange Transactions**Sales of goods and services**

Revenue from the sale of goods and services is recognised when a product is sold or service provided to the customer.

Interest and dividends

Interest revenue is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the interest rate applicable. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

Donated and bequeathed financial assets

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

Revenue from commission and booking fees

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.

Rental revenue

Rental revenue is recognised on a straight-line basis over the lease term.

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 approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

Leases**Finance Leases**

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

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

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

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

Operating Leases

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

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Receivables

Receivables are recorded at their face value, less any provision for impairment.

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 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 has transferred substantially all the risks and rewards of ownership.

Council classifies its financial assets into the following three categories:

- Financial assets at fair value through surplus or deficit;
- Loans and receivables; and
- Available for sale financial assets.

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

Financial assets at fair value through surplus or deficit

Financial assets 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 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 re-measurement recognised in the prospective surplus or deficit.

Loans and receivables

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

After initial recognition, they are measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the prospective surplus or deficit.

Council's loans and receivables are comprised of cash and cash equivalents, trade and other receivables and term deposits.

Fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense 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. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date.

Council 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 through other comprehensive revenue and expense, except impairment losses, which are recognised through the surplus or deficit.

On de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Investments in this category include shares held in Alpine Energy.

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 receivables, and held-to-maturity investments

Impairment is established when there is objective evidence that the Council 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 and government bonds are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive revenue and expense

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 objective indicators that the asset is impaired. If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, 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 revenue and expense 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.

Inventories

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential.

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

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

When land held for development and future resale is transferred from investment property/property, plant, and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost.

Costs directly attributable to the developed land are capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.

Forestry

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate of 7% (2015 the discount rate was 8%). This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs, and silvicultural costs and takes into consideration environmental, operational, and market restrictions.

Gains or losses arising on initial recognition of forestry assets at fair value less costs to sell and from a change in fair value less costs to sell are recognised in the surplus or deficit.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

Forests were valued as at 30 June 2016, by Terry O'Neill (Bachelor of Forestry Science) Forester, Ashburton District Council in accordance with PBE IPSAS 27 Agriculture.

Non-Current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, Plant and Equipment

Property, plant and equipment consist of:

Operational Assets

Operational assets are tangible assets that are able to be dealt with as part of the operating strategy. These include operational land, buildings and improvements, furniture and fittings, plant and equipment, computer hardware, motor vehicles, office equipment, resource recovery parks and heritage assets.

Restricted Assets

Restricted assets are parks and reserves owned by Council, which provide a benefit or service to the community and 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.

Infrastructure Assets

Infrastructure assets are the fixed utility systems owned by the Council and group. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

Recognition and Measurement

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

Initial recognition

Property, plant and equipment are initially shown at cost or at fair value in the case where an asset is acquired at no cost or for a nominal cost. Cost includes any costs that are directly attributable to the acquisition of the items.

Capital work in progress is recognised at cost less impairment and is not depreciated. The total cost of a project is transferred to the relevant asset class at balance date upon completion and then depreciated.

Subsequent measurement

Revaluations of property, plant and equipment are accounted for on a class of asset basis.

Revaluation

The carrying values of revalued items are reviewed revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis. The measurement base for each class of asset is described below.

Valuation

Operational assets	Is the class revalued?	Valuation Basis
Buildings	Yes	
Computer hardware	No	Depreciated historical cost
Furniture and fittings	No	Depreciated historical cost
Heritage assets	No	Deemed cost
Land	Yes	Fair value
Motor vehicles	No	Depreciated historical cost
Office equipment	No	Depreciated historical cost
Plant and machinery	No	Depreciated historical cost
Resource recovery parks	No	

Restricted assets	Is the class revalued?	Valuation Basis
Land	Yes	Fair value

Infrastructural assets	Is the class revalued?	Valuation Basis
Flood protection and control works	No	
Landfills	No	
Village projects	No	
Alps 2 Ocean cycle-way	No	Deemed cost
Land under roads	No	
Roads and footpaths	Yes	Optimised depreciated replacement cost
Resource consents	No	Optimised depreciated replacement cost
Stormwater	Yes	Optimised depreciated replacement cost
Sewerage	Yes	Optimised depreciated replacement cost
Water supplies	Yes	Optimised depreciated replacement cost

Accounting for Revaluations

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit.

Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

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

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

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.

Disposals

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus/(deficit). When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated 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 Council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

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

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

Operational assets	Depreciation method	Life (years)
Buildings	Straight line	25-80
Computer hardware	Straight line	3-10
Computer network cabling	Straight line	10
Furniture and fittings	Straight line	5-10
Heritage assets	Straight line	60-150
Land	Not depreciated	-
Motor vehicles	Straight line	5
Office equipment	Straight line	5-10
Light plant and machinery	Straight line	5-10
Plant and machinery	Straight line	5-10
Resource recovery parks	Straight line	2-10

Infrastructural assets	Depreciation method	Life (years)
Flood protection and control works	Not applicable	-
Landfills	Straight line	30-50
Village projects	Straight line	5-80
Alps 2 Ocean cycle-way	Straight line	50
Formation	Not depreciated	-
Surfacing	Straight line	0-17
Land under roads	Not depreciated	-
Roads and footpaths	Straight line	6-80
Formation	Not depreciated	-
Sub-base	Not depreciated	-
Base course	Straight line	75-100
Surfacing	Straight line	0-17
Kerb and channelling	Straight line	10-100
Street signs	Straight line	13
Street lighting	Straight line	20-40
Bridges	Straight line	80-100
Resource consents	Straight line	Over the life of the consent
Stormwater		
Lines	Straight line	100

Infrastructural assets	Depreciation method	Life (years)
Manholes	Straight line	100
Open drains	Not depreciated	-
Sewerage		
Mains	Straight line	60-80
Pumps	Straight line	15
Oxidation ponds	Not depreciated	-
Box culverts	Straight line	100
Manholes	Straight line	80
Water supplies		
Piping mains	Straight line	60-80
Pumps	Straight line	25
Service lines	Straight line	80-100
Hydrants	Straight line	80
Valves and air valves	Straight line	80
Meters	Straight line	25
Reservoirs	Straight line	80

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Unformed or paper roads

An unformed or paper road is a term for a road that is legally established and recorded in survey plans, but has not been formed, and that ownership of the land associated with the paper road resides with Council.

Council does not recognise land under unformed paper roads in the financial statements because there little or no service potential from the majority of these paper roads.

Valuing these assets is also difficult. It is difficult to measure the service benefit to the public from having access to these routes. There is also limited market data detailing recent sales of such small individual areas arguably due to the high cost of disposal.

Intangible Assets

Software

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

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

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

Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

Easements

Easements are not cash generating in nature, instead they give Council the right to access private property where infrastructural assets are located.

Council has not valued and recognised easements as an intangible asset under PBE IPSAS 31 Intangible Assets. 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. 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.

Carbon Credits

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

Resource Consents

It is difficult to determine the fair value of Resource Consents due to their specialised nature and having no active market to compare values against. For these reasons, Council holds resource consents at deemed cost and they are amortised over the life of the asset.

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 surplus or deficit.

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

Intangible assets	Depreciation method	Life (years)
Computer software	Straight line	3

Property, plant, and equipment and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for cash-generating assets

Council does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Value in use for non-cash-generating assets

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

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

Payables

Short-term creditors and other payables are recorded at their face value.

Employee Entitlements

Short-term employee entitlements

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

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that compensated absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date; to the extent it will be used by staff to cover those future absences.

A liability and an expense are recognised for bonuses where Council has a contractual obligation, or where a past practice has created a constructive obligation at balance date.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement; and contractual entitlement information; and
- The present value of estimated future cash flows.

Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability. Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes**Defined contribution schemes**

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the prospective surplus or deficit when incurred.

Defined benefit schemes

Council makes employer contributions to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit plan accounting, as it is not possible to determine from the terms of the scheme the extent to which the scheme's prospective surplus or deficit will affect future contributions by individual employers, as there is no prescribed bases for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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 various reserves to identify those portions of equity held for specific purposes.

These 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 reserves

This reserve relates to the revaluation of property, plant, and equipment to fair value.

Fair value through other comprehensive revenue and expense reserve

This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

Other Reserves & Special Funds Reserves*Other 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

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

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.

Statement of Cash Flows

Cash and cash equivalents is considered to be cash on hand and cash at bank, and on-call deposits, net of overdrafts.

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.

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.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the prospective statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

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

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

Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future.

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

Infrastructural assets

Note 18 provides information about the estimates and assumptions applied in determining the fair value of infrastructural assets.

Landfill aftercare provision

Note 22 provides information about the estimates and assumptions surrounding the landfill aftercare provision.

Critical Judgements in Applying Accounting Policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2016:

Classification of property

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

NOTE 2 – Summary Revenue and Expenditure for Group of Activities

	2015	2016	
	Actual	Long Term Plan	Actual
	\$000's	\$000's	\$000's
INCOME			
Governance and Corporate Services	2,528	2,898	2,995
Water supplies	1,321	1,078	1,308
Sewerage	657	495	755
Stormwater	220	87	135
Roading	3,892	2,568	2,995
Planning and Regulatory	1,007	1,332	1,695
Community and Towns	2,996	3,015	3,254
Commercial activities	1,332	1,334	7,547
	13,953	12,807	20,684
Less interest on capital reserves	(257)	(280)	(518)
Less internal income	(114)	(127)	(126)
Total revenue	13,582	12,400	20,040
EXPENDITURE			
Governance and Corporate Services	2,834	2,895	3,005
Water supplies	1,060	1,065	1,289
Sewerage	485	487	556
Stormwater	91	88	91
Roading	3,397	3,317	3,537
Planning and Regulatory	1,179	1,602	1,583
Community and Towns	2,772	3,065	3,296
Commercial activities	1,015	906	1,830
	12,833	13,425	15,187
Less interest on capital reserves	(256)	(318)	(517)
Less internal expenditure	(114)	(127)	(126)
Total expenditure	12,463	12,980	14,544
OPERATING SURPLUS/(DEFICIT) BEFORE TAXATION	1,119	(580)	5,496

Each significant activity is stated gross of internal costs and revenues, and includes targeted rates attributable to activities (refer to note 3). In order to fairly reflect the total external operations for the Council in the statement of comprehensive revenue and expense, these transactions are eliminated as shown above.

NOTE 3 – Revenue: Exchange and Non-Exchange Transactions

The split of exchange and non-exchange transactions for revenue and receivables is disclosed below:

Revenue

	2015	2016	
	Actual	Long-term Plan	Actual
	\$000's	\$000's	\$000's
Revenue from non-exchange transactions			
<i>Revenue from rates</i>			
General	1,992	2,802	2,796
Targeted	5,219	4,883	4,931
Penalties	37	62	50
Total revenue from rates	7,248	7,747	7,777
<i>Revenue from transfers</i>			
Provision of goods and services	18	0	3,273
Vested assets	684	0	231
Fines and infringements	0	2	1
Consents, licences and permits	467	438	638
Financial and reserve contributions	39	120	587
Operating grants	755	988	805
Capital grants	1,416	596	1,015
Other transfer revenue	72	78	71
Other non-exchange revenue	735	0	2,136
	4,186	2,222	8,757
Total revenue from non-exchange transactions	11,434	9,969	16,534
Revenue from exchange transactions			
Water and wastewater	79	175	94
Sales of goods and services	865	846	2,373
Finance revenue	511	729	241
Dividend revenue	401	396	425
Rental revenue	293	372	361
Other exchange transactions	1	0	10
Total revenue from exchange transactions	2,150	2,518	3,504
Total revenue	13,584	12,487	20,038

Revenue is classified as exchange or non-exchange based on the funding of the underlying activity which generates the revenue. As a result revenue from the sale of goods and services and other income can be categorised as exchange or non-exchange based on the funding of the underlying activity which generates the revenue.

NOTE 4 – Revenue

Note 4a. RATES¹

	2015 Actual \$000's	2016 Actual \$000's
General rates	1,992	2,797
Targeted rates attributable to activities		
Governance and Corporate Services	25	25
Other water rates	979	916
Water Supplies: Targeted rates for metered water supply	0	0
Sewerage	464	445
Stormwater	82	79
Roading	1,330	959
Planning and Regulatory Services	155	165
Community and Towns	1,940	1,970
Commercial Activities	276	405
TOTAL TARGETED RATES REQUIRED	5,251	4,964
<i>Less Distribution of Investment Income</i>		
Budgeted contribution to rates from commercial activities	(32)	(32)
Total rates struck	7,211	7,728

Note 4b. SUBSIDIES AND GRANTS

Grants	19	19
NZTA subsidies ²	2,151	1,801
Petroleum tax	72	71
Total subsidies and grants	2,242	1,891

Note 4c. INVESTMENT REVENUE

Dividend	401	425
External interest	513	241
Internal interest	255	518
TOTAL INVESTMENT REVENUE	1,169	1,184
Less Internal Interest	(255)	(518)
Total investment revenue	914	666

Note 4d. OTHER REVENUE

Rental income	293	361
User fees and donations	906	1,289
Other	543	1,265
Total other revenue	1,742	2,915

Note 4e. CONTRIBUTIONS

Financial contributions	22	337
Subdivision reserve contributions	0	0
Reserve contributions	16	250
Total subsidies and grants	38	587

Note 4f. OTHER GAINS

Gain on changes in fair value of forestry assets	564	2,092
Property, plant and equipment gains on disposal	15	16
Carbon credits	172	639
Albury Water Supply - Aorangi Securities	2	0
Total other gains	753	2,747
Real Estate Sales	0	3,273
Assets vested ³	684	231
TOTAL REVENUE	13,584	20,038

¹Targeted 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.

²NZTA Subsidies

¹The Council receives grants from the New Zealand Transport Agency (NZTA), which reimburses part of the Council's costs of maintaining Mackenzie District's roading infrastructure. There are no unfulfilled conditions and other contingencies attached to New Zealand Transport Agency subsidies recognised.

³Assets Vested

There were infrastructural assets totalling \$231,399 vested in Council during 2016 (2015: \$684,000).

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

Rates Remissions

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

	2015 Actual \$000's	2016 Actual \$000's
Rates remission are comprised of:		
Community sporting and non-profit organisations	8	0
Rates remissions	8	0

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 \$12,761.26 (2015: \$7,600.80).

Non-rateable land

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

Rating Base Information

Rating units within the district or region of the local authority at the end of the preceding financial year:	30 June 2015
The number of rating units	4,350
The total land value of rating units	\$1,548,803,350
The total capital value of rating units	\$3,152,390,050

NOTE 5 – Expenditure

	2015	2016
	Actual	Actual
	\$000's	\$000's
Note 5a. PERSONNEL COSTS	2,196	2,442
Note 5b. ELECTED MEMBERS FEES AND REIMBURSEMENT	319	330
Note 5c. DEPRECIATION AND AMORTISATION		
Building	306	305
Plant and machinery	35	36
Motor vehicles	67	79
Office equipment	6	6
Furniture and fittings	10	11
Heritage assets	1	1
Computer equipment	38	40
Resource recovery parks	9	9
Resource consents	13	13
Sewerage schemes	319	325
Stormwater schemes	63	66
Rural and urban water supplies	482	487
Landfills	4	4
Village projects	70	69
Alps 2 Ocean Cycleway	13	13
Roads	1,923	2,036
TOTAL DEPRECIATION	3,359	3,500
Computer software	30	33
TOTAL AMORTISATION	30	33
Total depreciation and amortisation expense	3,389	3,533
Note 5d. OTHER EXPENSES		
Audit fees		
Fees to Audit New Zealand for audit of financial statements	84	85
Fees to Audit New Zealand for audit of Long Term Plan ³	71	13
Impairment of trade receivables	9	(5)
Insurance	169	159
Subscriptions	42	53
Donations and grants ⁴	60	461
Other operating expenses	6,085	6,913
Total other operating expenses	6,520	7,679
Note 5e. REAL ESTATE COST OF SALES	41	558
Note 5f. OTHER LOSSES		
Losses on changes in fair value of forestry assets	0	0
Total other losses	0	0
TOTAL EXPENDITURE	12,465	14,542

⁴Fees to Audit New Zealand for Other Services

The fees to Audit New Zealand for other services in the year ending 30 June 2016 were for the audit of the Council's 2015-2025 Consultation Document and Long-Term Plan.

⁵Donations and Grants

Donations and grants includes a contribution to High Country Medical Trust of \$330,000 towards the construction of a larger purpose-built medical facility for the Mackenzie/Omarama Community.

NOTE 6 – Depreciation and Amortisation

Depreciation and amortisation for each Group of Activities:

	2015	2016
	Actual	Actual
	\$000's	\$000's
Governance and Corporate Services	152	166
Water supplies	484	490
Sewerage	319	325
Stormwater	61	63
Roading	1,902	2,015
Planning and Regulatory	51	55
Community and Township Services	348	332
Commercial Activities	72	87
Total depreciation and amortisation expense	3,389	3,533

NOTE 7 – 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.

	2015	2016
	Actual	Actual
	\$000's	\$000's
INTERNAL INCOME		
Governance and Corporate Services	111	123
Water supplies	3	3
Sewerage	0	0
Stormwater	0	0
Roading	0	0
Planning and Regulatory	0	0
Community and Towns	0	0
Commercial activities	0	0
Total Internal Income	114	126
INTERNAL EXPENSES		
Governance and Corporate Services	66	69
Water supplies	3	3
Sewerage	0	0
Stormwater	0	0
Roading	10	12
Planning and Regulatory	31	36
Community and Towns	4	6
Commercial activities	0	0
Total Internal Expenses	114	126

NOTE 8 – Internal Borrowing

2016					
Activity	Opening Balance \$000's	Repayments	Borrowings	Closing Balance \$000's	Interest Paid \$000's
Governance and Corporate Services Activity Group					
Administration	47	(2)	0	45	2
Water Supplies Activity Group					
Allandale water	357	(13)	0	344	13
Planning and Regulatory Activity Group					
Animal control	6	0	0	6	0
Resource management	1,433	(45)	337	1,725	67
Rural Fire	28	(1)	0	27	1
Community and Township Services Activity Group					
Twizel township	604	(91)	0	513	31
Waste management operating reserve	272	(15)	442	699	10
Total internal borrowing	2,747	(167)	779	3,359	124

2015					
Activity	Opening Balance	Repayments	Borrowings	Closing Balance	Interest Paid \$000's
Planning and Regulatory Activity Group					
Resource management	1,236	(1)	198	1,433	0
Community and Township Services Activity Group					
Twizel township	696	(92)	0	604	23
Waste management operating reserve	344	(73)	1	272	12
Total internal borrowing	2,276	(166)	199	2,309	35

NOTE 9 – Equity

Reserves	Activity to which the fund relates	Purpose	2015				2016			
			Opening Balance	Movement Into Reserve	Movement from	Closing Balance	Opening Balance	Movement Into Reserve	Movement from	Closing Balance
			Actual \$000's	Actual \$000's	Reserve Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's	Reserve Actual \$000's	Actual \$000's
ACCUMULATED GENERAL FUNDS										
Total accumulated general funds			96,507	1,119	3,101	100,727	100,727	5,496	(1,480)	104,743
			96,507	1,119	3,101	100,727	100,727	5,496	(1,480)	104,743
ASSET REVALUATION RESERVES										
Share revaluation reserve	Commercial	Accumulate changes in value of Councils Share investments	5,217	9,226	0	14,443	14,443	1,046	0	15,489
Investment revaluation reserve	Commercial	Accumulate movements in Councils long term investments	108	26	0	134	134	11	0	145
Infrastructural assets revaluation reserves	Infrastructural assets revaluation reserves				0	0			0	0
Land	Governance and Corporate	Accumulate changes in value of Councils land holdings	30,294	0	0	30,294	30,294	0	(1,440)	28,854
Water supplies	Water	Accumulate changes in value of Councils water infrastructure	13,610	0	0	13,610	13,610	0	0	13,610
Wastewater schemes	Sewerage	Accumulate changes in value of Councils wastewater infrastructure	6,564	0	0	6,564	6,564	0	0	6,564
Stormwater schemes	Stormwater	Accumulate changes in value of Councils stormwater infrastructure	2,467	0	0	2,467	2,467	0	0	2,467
Roading	Roading	Accumulate changes in value of Councils roading infrastructure	38,095	0	0	38,095	38,095	0	0	38,095
Plant	Communities and Towns	Accumulate changes in value of Councils plant assets	35	0	0	35	35	0	0	35
Buildings	Governance and Corporate	Accumulate changes in value of Councils buildings	8,144	0	0	8,144	8,144	0	(387)	7,757
Total revaluation reserves			104,534	9,252	0	113,785	113,785	1,057	(1,827)	113,016
SPECIAL FUND RESERVES										
Albury water fund	Communities and Towns	To fund Albury Water	40	0	0	40	40	0	0	40
Ashwick/Opuha water fund	Communities and Towns	To fund Ashwick/Opuha Water	(40)	0	0	(40)	(40)	0	0	(40)
Building maintenance	Communities and Towns	To fund repairs and maintenance of certain council amenity assets	0	0	0	0	0	0	0	0
Housing replacement	Communities and Towns	To fund district housing	7	0	0	7	7	0	0	7
Insurance reserve	Governance and Corporate	To fund disaster cover	200	0	0	200	200	0	0	200
Land subdivision	Communities and Towns	To fund district wide projects	1,029	15	1	1,045	1,045	250	0	1,295
Pensioner housing amenities	Communities and Towns	To fund pensioner housing amenities	2	0	0	2	2	0	0	2
Watertight building reserve	Governance and Corporate	Held to cover increased insurance costs of Riskpool	44	0	0	44	44	0	0	44
Mackenzie County Scholarship Trust	Governance and Corporate	Held on behalf of Mackenzie County Scholarship Trust	83	1	0	84	84	0	0	84
Masonic Lodge Scholarship Fund	Governance and Corporate	Held on behalf of Masonic Scholarship Fund	7	0	0	7	7	14	0	21
Real estate investment	Commercial	Accumulate operating results from Councils Real Estate activities	4,724	0	0	4,724	4,724	0	(609)	4,115
Strathconan pool capital	Communities and Towns	To fund Strathconan pool capital	1	0	0	1	1	0	1	2
Total special funds reserves			6,097	16	1	6,114	6,114	264	(608)	5,770
OTHER RESERVES										
Albury war memorial	Communities and Towns	Funding of maintenance of the districts war memorials	4	1	0	5	5	0	0	5
Ashwick/Allandale war memorial	Communities and Towns	Funding of maintenance of the districts war memorials	4	1	0	5	5	0	0	5
Davidson bequest: cemetery	Communities and Towns	Bequests for cemetery maintenance	1	0	0	1	1	0	0	1
Gillingham bequest: library	Communities and Towns	Bequests for library books	0	0	0	0	0	0	0	0
Gould bequest: cemetery	Communities and Towns	Bequests for cemetery maintenance	1	0	0	1	1	0	0	1
Paterson ponds	Communities and Towns	Funding of maintenance at Paterson Ponds	10	0	0	10	10	0	0	10
Enid Hutt Fairlie beautifying fund	Communities and Towns	To fund expenditure in the Fairlie township	22	0	0	22	22	2	0	24
Total other reserves			42	2	0	44	44	2	0	46

NOTE 9 – Equity (cont'd)

Reserves	Activity to which the fund relates	Purpose	2015				2016			
			Opening Balance	Movement	Movement	Closing Balance	Opening Balance	Movement	Movement	Closing Balance
			Actual \$000's	Into Reserve Actual \$000's	from Reserve Actual \$000's	Actual \$000's	Actual \$000's	Into Reserve Actual \$000's	from Reserve Actual \$000's	Actual \$000's
CAPITAL RESERVES										
Administration	Governance and Corporate	To fund capital replacements of Administration Assets	(59)	3	(1)	(57)	(57)	43	0	(14)
Allandale water	Water	To Fund debt repayment of the Allandale Water Scheme construction and to fund its eventual replacement.	(396)	44	(14)	(366)	(366)	38	(25)	(353)
Animal control	Regulatory	To fund capital requirements of animal control	(15)	1	0	(14)	(14)	0	(4)	(18)
Ashwick/Opuha water	Water	To fund capital requirements of the Ashwick/Opuha Water scheme	50	0	11	61	61	0	8	69
Asset management	Governance and Corporate	To fund capital requirements of asset management	7	0	(7)	0	0	0	0	0
Burkes Pass sewer	Sewerage	To fund sewer capital works in Burkes Pass	2	6	(3)	5	5	0	(5)	0
Burkes Pass water	Water	To fund capital requirements of the Burkes Pass Water scheme	(1)	2	(5)	(4)	(4)	4	0	0
CEO department	Governance and Corporate	To fund capital requirements of the CEO department	0	0	0	0	0	0	0	0
Civil defence	Regulatory	To fund capital requirements of Civil Defence	27	5	(14)	18	18	5	(5)	18
Community facilities	Communities and Towns	To fund capital requirements of community facilities	0	0	0	0	0	0	0	0
District Council	Governance and Corporate	To fund capital requirements of the Governance Activity	(5)	1	0	(4)	(4)	1	0	(3)
Council building: Fairlie	Governance and Corporate	To fund replacement of Councils Administration Building in Fairlie	(22)	31	(20)	(11)	(11)	40	(13)	16
Council building: Twizel	Governance and Corporate	To fund replacement of Councils Administration Building in Twizel	(8)	17	(14)	(5)	(5)	17	(4)	8
District general	Communities and Towns	To fund capital requirements of the District	43	0	0	43	43	0	0	43
District wide roading	Roading	To fund roading capital works district wide.	180	2,684	(3,110)	(246)	(246)	2,500	(2,639)	(385)
Downlands water	Water	Councils share of a Joint Venture to fund the capital requirements of the Downlands Water Scheme	93	0	0	93	93	0	0	93
Eversley sewer	Sewerage	To fund capital requirements of the Eversley water scheme	(1)	0	0	(1)	(1)	0	0	(1)
Fairlie medical centre	Communities and Towns	To fund replacement of medical facilities in Fairlie	7	8	0	15	15	4	0	19
Fairlie pensioner housing	Communities and Towns	To fund the eventual replacement of the pensioner housing stock in Fairlie	82	8	0	90	90	8	0	98
Fairlie roading	Roading	To fund roading projects in Fairlie	0	0	0	0	0	0	0	0
Fairlie resource recovery park	Communities and Towns	To fund capital upgrades and replacement for Fairlie Recovery Park	(67)	4	0	(63)	(63)	63	0	0
Fairlie sewer	Sewerage	To fund sewer capital works in Fairlie	(126)	57	(25)	(94)	(94)	94	0	0
Fairlie stormwater	Stormwater	To fund stormwater capital works in Fairlie	18	19	0	37	37	0	(37)	0
Fairlie township	Communities and Towns	To fund capital works in the Fairlie Township	7	0	(7)	0	0	0	0	0
Fairlie water	Water	To fund capital requirements of the Fairlie Water scheme	(988)	150	(141)	(979)	(979)	979	0	0
Forestry	Commercial	To fund the operations of Councils Forestry Assets	494	859	0	1,353	1,353	3,436	0	4,789
Hardfill sites	Communities and Towns	To fund costs arising from operations of the Councils Hardfill sites	(1)	1	0	0	0	0	0	0
Inspectorate	Regulatory	Fund the capital requirements of the inspectorate department	1	0	(1)	0	0	0	0	0
Information technology department	Governance and Corporate	To Fund capital replacement of Councils IT assets	(121)	74	(47)	(94)	(94)	100	(61)	(55)
Kimbell water	Water	To fund capital requirements of the Kimbell Water scheme	14	2	0	16	16	1	0	17
Lake Tekapo community hall	Communities and Towns	To fund replacement of the Tekapo Community Hall	(40)	5	(10)	(45)	(45)	5	(6)	(46)
Lake Tekapo roading	Roading	To fund roading projects in Tekapo	0	0	0	0	0	0	0	0
Lake Tekapo resource recovery park	Communities and Towns	To fund capital upgrades and replacements for Tekapo Recovery Park	(103)	5	0	(98)	(98)	98	0	0
Lake Tekapo sewer	Sewerage	To fund sewer capital works in Tekapo	260	250	(148)	362	362	0	(362)	0
Lake Tekapo stormwater	Stormwater	To fund stormwater capital works in Tekapo	146	144	(186)	104	104	0	(104)	0
Lake Tekapo township	Communities and Towns	To fund capital works in the Tekapo Township	0	0	0	0	0	0	0	0
Lake Tekapo water	Water	To fund water capital works in Tekapo	822	220	(127)	915	915	0	(915)	0

NOTE 9 – Equity (cont'd)

Reserves	Activity to which the fund relates	Purpose	2015				2016			
			Opening Balance	Movement Into Reserve	Movement from Reserve	Closing Balance	Opening Balance	Movement Into Reserve	Movement from Reserve	Closing Balance
			Actual	Actual	Actual	Actual	Actual	Reserve	Reserve	Actual
			\$000's	\$000's	\$000's	\$000's	\$000's	Actual	Actual	\$000's
CAPITAL RESERVES										
Mackenzie community centre	Communities and Towns	To fund the capital works at the Fairlie community centre	19	17	(30)	6	6	19	0	25
Manuka Terrace water	Water	To Fund investigation and construction of a new water supply for Manuka Terrace	18	8	(14)	12	12	8	0	20
Plant account	Governance and Corporate	To Fund capital replacement of Councils Motor Vehicle assets	90	66	(81)	75	75	71	(38)	108
Public Toilets	Communities and Towns	To fund replacement of Public Toilets within the district	(108)	30	(364)	(442)	(442)	342	(33)	(133)
Pukaki airport board	Commercial	To fund the operations of Councils Airport Assets	(619)	5	(3)	(617)	(617)	610	0	(7)
Real estate	Commercial	To fund subdivision of Councils real estate assets	(306)	0	(1,756)	(2,062)	(2,062)	2,360	(2,596)	(2,298)
Resource planning	Regulatory	To fund capital requirements of the Resource Planning Business unit	0	0	0	0	0	45	(1,770)	(1,725)
Roading professional business unit	Roading	To fund capital requirements of the Roading Business unit	(11)	4	(18)	(25)	(25)	4	(2)	(23)
Rural fire control	Regulatory	To fund capital requirements of Rural fire	(99)	45	(2)	(56)	(56)	59	(54)	(51)
Rural roading	Roading	To fund roading projects in Rural area	413	0	0	413	413	0	(413)	0
School Road water	Water	To fund capital requirements of the School Road Water scheme	7	3	0	10	10	0	3	13
Sherwood Downs hall	Communities and Towns	To fund capital requirements of the Sherwood Downs Reserves	17	2	0	19	19	0	0	19
Sherwood Downs recreation reserve	Communities and Towns	To fund capital requirements of the Sherwood Downs Hall	36	1	0	37	37	0	0	37
Spur Road water	Water	To fund Spur Road capital debt	(4)	2	0	(2)	(2)	0	(1)	(3)
Swimming pool: Strathconan	Communities and Towns	To fund replacement of the Fairlie swimming pool	(15)	4	(4)	(15)	(15)	8	(3)	(10)
Swimming pool: Twizel	Communities and Towns	To fund replacement of the Twizel swimming pool	(7)	12	0	5	5	5	(9)	1
Treatment of organic waste	Communities and Towns	To fund treatment of organic waste	(170)	0	0	(170)	(170)	0	170	0
Twizel community centre	Communities and Towns	To fund replacement of the Twizel Events Centre	47	41	(4)	84	84	89	(3)	170
Twizel medical centre	Communities and Towns	To fund replacement of medical facilities in Twizel	5	0	0	5	5	3	0	8
Twizel pensioner housing	Communities and Towns	To fund the eventual replacement of the pensioner housing stock in Twizel	22	5	0	27	27	5	(1)	31
Twizel roading	Roading	To fund roading projects in Twizel	0	0	0	0	0	0	0	0
Twizel resource recovery park	Communities and Towns	To fund capital upgrades and replacement for Twizel Recovery Park	(108)	6	0	(102)	(102)	0	102	0
Twizel sewer	Sewerage	To fund sewer capital works in Twizel	1,265	174	(89)	1,350	1,350	0	(1,350)	0
Twizel stormwater	Stormwater	To fund stormwater capital works in Twizel	233	29	(1)	261	261	0	(261)	0
Twizel township	Communities and Towns	To fund capital works in the Twizel Township	(696)	92	0	(604)	(604)	91	0	(513)
Twizel water	Water	To fund water capital works in Twizel	1,399	293	(1,210)	482	482	0	(482)	0
Urban sewerage	Sewerage	To fund District sewer capital works	0	0	0	0	0	2,260	(475)	1,785
Urban stormwater	Stormwater	To fund District stormwater capital works	0	0	0	0	0	506	(30)	476
Urban water	Water	To fund District water capital works	0	0	0	0	0	1,989	(3,560)	(1,571)
Waste Management			0	0	0	0	0	15	(714)	(699)
Total capital reserves			1,728	5,439	(7,445)	(278)	(278)	15,910	(14,978)	(45)

NOTE 9 – Equity (cont'd)

Reserves	Activity to which the fund relates	Purpose	2015				2016			
			Opening Balance	Movement Into Reserve	Movement from Reserve	Closing Balance	Opening Balance	Movement Into Reserve	Movement from Reserve	Closing Balance
			Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's	Actual \$000's
OPERATING RESERVES										
Albury hall	Communities and Towns	To fund operations at the Albury Hall	11	7	(4)	14	14	2	(2)	14
Albury community refuse collection	Communities and Towns	Council's refuse collection operations	3	0	0	3	3	0	0	3
Albury water supply	Water	Accumulate surpluses/deficits from General Rate funded operations	135	62	(29)	168	168	26	(7)	187
District general	Communities and Towns	Accumulate surpluses/deficits from General Rate funded operations	11	124	(1,356)	(1,221)	(1,221)	280	(436)	(1,377)
Downlands water supply	Water	Accumulate surpluses/deficits from General Rate funded operations	15	21	0	36	36	19	0	55
Eversley/Punaroa water races	Water	Accumulate surpluses/deficits to fund Eversley/Puneroa operating activities	(1)	0	0	(1)	(1)	0	0	(1)
Fairlie community refuse collection	Communities and Towns	Council's refuse collection operations	11	0	0	11	11	0	0	11
Fairlie works and services	Communities and Towns	Accumulate surpluses/deficits from Fairlie Works and Services Rate funded operations	16	68	(14)	70	70	12	(7)	75
Lake Alexandrina refuse collection	Communities and Towns	Council's refuse collection operations	1	0	0	1	1	0	0	1
Lake Tekapo community refuse collection	Communities and Towns	Council's refuse collection operations	10	0	0	10	10	0	0	10
Lake Tekapo works and services	Communities and Towns	Accumulate surpluses/deficits from Tekapo Works and Services Rate funded operations	246	65	(5)	306	306	22	65	393
Other reserves	Communities and Towns	Accumulate surpluses from Lake Alexandrina rental receipts	280	54	(4)	330	330	40	0	370
Pukaki airport board	Commercial	To fund the operations of Councils Airport Assets	0	0	0	0	0	49	(74)	(25)
Roading professional services business unit	Roading	Accumulate operating results of Councils Roading Business Unit	(27)	22	(107)	(112)	(112)	6	(11)	(117)
Real estate	Commercial	Holds returns from real estate transactions	0	0	0	0	0	0	0	0
Resource management	Regulatory	Deficit from Plan Change 13	(1,236)	1	(198)	(1,433)	(1,433)	1,812	(379)	0
Rural works and services	Communities and Towns	Accumulate surpluses/deficits from Rural Works and Services Rate funded operations	86	6	0	92	92	54	0	146
Tourism and development	Commercial	Accumulate operating results from ownership of the Pukaki Visitors Centre	(434)	36	0	(398)	(398)	58	(91)	(431)
Twizel community refuse collection	Communities and Towns	Councils refuse collection operations	2	0	0	2	2	0	0	2
Twizel visitors centre	Communities and Towns	Accumulate surpluses/deficits from Twizel visitor centre operations	22	10	(32)	0	0	12	(12)	0
Twizel works and services	Communities and Towns	Accumulate surpluses/deficits from Twizel Works and Services Rate funded operations	8	247	(131)	124	124	72	3	199
Waste management	Communities and Towns	Accumulate surpluses/(deficits) from Council's Solid Waste operation	(344)	73	(1)	(272)	(272)	324	(52)	0
Total operating reserves			(1,185)	796	(1,881)	(2,270)	(2,270)	2,788	(1,003)	(485)
TOTAL EQUITY			207,723	16,624	(6,224)	218,122	218,122	25,517	(19,896)	223,045

NOTE 10 – Cash and Cash Equivalents

	2015	2016
	Actual	Actual
	\$000's	\$000's
Cash at bank and in hand	740	625
Short-term deposits maturing three months or less from date of acquisition	6,546	2,645
TOTAL CASH AND CASH EQUIVALENTS	7,286	3,270

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

ANZ current accounts	341	379
Westpac Banking Corporation	399	246
Short-term deposits maturing three months or less from date of acquisition	6,546	2,645
Total cash and cash equivalents	7,286	3,270

Fair Value

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

Financial assets recognised in a non-exchange transaction that are subject for restrictions.

The Council holds unspent funds, included in cash at bank and investments of \$Nil (2015: \$Nil) that are subject to restrictions. These unspent funds relate to trusts and bequests received, and other funds received with restrictions where the spending of the funds is separately monitored. The restrictions generally specify how the funds are required to be spent.

NOTE 11 – Debtors and Other Receivables

	2015	2016
	Actual	Actual
	\$000's	\$000's
Current	1,866	2,410
TOTAL RECEIVABLES	1,866	2,410

Total receivables comprise:

Rates	260	286
Dividend receivable	158	168
Interest receivable	36	23
Other taxes payable (e.g. GST and FBT)	255	267
Prepayments	147	165
Other receivables	1,056	1,506
	1,912	2,415
Less provision for impairment of sundry receivables	(46)	(5)
Total receivables	1,866	2,410

The split of exchange and non-exchange receivables is disclosed below

Receivables and prepayments from non-exchange transactions -

This includes outstanding amounts for rates, grants, infringements and fees and charges that are partly subsidised by rates

1,289 1,735

Receivables and prepayments from exchange transactions -

This includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates

577 634

Total receivables	1,866	2,369
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NOTE 11a – Aging of Receivables

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

	2015	2016
	Actual	Actual
	\$000's	\$000's
Opening balance 1 July	(8)	(46)
Additional provisions made during the year	(47)	0
Receivables written-off during the period	9	41
Closing balance 30 June	(46)	(5)

NOTE 12 – Tax

Relationship between tax expense and accounting surplus:

	2015	2016
	Actual	Actual
	\$000's	\$000's
SURPLUS/(DEFICT) BEFORE TAX	1,119	5,496
Tax @28% (2015: 28%)	313	1,539
Taxation effect of permanent differences	0	0
Imputation credit adjustment	0	0
Non-taxable income/expenditure	-313	-1,539
Tax expense	0	0
Components of tax expense:		
Adjustments to current tax in prior years	0	0
Current taxation	0	0
Deferred taxation	0	0
Tax expense	0	0

The Council has unrecognised tax losses \$36,037 (2015: 45,257), with the tax effect \$10,090 at 28% (2015: \$12,672) available for carryforward in offsetting assessable income in future years.

NOTE 13 – Other Financial Assets

	2015	2016
	Actual	Actual
	\$000's	\$000's
Current	81	148
Non-current	20,164	22,482
TOTAL OTHER FINANCIAL ASSETS	20,245	22,630
Investments are comprised of:		
CURRENT PORTION		
Term deposits with original maturities greater than 3 months and remaining maturities less than 12 months		
Bonds	0	0
Local authority stock	0	0
Eversley Sewerage Loan	9	8
Term deposits with maturities of 3 -12 months	72	140
TOTAL CURRENT PORTION	81	148
NON-CURRENT PORTION		
Investment in CCOs and similar entities		
Eversley Sewerage	146	132
Mackenzie Tourism and Development Trust	0	0
Less impairment	0	0
Total investment in CCOs and similar entities	146	132
Investment in other entities		
Bonds	1,620	2,123
Strongly rated corporate bonds	0	792
Local authority stock	542	532
Unlisted shares	17,856	18,903
Total investment in other entities	20,018	22,350
TOTAL NON-CURRENT PORTION	20,164	22,482
Total other financial assets	20,245	22,630

Fair Value

Term deposits

The carrying amount of short term deposits approximates their fair value.

Bonds

The fair value of bonds is \$2,122,874 (2015: \$1,618,663). Fair value has been determined using discounting cash flows from the stocks using a discount rate derived from relevant market inputs. The discount rates range between 3.09% and 4.99% (2015 3.74% and 5.03%).

Local authority stock

The fair value of local authority stock is \$532,001 (2015: \$542,341). Fair value has been determined by discounting cash flows from the stocks using a discount rate derived from relevant market inputs. The discount rate used is 2.63% (2015: 3.35%).

Strongly rated corporate bonds

The fair value of corporate bonds is \$792,121 (2015: \$Nil). Fair value has been determined by discounting cash flows from the stocks using a discount rate derived from relevant market inputs. The discount rates used are 3.58% and 3.76% (2015: Nil).

Unlisted shares

Unlisted shares are recognised at fair value.

The Council holds 2,049,870 fully paid shares (2015: 2,049,870) of \$1 (2015: \$1) in this entity. The shares are recognised at fair value as assessed by Deloitte for the year ending 31 March.

The cash flow projections have been determined based on information provided by Alpine management, plus publicly available information. The continued investment and upgrade of Alpines network provides justification of the valuation range at this level, along with considerable increases in profitability over the previous three years and the regulatory price increases allowed over the next five years.

The fair value of unlisted shares in Alpine Energy Limited has been determined using a valuation technique based on discounted cash flows. It is the method used in determining the transaction value for all major network business sales which have taken place in New Zealand to date. Discounted cashflows involve determining the value of an investment on the basis of the value of future free cashflows arising from an investment, discounted at the investor's required rate of return.

The discounted cash flows use a nominal post-tax weighted average cost of capital (WACC) mid-point of 6.55%, a rate based on the market interest rate and the risk premium specific to the unlisted shares (2015: 6.55%).

Cashflows have been forecast using an estimated growth rate of 2%, which has been determined by reference to the long term growth expected (2015: 2%).

As at 31 March 2016, Alpine Energy had tangible assets per share of \$5.34 per share (2015: \$4.89) and the earnings per share were \$41.30 (2015: \$40.38) according to the annual report of the company.

Impairment

Provision for loan write-down

On 12 June 2014, Council resolved to dissolve Mackenzie Tourism and Development Trust and write off the loan and an unsettled amount of \$28,000. The resolution has no financial impact in the Statement of Comprehensive Income this year as the Council had made a full provision for impairment of the investment and loan in previous years (2015: Fully impaired).

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.

	2015		2016	
	Number of shares held	Value per share	Number of shares held	Value per share
Other financial assets	2,049,870	\$ 8.71	2,049,870	\$ 9.22

Shares in Alpine Energy Ltd

	2015	2016
	Actual \$000's	Actual \$000's
Opening Balance	8,630	17,856
Plus revaluations	9,226	1,046
CLOSING BALANCE	17,856	18,902

INTEREST RATES

The weighted average effective interest rates

	2015	2016
Call accounts	2.70%	0.50 - 1.00%
Local authority stock	6.52%	6.52%
State owned enterprises and strongly rated corporates	0.00%	4.25%
Trading bank stock	5.84%	5.70%

NOTE 14 – Joint VentureName of Entity: **Downlands Water Supply**Balance date: **30 June 2016**Membership: **2016: 4% (2015: 4%)**

The Downlands Water Supply, administered by Timaru District Council, serves some properties within the Albury Area of the Mackenzie District.

The supply also extensively serve properties within the Timaru and Waimate Districts.

The Council's interest in the Downlands Water Schemes is accounted for as a jointly controlled asset.

The joint venture shares a common balance date with Council, but the financial statements have not been audited.

	2015	2016
	Actual	Actual
	\$000's	\$000's
The Council's interests in the jointly controlled asset are as follows:		
Revenue	58	64
Expenses	(38)	(44)
Share of Net Surplus (Deficit)	20	20
Current assets	165	182
Non-current assets	566	564
Current liabilities	(6)	(2)
Non-current liabilities	0	0
Share of assets employed	725	744
The Council's capital commitments in relation to the joint venture	0	0
Share of joint venture's commitments	0	0
The Council's contingent liabilities incurred in relation to the joint venture	0	0
Share of joint venture's contingent liabilities	0	0
Other venturers' contingent liabilities the Council is liable for	0	0
The Council's contingent assets arising in relation to the joint venture	0	0
Share of joint venture's contingent assets	0	0

NOTE 15 – Inventories

	2015	2016
	Actual	Actual
	\$000's	\$000's
Held for distribution or consumption:	36	36
Commercial inventory - land developed for sale ⁴	5,650	6,446
TOTAL INVENTORIES	5,686	6,482

No inventories are pledged as security for liabilities (2015: \$Nil).

Held for distribution inventory

Inventories held for distribution or consumption include:

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

The carrying amount of inventory held for distribution that are measured at current replacement cost as at 30 June 2016 amounted to \$35,498 (\$2015: \$36,201).

The write-down of inventory held for distribution because of a loss in service potential amounted to \$Nil (2015: \$Nil). There have been no reversals of write-downs (2015: \$Nil).

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

Commercial inventory

⁴The Council has developed land for future sale and costs capitalised to date, which are not expected to be recovered until after 30 June 2016 in line with the expected business operating cycle for this activity. For further details; Refer to Note 22; Surplus Property.

The write-down of commercial inventory to net realisable value amounted to \$Nil (2015: \$Nil). There have been no reversals of write-downs (2015: \$Nil).

No inventory is pledged as security for liabilities (2015: \$Nil).

NOTE 16 – Forestry

	2015	2016
	Actual	Actual
	\$000's	\$000's
Opening balance	2,250	2,813
Gains arising from changes in fair value less estimated point of sale costs attributable to physical changes	243	347
Gains arising from changes in fair value less estimated point of sale costs attributable to price changes	312	684
Gains arising from changes in fair value less estimated point of sale costs attributable to log cartage rate changes	0	264
Decrease due to discount rate change	0	796
Increase due to harvest and remap	7	0
CLOSING BALANCE	2,813	4,905

During the financial period, no replanting or harvesting took place (2015: 6.4 hectares of Corsican Pine harvested).

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:

Location	Hectares
Woodburn – near Burkes Pass	96
Woods – Clayton Road	115
Simons Hill – Mackenzie Basin	141
Cabuie – Ashwich Flat	214
Fox Peak – Sherwood	181
Other Plantations	253
Total hectares	1,000

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

Legal Description and Land Value

In the valuation, land value is expressed as an annual rental and included in the annual overhead cost. Allowance has been made for reserves vested to the Council by the crown such as shingle pits that have been worked out and planted in trees. In effect these

reserves, 42% of the Council's plantations, have a nil land value. The remaining land has been given an average value of \$1,500/ha, the annual cost of this land has been set as a rental of 4% on this value that is \$60/ha/year.

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

Species Area Age Class Distribution

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

Species	Hectares
Douglas Fir	613.0
Radiata Pine	126.2
Corsican Pine	150.0
Other species	110.8
Total hectares	1,000.0

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 since to 30/11/1992. 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

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

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

Market Overview

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

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

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

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

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

Log Prices

The valuation uses AGRI-FAX log prices. Agri-Fax provides regional prices and log grades closer to those that Council commonly trades. Export log markets over the 2015/16 financial year recovered sharply in November and held firm through most of the year.

Recent export log sales into the India market have helped the market strength. A strengthening NZ\$ and an increase in ocean freight took the edge off prices in June.

Domestic sawlog prices have again been relatively stable with increasing demand for all wood products due to the Christchurch rebuild. A strengthening NZ\$ against the \$AUS has made trading in the Australian market difficult for Canterbury solid wood manufacturers.

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 10.8% (2015: increased by 4.2%).

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. The Council is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future. Therefore, no measures have been taken to manage the risks of a decline in timber prices. The Council and group review 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 2016 in accordance with PBE IPSAS 27: 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.
- 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. The harvesting costs used for the valuation are derived from the current average cost for operations.
 - Logging costs for Council's plantations are reasonably high due to varied terrain and small stand size. Internal roading is generally inexpensive due to terrain and soil types and is included in the logging and loading rate. All plantations are able to be harvested using conventional ground based systems.
 - Logging, loading and roading: \$27.50/tonne (2015: \$27.50)
 - Log sale Management commission etc: Included in overheads
 - Log cartage is well serviced in Canterbury. Within Mid & South Canterbury Philip Wareing Ltd offers log cartage services with the other major log cartage firm being Steve Murphy Transport based in North Canterbury. This year with diesel prices remaining down rates used for log cartage have been reduced. The transport base rate has dropped from \$4.00 to \$3.50 per tonne and the variable rate was reduced from \$0.22 to \$0.20 per tonne/km. The average cartage distance for Downlands plantations is 90km and 120km for Mackenzie Basin plantation.
 - Logging costs have not changed since last year.
- Point-of-sale costs: Commissions on assets of significant value can generally be discounted with a rate of 2% (2015: 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.
- No harvesting has taken place since the last valuation was completed.

Carbon Credits

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

The carbon price used for this cashflow was \$18/tonne (2015: \$6.65/tonne). The net present value calculations assume a single rotation from the stands current age; carbon accumulations plus liabilities and decay following harvest.

NOTE 17 – Intangible Assets

	1 July 2015			30 June 2016								30 June 2016		
	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	Current year amortisation	Current year impairment charges	Amortisation Charge	Closing Carrying Amount	Cost	Accum. Amortisation and impairment
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Computer software	359	239	120	0	0	26	2	2	0	0	33	113	387	274
Carbon emissions	740	81	659	639	0	739	0	0	0	0	0	2,037	2,118	81
Capital work in progress ⁵	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLE ASSETS	1,099	320	779	639	0	765	2	2	0	0	33	2,150	2,505	355

	1 July 2014			30 June 2015								30 June 2015		
	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	Current year amortisation	Current year impairment charges	Amortisation Charge	Closing Carrying Amount	Cost	Accum. Amortisation and impairment
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Computer software	328	208	120	0	0	31	0	0	0	0	31	120	359	239
Carbon emissions	375	81	294	171	0	194	0	0	0	0	0	659	740	81
Capital work in progress ¹	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL INTANGIBLE ASSETS	703	289	414	171	0	225	0	0	0	0	31	779	1,099	320

⁵ 'Intangible capital work in progress' has been reclassified separately from 'property, plant and equipment capital work in progress' totalling nil in the current year (2016: \$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.

The Council has been allocated 113,825 NZU carbon credits, based on it's forestry area (2015: 99,238). These have been re valued at the estimated carbon price at 30 June 2016 of \$17.90 per NZU (2015: \$6.65).

The Council considers there is no impairment of carbon credits held as they are expected to be fully utilised in satisfying carbon obligations from its landfill operations.

Carbon units have been assessed as having an indefinite useful life because they have no expiry date and will continue to have economic benefit as long as the Emissions Trading Scheme is in place.

Impairment

Easements

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

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

For these reasons, Council has opted not to recognise easements as an intangible asset because they cannot be quantified and the value of the easements cannot be measured reliably.

NOTE 18 – Property, Plant and Equipment

	1 July 2015			30 June 2016									30 June 2016		
	Cost / Revaluation	Accum.dep and impairment charges	Carrying amount	Current year revaluation	Accum. Depn reversed on revaluation	Current year additions ⁶	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	14,293	615	13,679	0	0	34	0	197	10	0	305	13,221	14,130	910	13,221
Computer Hardware	613	592	21	0	0	35	0	0	0	0	40	16	648	632	16
Furniture and Fittings	491	427	64	0	0	17	0	0	0	0	11	70	508	438	70
Heritage Assets	30	13	17	0	0	0	0	0	0	0	1	16	30	14	16
Land	17,593	0	17,593	0	0	491	(1,901)	529	0	0	0	15,654	15,654	0	15,654
Motor Vehicles	593	380	213	0	0	89	0	56	56	0	79	223	626	403	223
Office Equipment	216	176	40	0	0	0	0	0	0	0	6	34	216	182	34
Plant and Machinery	814	558	257	0	0	22	0	0	0	0	36	243	836	594	243
Resource Recovery Parks	171	89	82	0	0	0	0	0	0	0	9	73	171	98	73
Total Operational Assets	34,814	2,850	31,966	0	0	688	(1,901)	782	66	0	487	29,550	32,819	3,271	29,550
RESTRICTED ASSETS															
Land	5,497	0	5,497	0	0	0	0	0	0	0	0	5,497	5,497	0	5,497
Total Restricted Assets	5,497	0	5,497	0	0	0	0	0	0	0	0	5,497	5,497	0	5,497
INFRASTRUCTURAL ASSETS															
Flood Protection and Control Works	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Landfills	136	61	75	0	0	0	0	0	0	0	4	71	136	65	71
Village Projects	2,355	716	1,640	0	0	42	1	0	0	0	69	1,614	2,398	785	1,614
Alps 2 Ocean Cycleway	642	27	615	0	0	50	0	0	0	0	13	652	692	40	652
Land Under Roads	5,901	0	5,901	0	0	0	0	0	0	0	0	5,901	5,901	0	5,901
Roads and Footpaths	90,398	3,888	86,510	0	0	2,722	791	0	0	0	2,036	87,987	93,911	5,924	87,987
Resource Consents	376	69	307	0	0	2	0	0	0	0	13	296	378	82	296
Stormwater: Drainage	4,187	136	4,051	0	0	972	0	0	0	0	66	4,957	5,159	202	4,957
Stormwater: Schemes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sewerage Schemes: Treatment plants and facilities	2,575	106	2,470	0	0	3	0	0	0	0	41	2,432	2,578	147	2,432
Sewerage Schemes: Other assets	12,324	560	11,764	0	0	232	0	0	0	0	284	11,712	12,556	844	11,712
Water Supplies: Treatment plants and facilities	164	18	146	0	0	1,414	0	0	0	0	14	1,546	1,578	32	1,546
Water Supplies: Other assets	22,605	1,079	21,526	0	0	1,144	1	0	0	0	455	22,216	23,750	1,534	22,216
Total Infrastructural Assets	141,664	6,660	135,006	0	0	6,581	793	0	0	0	2,995	139,385	149,038	9,655	139,385
Capital Work in Progress	2,448	0	2,448	0	0	304	(842)	0	0	0	0	1,910	1,910	0	1,910
Joint Venture Assets	736	177	560	0	0	12	0	0	0	0	18	554	748	195	554
Surplus Properties Identified for Sale	7,233	0	7,233	0	0	0	0	59	0	0	0	7,174	7,174	0	7,174
TOTAL PROPERTY, PLANT AND EQUIPMENT	192,393	9,687	182,711	0	0	7,585	(1,950)	841	66	0	3,500	184,071	197,187	13,121	184,071

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

NOTE 18 – Property, Plant and Equipment (cont'd)

	1 July 2014			30 June 2015									30 June 2015		
	Cost /	Accum.dep	Carrying	Current	Accum.	Current	Current year	Current	Current year	Current	Current	Net Book	Cost	Accum. Depn	Carrying
	Revaluation	and	amount	year	Depn	year	trfrs to PPE	year	disposals	year	year	Value		and	amount
		impairment		revaluation	reversed	additions ⁷	intended for	disposals	depreciation	impairment	depreciation			impairment	
	\$000's	charges	\$000's	\$000's	on	\$000's	\$000's	\$000's	\$000's	charges	n	\$000's	\$000's	charges	\$000's
OPERATIONAL ASSETS															
Buildings	13,116	309	12,807	0	0	1,177	0	0	0	0	306	13,679	14,293	615	13,679
Computer Hardware	613	554	59	0	0	0	0	0	0	0	38	21	613	592	21
Furniture and Fittings	488	422	66	0	0	9	0	6	5	0	10	64	491	427	64
Heritage Assets	30	12	18	0	0	0	0	0	0	0	1	17	30	13	17
Land	17,593	0	17,593	0	0	0	0	0	0	0	0	17,593	17,593	0	17,593
Motor Vehicles	566	363	203	0	0	81	0	54	50	0	67	213	593	380	213
Office Equipment	214	170	44	0	0	2	0	0	0	0	6	40	216	176	40
Plant and Machinery	784	523	261	0	0	30	0	0	0	0	35	257	814	558	257
Resource Recovery Parks	171	80	91	0	0	0	0	0	0	0	9	82	171	89	82
Total Operational Assets	33,575	2,433	31,142	0	0	1,299	0	60	55	0	472	31,966	34,814	2,850	31,966
RESTRICTED ASSETS															
Land	5,497	0	5,497	0	0	0	0	0	0	0	0	5,497	5,497	0	5,497
Total Restricted Assets	5,497	0	5,497	0	0	0	0	0	0	0	0	5,497	5,497	0	5,497
INFRASTRUCTURAL ASSETS															
Flood Protection and Control Works	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Landfill	136	57	79	0	0	0	0	0	0	0	4	75	136	61	75
Village Projects	2,300	646	1,654	0	0	55	0	0	0	0	70	1,639	2,355	716	1,639
Alps 2 Ocean Cycleway	642	14	628	0	0	0	0	0	0	0	13	615	642	27	615
Land Under Roads	5,901	0	5,901	0	0	0	0	0	0	0	0	5,901	5,901	0	5,901
Roads and Footpaths	88,172	1,965	86,207	0	0	2,226	0	0	0	0	1,923	86,510	90,398	3,888	86,510
Resource Consents	366	56	310	0	0	10	0	0	0	0	13	307	376	69	307
Stormwater: Drainage	4,001	73	3,928	0	0	186	0	0	0	0	63	4,051	4,187	136	4,051
Stormwater: Schemes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sewerage Schemes: Treatment plants and fac	2,505	67	2,438	0	0	70	0	0	0	0	39	2,469	2,575	106	2,469
Sewerage Schemes: Other assets	12,153	280	11,873	0	0	171	0	0	0	0	280	11,764	12,324	560	11,764
Water Supplies: Treatment plants and facilit	150	8	142	0	0	14	0	0	0	0	10	146	164	18	146
Water Supplies: Other assets	22,298	627	21,671	0	0	307	0	0	0	0	452	21,526	22,605	1,079	21,526
Total Infrastructural Assets	138,624	3,793	134,832	0	0	3,040	0	0	0	0	2,867	135,006	141,664	6,660	135,006
Capital work in progress ¹	723	0	723	0	0	1,908	(183)	0	0	0	0	2,448	2,448	0	2,448
Joint venture assets	733	157	576	0	0	3	0	0	0	0	20	560	736	177	560
Surplus properties identified for sale	7,233	0	7,233	0	0	0	0	0	0	0	0	7,233	7,233	0	7,233
TOTAL PROPERTY, PLANT AND EQUIPMENT	186,385	6,383	180,003	0	0	6,251	(183)	60	55	0	3,359	182,711	192,393	9,687	182,711

Valuation

Operational assets

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

- Structure,
- Services, and
- Internal fitout.

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

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

Heritage assets have been recorded at cost less accumulated depreciation.

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

Infrastructural assets

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

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

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

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

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

Impairment

No impairment losses have been recorded during the 2015 financial year in relation to property, plant and equipment (2015: \$Nil).

Work In Progress

The total amount of property, plant and equipment in the course of construction is \$1,910,000 (2015: \$2,448,000). 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.

Core Assets

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

	2016			
	Closing Book Value	Additions: constructed by Council	Additions: transferred to Council	Replacement Cost
	\$000's	\$000's	\$000's	\$000's
Water Supply				
- treatment plants and facilities	1,546	1,414		3,589
- other assets	22,216	1,104	40	31,294
Sewerage				
- treatment plants and facilities	2,432	3		3,491
- other assets	11,712	200	32	20,621
Stormwater drainage	4,957	941	31	6,965
Flood protection and control works	-	-	-	-
Roads and footpaths	87,400	3,340	109	88,959
TOTAL	130,263	7,002	212	154,919

The replacement cost is based on the optimised replacement cost estimate amounts in the valuation as at 1 July 2013 plus additions from 2013/2014 to 2015/2016 at cost. The closing book value of Roads and footpaths shown above excludes the value of street lighting, sumps, leads and other related assets totalling \$585,000 that are included in the value of Roading assets under infrastructural assets as disclosed in the previous page. Replacement cost for water supply does not include rural water schemes as they are stock water and as such are not considered core assets

	2015			
	Closing Book Value	Additions: constructed by Council	Additions: transferred to Council	Replacement Cost
	\$000's	\$000's	\$000's	\$000's
Water Supply				
- treatment plants and facilities	146	14	-	2,174
- other assets	21,526	187	120	30,149
Sewerage				
- treatment plants and facilities	2,470	70	-	3,488
- other assets	11,764	34	137	20,389
Stormwater drainage	4,051	58	128	5,993
Flood protection and control works	-	-	-	-
Roads and footpaths	85,934	1,923	270	85,510
TOTAL	125,890	2,286	655	147,703

NOTE 19 – Subsidiary**Name of Entity:** Mackenzie Holdings Ltd and Mackenzie Tourism and Development Trust**Balance date:** 30 June 2016

Council resolved on 12 June 2014 to dissolve the Mackenzie Tourism and Development Trust (MTDT). In 2013, Council ceased to operate in a Group as Council resolved on 13 June 2013 to dissolve the Trust and also resolved to exempt the organisation under Section 7 of the Local Government Act 2002. The transactions for MTDT have been absorbed into Council. Consequently, no Group financial transactions have been included in these results.

NOTE 20 – Payables and deferred revenue

	2015	2016
	Actual	Actual
	\$000's	\$000's
CURRENT PORTION		
Payables and deferred revenue under exchange transactions		
Trade payables and accrued expenses	2,753	2,121
Revenue in advance	103	73
Deposits on Land Sales	69	245
Total	2,925	2,439
Payables and deferred revenue under non-exchange transactions		
Other taxes payable (e.g. GST and FBT)	2	2
Grants payable	4	57
Rates in advance	99	98
Total	105	157
TOTAL CURRENT PAYABLES AND DEFERRED REVENUE	3,030	2,596

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.

NOTE 21 – Employee Entitlements

	2015	2016
	Actual	Actual
	\$000's	\$000's
Current	157	197
Non-current	18	19
TOTAL EMPLOYEE ENTITLEMENTS	175	216

Employee entitlements are comprised of:**CURRENT PORTION**

Accrued salaries and wages	59	96
Annual leave	89	101
Long service leave	9	0
Sick leave	0	0
TOTAL CURRENT PORTION	157	197

NON-CURRENT PORTION

Retirement gratuities	18	19
TOTAL NON-CURRENT PORTION	18	19

Total employee entitlements

175	216
------------	------------

NOTE 22 – Provisions

	2015	2016
	Actual	Actual
	\$000's	\$000's
Current	2	3
Non-current	57	58
TOTAL PROVISIONS	59	61
CURRENT PORTION		
Landfill aftercare liability	2	3
TOTAL CURRENT PROVISIONS	2	3
NON-CURRENT PORTION		
Landfill aftercare liability	57	58
TOTAL NON-CURRENT PROVISIONS	57	58
Total provisions	59	61

Movements for each class of provision are as follows:**LANDFILL AFTERCARE LIABILITY**

Opening balance	67	59
Additional provisions made	0	0
Amounts used	0	0
Unused amounts reversed	(8)	(3)
Discount unwind (Note 4; Expenditure)	0	5
Total landfill aftercare liability	59	61

Provision for Landfill Aftercare

As the former owner of various closed landfills around the District, the Council has a legal obligation to ensure these sites are rehabilitated to a standard that minimises any negative impact on the environment.

The Council has obtained resource consents for the closure of the following landfills:

- Burkes Pass landfill - granted until 27 July 2031
- Fairlie landfill - granted until 27 July 2031
- Tekapo landfill - granted until 27 July 2031
- Twizel landfill - granted until 27 July 2031
- Haldon landfill - granted until 27 July 2031
- Albury landfill - granted until 27 July 2031

The Council has a responsibility under the resource consents to provide ongoing maintenance and monitoring services at the landfill sites after closure until such time that Environment Canterbury is satisfied that the leachate quality has improved to a level that does not have a negative impact on the environment.

The expected term of the maintenance and monitoring services that will be required is 16 years.

A provision for post-closure costs was initially recognised as a liability when the obligation for post-closure costs arose. The provision includes all other costs associated with landfill post-closure. 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 gross provision before discounting is \$72,000 (2015: \$77,000). The following significant assumptions have been made in calculating the provision:

1. The discount rate used to arrive at the present value is 2.68% (2015: 3.91%) based on the 30 June 2016 Treasury risk-free discount rate forecast. This discount rate used is a rate that reflects current market assessments of the time value of money and the risks specific to the liability; and
2. The aftercare costs have been estimated to continue until 2030/2031. The annual inflation factor applied to the estimated aftercare costs from 2015/2016 to 2030/2031 is 2% (2015: 2%).

Estimates of the life and future expenditure are reviewed annually by Council.

NOTE 23 – Surplus Property

	2015	2016
	Actual	Actual
	\$000's	\$000's
LAND		
Opening Balance	11,369	12,886
Add/(less):		
Transfer from operational land	1,517	2,142
Disposals/change in valuation	0	-1,404
CLOSING BALANCE	12,886	13,624
TOTAL SURPLUS PROPERTY	12,886	13,624
Total surplus properties are comprised of:		
Inventory	5,649	6,446
Surplus property held for sale	7,237	7,178
Current portion of Property intended for disposal	0	0
Total Surplus Properties	12,886	13,624

NOTE 24 – Severance Agreements

Severance payments include any consideration (monetary or non-monetary) provided to any employee in respect of the employee's agreement to terminate his or her employment with Council, over and above the usual employee entitlements.

For the year ended 30 June 2016, the Council made 1 severance payment to employees (2015: Nil). The value of the severance payment was \$27,130

NOTE 25 – Remuneration

During the year to 30 June 2015, 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.

	2015	2016
	Actual	Actual
	\$000's	\$000's
PRESENT COUNCIL		
Mayor Claire Barlow	54	57
Councillor Graham Smith	21	21
Councillor Evan Williams	22	21
Councillor Noel Jackson	17	17
Councillor Murray Cox	22	22
Councillor Russel Armstrong	17	17
Councillor James Leslie	22	21
	175	176
COMMUNITY BOARDS		
Fairlie Community Board Members	9	9
Tekapo Community Board Members	9	9
Twizel Community Board Members	10	12
	28	30
TOTAL REMUNERATION PAID TO ELECTED REPRESENTATIVES	203	206

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).

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

	2015	2016
	Actual	Actual
	\$000's	\$000's
Salary	165	180
Vehicle (Market value)	18	18
Telephone	1	1
Total remuneration package of the current Chief Executive	184	199

Council Employees

Total remuneration by band for employees as at 30 June 2016.

	2016
	Actual
<\$60,000	23
\$60,000-\$99,999	7
\$100,000-\$169,999	3
Total employees	33

Total annual remuneration by band for employees as at 30 June 2015:

	2015
<\$60,000	19
\$60,000-\$79,999	5
\$80,000-\$99,999	3
\$100,000-\$169,999	5
Total employees	32

Total remuneration includes any non-financial benefits provided to employees.

At balance date, the Council employed 22 (2015: 20) full-time employees, with the balance of staff representing 6 (2015: 7) full-time equivalent employees. A full-time employee is determined on a basis of a 37.5 hour working week.

NOTE 26 – Related Party Transactions

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

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

Related party disclosures have also not been made for transactions with entities within Council (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such transactions.

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 2016 (2015: Nil). No related party debts have been written off or forgiven during the period (2015: Nil).

Key Management Personnel Compensation

	2015	2016
	Actual	Actual
	\$000's	\$000's
Councillors		
Remuneration	203	206
Full-time equivalent members	7	7
Senior Management Team, including the Chief Executive		
Remuneration	679	792
Full-time equivalent members	6	6

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

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

1. 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.

During the reporting period, total remuneration of \$128,469 (2015: \$210,000) was provided by Council to employees who are close family members of key management personnel.

NOTE 27 – Contingencies

	2015	2016
	Actual	Actual
	\$000's	\$000's
Council is aware of the following contingent liabilities as at 30 June 2016:		
CONTINGENCIES:		
Housing New Zealand contribution to Fairlie Pensioner Housing Units	516	516
TOTAL CONTINGENT LIABILITIES	516	516

Contingent Liabilities

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.

Contingent Assets

High Country Medical Trust

The future health care needs of the Mackenzie/Omarama Community has necessitated a larger purpose built facility. In support of the High Country Medical Trust's ("the Trust") aims and objectives, the Council resolved to advance an interest-free unsecured loan

of \$330,000 towards the construction of the new medical centre. This loan has been shown as grant expenditure in the Statement of Financial Performance. Refer to Note 5: Expenditure. Also, the Trust and Council have entered into an agreement whereby the Council leases the land to the Trust on which the new Medical Centre has been built.

The Trust controls the use of the new medical facilities, however if the practical completion and code of compliance certificates are not issued within five years of the agreement, the Trust breaches the terms of the agreement or Council terminates the agreement then the assets will vest in Council and the loan shall become repayable with interest by the Trust to Council. Until one of these events occurs, the assets are not recognised as assets in the Statement of Financial Position.

As at 30 June 2016, the new medical facility has an approximate value of \$1,560,000. This estimate has been based on rating valuations for the area.

There are no other contingent assets (2015: \$Nil).

NOTE 28 – Events after Balance Date

Pukaki Airport Board Land Sales

During the year, Pukaki Airport Board entered into seven Sale and Purchase Agreements with a third parties for the disposal of parcels of land held for a total cash consideration of \$1,050,390. The initial deposit of 20% of the disposal price received of \$176,479 is included in Note 20: Payables and deferred revenue as deposits on land sales as at the end of the financial year. The disposal is expected to be completed by the end of the 2018/2019 financial year.

The remaining amounts receivable prior to settlement are collectible as follows:

	2016
	Actual
	\$000's
Not later than one year	329,281
Later than one year, not later than two years	274,771
Later than one year, not later than five years	274,771
Total receivable	878,823

Mackenzie District Council Land Sales

During the year, Mackenzie District Council entered into five Sale and Purchase Agreements with a third parties for the disposal of parcels of its land on Glen Lyon Road for a cash consideration of \$892,000. 10% of the disposal price received of \$89,000 is held in escrow until settlement as at the end of the financial year. Settlement is to be within 10 days of the title being issued, which is expected to be completed during the 2016/2017 financial year. The land sold is currently classified within land in property, plant and equipment with a book value totalling \$43,740.

In the 2015/2016 financial year, a Tekapo property was sold for a cash consideration of \$1,350,000. At balance date, the deposit of \$418,500 received is held in escrow until settlement. Settlement is due on 16th August 2016, 120 days from when the concept plans were approved. The land sold is currently classified as land developed for sale within commercial inventory. Refer to Note 15: Inventories

No other post balance date events occurred up to the date of the report adoption that are known to have a material affect on the Financial Statements and Notes to the Financial Statements of Council (2015: \$Nil).

NOTE 29 – Commitments

Operating Leases as Lessee

Mackenzie District Council has entered into non-cancellable contracts for most of its physical works for infrastructure including water, stormwater, wastewater, roading, solid waste collection and disposal and town maintenance.

The Council also lease Information Technology plant and equipment in the normal course "of its business. The majority of these leases have a non-cancellable term of 36 months.

The future aggregate minimum contract payments under non-cancellable operating contracts are as follows:

	2015	2016
	Actual	Actual
	\$000's	\$000's
Not later than one year	1,773	5,281
Later than one year, not later than two years	562	633
Later than two years, not later than five years	1,755	1,769
Later than five years	810	206
Total non-cancellable operating contracts	4,900	7,889

Leases for Information Technology plant and equipment can be renewed at the Council's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council has the option to purchase the asset at the end of the lease term.

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

Joint Venture Operating Lease Commitments

There are no operating lease commitments associated with the joint venture, Downlands Water Supply, as at 30 June 2016 (2015: \$Nil).

Operating Leases as Lessor

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

Non-Cancellable Operating Leases as Lessor

	2015	2016
	Actual	Actual
	\$000's	\$000's
Not later than one year	135	135
Later than one year, not later than five years	390	407
Later than five years	1,543	1,480
Total non-cancellable operating leases as lessor	2,068	2,022

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

NOTE 30 – Financial Instruments

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

	2015	2016
	Actual	Actual
	\$000's	\$000's
FINANCIAL ASSETS		
Loans and receivables		
Cash and cash equivalents	7,286	3,270
Receivables	1,866	2,410
Other financial assets		
Eversley Loan	155	140
Term deposits	72	140
TOTAL LOANS AND RECEIVABLES	9,379	5,960
Fair value through other comprehensive revenue and expense		
Bonds	1,620	2,123
Strongly rated corporate bonds	0	792
Local authority stock	542	532
Unlisted shares	17,856	18,903
TOTAL FAIR VALUE THROUGH EQUITY	20,018	22,350
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Payables	3,030	2,596
TOTAL FINANCIAL LIABILITIES AT AMORTISED COST	3,030	2,596

NOTE 31 – Explanation of Major Variances against Budget

Explanations for major variances from Mackenzie District Council's estimated figures in the 2015-2016 Annual Report are as follows:

Statement of Comprehensive Income

Council's net operating surplus of \$5,496,000 was more than the budgeted loss of \$213,000. Revenue was \$20,038,000, compared to the budgeted revenue of \$12,487,000. This is due to the net effect of the following variances in revenue and in expenditure as detailed below.

Revenue

Refer to Note 4; Revenue.

Subsidies and grants	Subsidies and grants were \$1,891,000 being \$289,000 above the budget of \$1,602,000. This is due to an extra \$217,000 of NZTA monies received. Subsidies are directly related to the amount of money the Council spends on the Roothing activity, whether capital expenditure or operating expenditure. \$71,000 of petrol tax was also received this year and was not budgeted for.
Other revenue	Other income is \$2,874,000; \$1,188,000 more than the budget of \$1,686,000. This is mainly due to additional carbon credits worth \$739,000 being issued to Council and an increase in income from building consents of \$152,000. Income from Resource Recovery Park gate fees was up \$121,000 on budget due to an increase in the volume of rubbish this year
Real estate sales	Revenue from real estate sales was \$3,273,000. This resulted from two lots sold in the Tekapo lakefront development, a section in Twizel to Meridian Energy and other sundry land sales.
Contributions	These contributions are generated as a result of developers giving effect to subdivision plans and have contributed \$587,000 (budget \$120,000) in revenue for the year.
Other gains	Revenue from other gains was above budget by \$1,987,000. The gain is due to larger than expected valuation increases from the forestry revaluation of \$2,049,000 (this increase is not a cash transaction. The unrealized gain represents the change in the market value of the forest for the year for accounting purposes only) and carbon credits increasing in value by \$639,000.
Vested assets	Revenue from vested assets is greater than budgeted by \$231,000. This is largely attributable to higher than anticipated amounts of vested assets provided to Council. Vested assets are mainly infrastructural assets received from developers once a subdivision is complete. This is a non cash item and is subject to the number of subdivisions that are completed. Council received \$231,000 in assets vested with Council from Tekapo developers, which is made up of water assets \$40,000, sewer assets \$32,000, stormwater assets \$32,000 and roading assets \$127,000.
Financial assets at fair value through other comprehensive income	The movement for the year was a gain of \$1,058,000. \$1,047,000 of this gain relates to the revaluation of the Alpine Energy shares. This gain in value is not a cash transaction. The unrealised gain represents the change in the market value of the shares for the year for accounting purposes only.

Expenditure

Refer to Note 5; Expenditure.

Consultancy expenses	Consultancy expenses were \$1,159,000; being \$315,000 more than the budget of \$844,000. This was due to the outsourcing of the monthly management reporting and a consultant planner; costs associated with the High Country Medical Trust and all costs involved with consent applications which are then on-charged to clients with the corresponding income showing in other income.
Operational and Maintenance	Costs for the year are \$4,343,000; \$536,000 more than the budgeted cost of \$3,807,000. The main reasons for this are: costs associated with solid waste cartage are over budget by \$243,000 due to increased volumes of waste being generated and an increase in disposal costs for metal. Contractor spends associated with water supplies and sewerage schemes were also over budget by \$203,000. An explanation for this and other operating expenditure variances are reported in detail by significant activity in the cost of service statements in the Group Activities section. These increases were offset by reduced spending on contribution payments for tourism and economic development and township projects, where expenditure was of a capital nature and transferred to the asset schedule rather than expensed as per the budget. A \$330,000 grant was made to the High Country Medical Trust for a building extension.

Depreciation	Depreciation of \$3,543,000, being \$454,000 higher than the budget of \$3,089,000. This is due to higher than expected spends over the past two years on roading infrastructure, resulting in a higher depreciation charge.
Real estate cost of sales	Real Estate cost of sales was \$558,000 which was unbudgeted. This relates to the land costs associated with the sections sold.

NOTE 32 – Insurance Contracts

Insurance of Assets

The following information relates to the insurance of Council assets as at 30 June 2016.

	2015	2016
	Actual \$000's	Actual \$000's
The total value of all Council assets covered by insurance contracts	182,711	184,071
The maximum amount to which insured assets are insured	34,052	37,260
The total value of all Council assets covered by financial risk sharing arrangements	0	0
Maximum amount available to the Council under financial risk sharing arrangements	0	0
Total value of assets that are self-insured	126,464	130,851
The value of funds maintained for self-insurance	3,000	3,000

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

In addition to Council's insurance, in the event of natural disaster it is expected that Central Government will contribute up to 60% towards the restoration of water, drainage and sewerage assets and provide a subsidy of 55-75% towards the restoration of roads.

An insurance reserve of \$200,000 (2015: \$200,000) exists to meet the costs of claims that fell below deductible levels under Council insurance policies. Refer to Note 9: Special Fund Reserve

Annual Report Disclosure Statement for Year Ending 30 June 2015

What is the Purpose of this Statement?

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

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

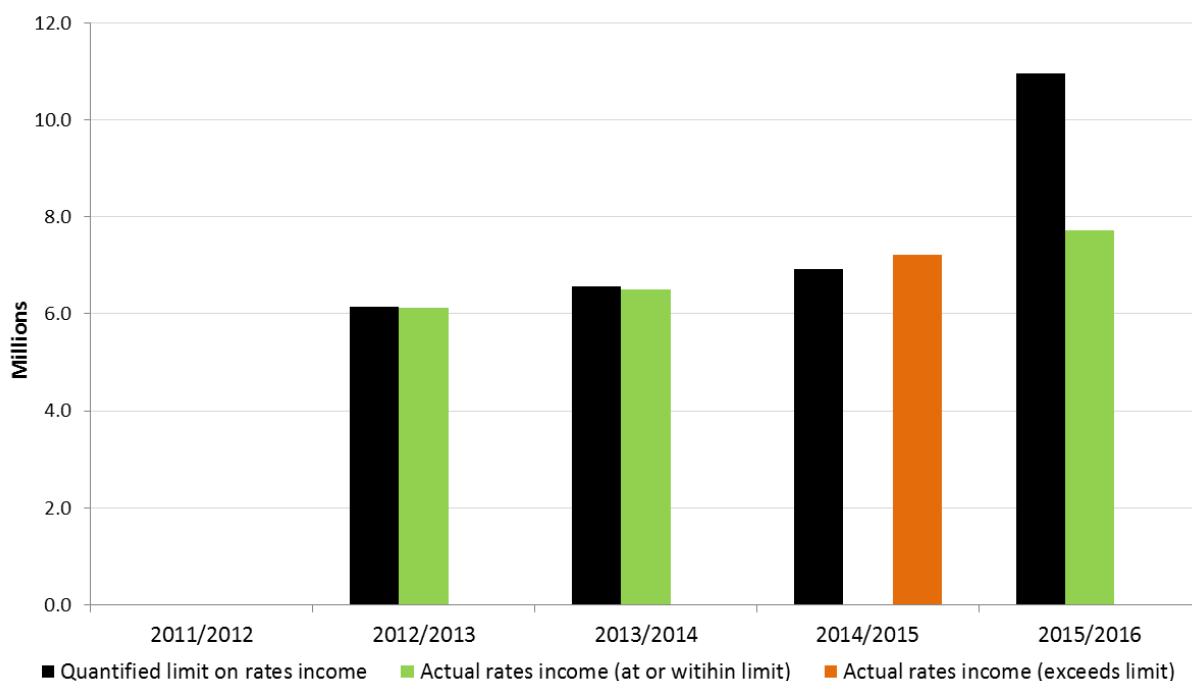
Rates Affordability Benchmark

The Council meets the rates affordability benchmark if—

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

Rates (Income) Affordability

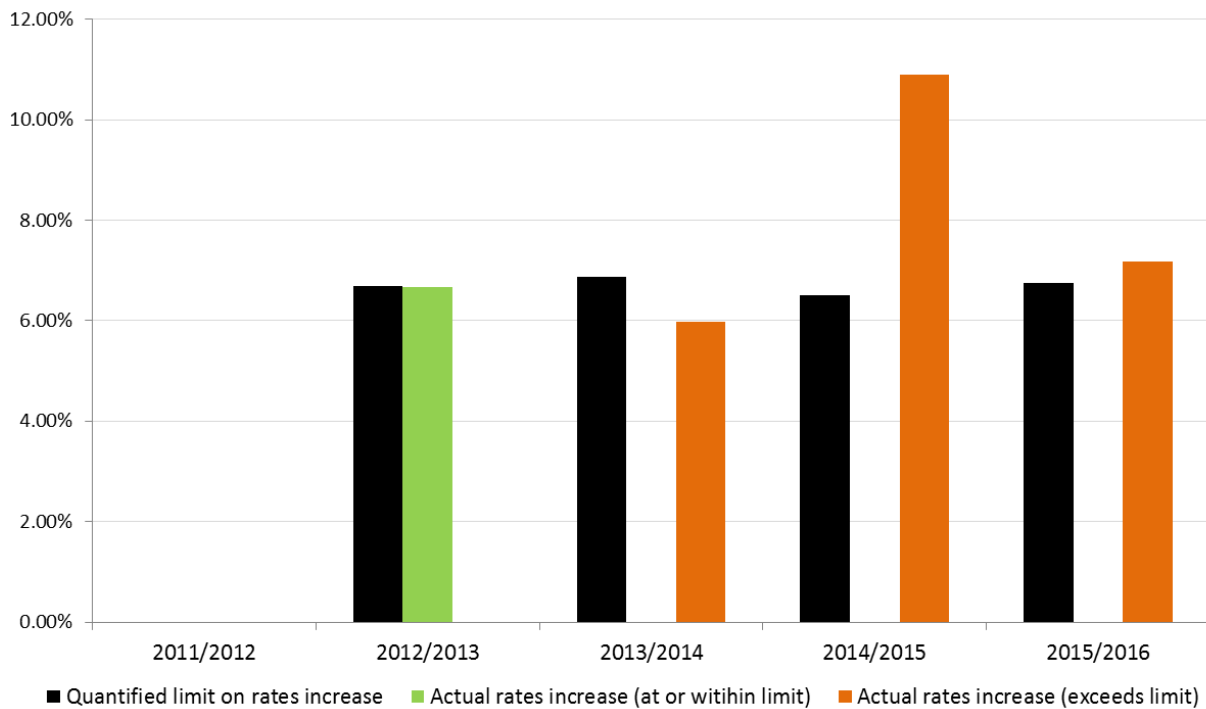
The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long-term plan. The quantified limit is \$6,559,000.



The methodology in the 2015-2025 LTP financial changed to take into account growth in rating base

Rates (Increases) Affordability

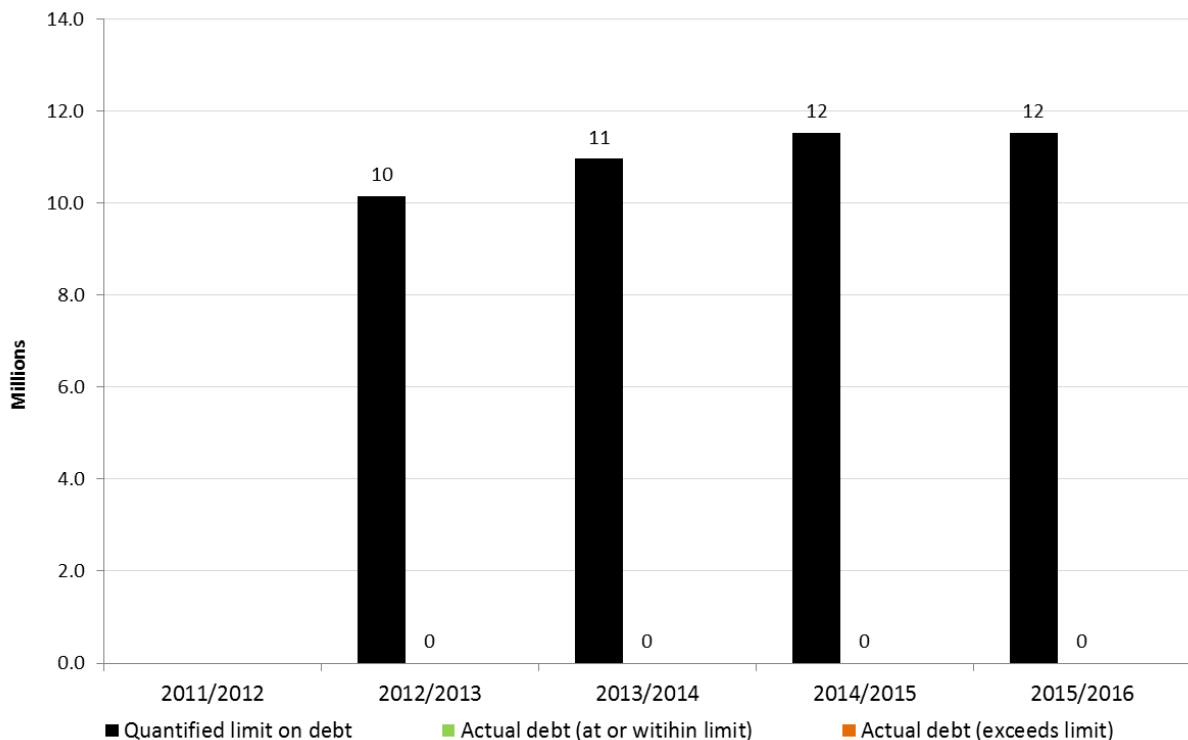
The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the Council's long-term plan. The quantified limit is that rates increases to existing ratepayers will not exceed 6.88%.



The Council breached its quantified limit on rates increase due to increased growth in capital value between when the rates were budgeted and the rates strike.

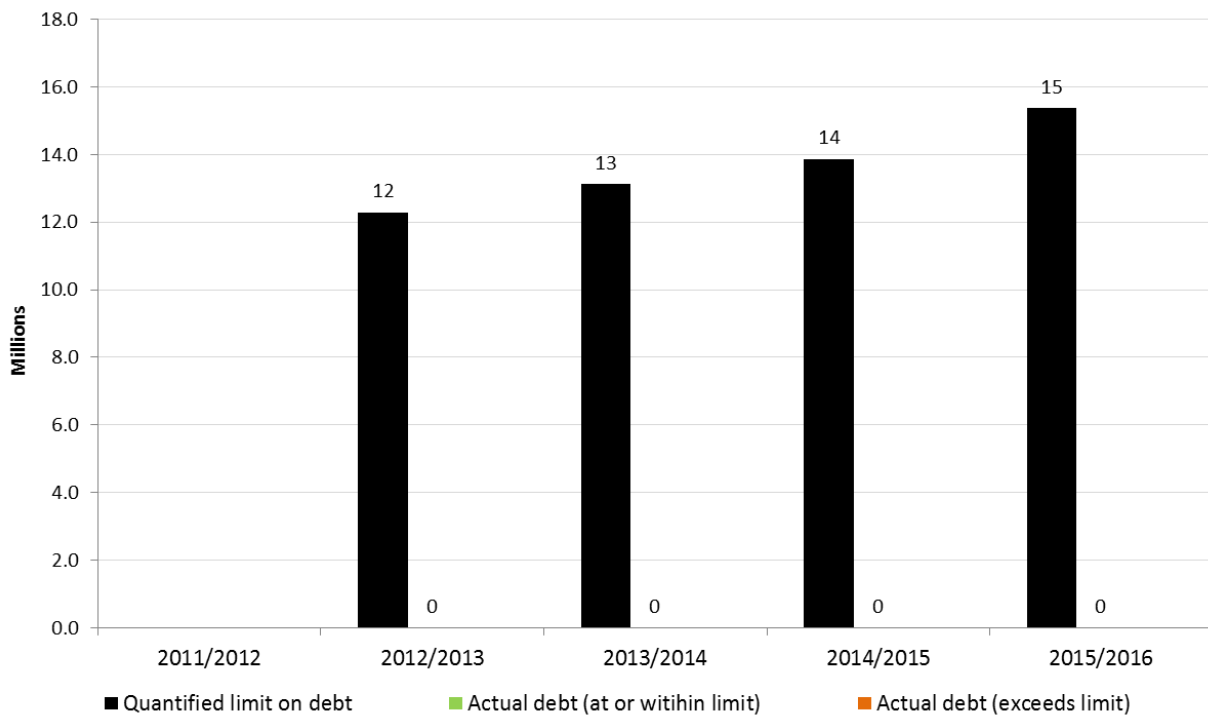
Debt Affordability Benchmark

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



Net Borrowing as a Percentage of Rates Income

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



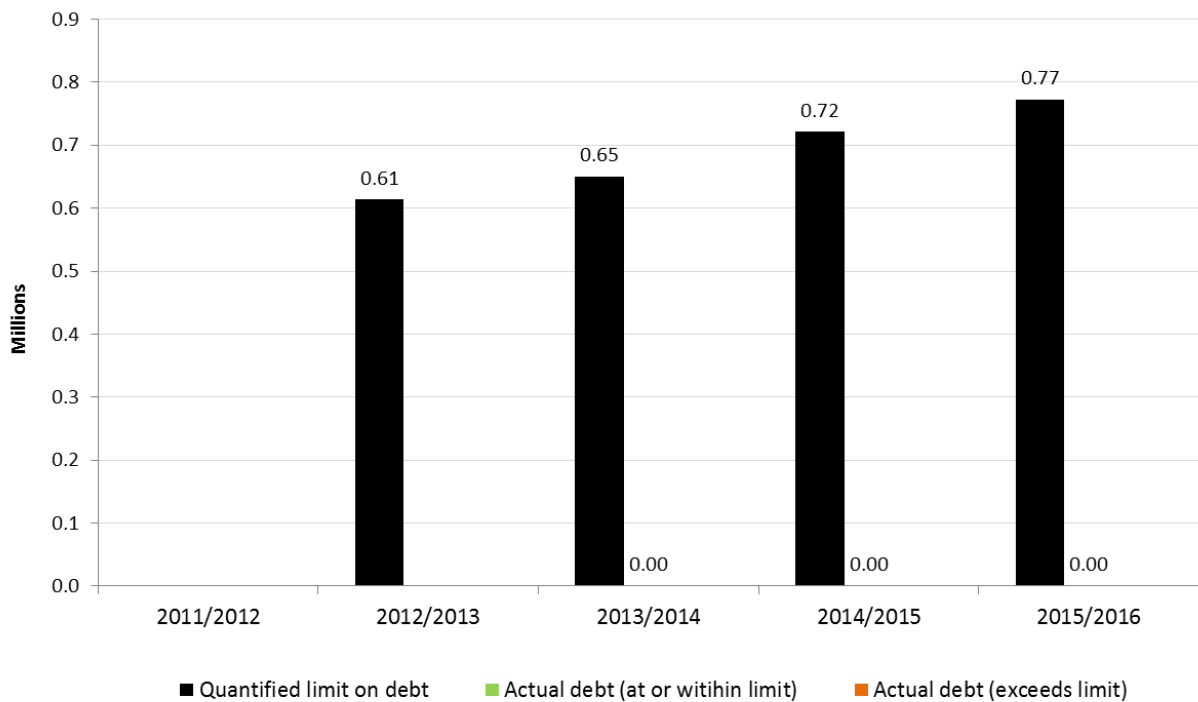
Net Borrowing as a Percentage of Operating Income

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



Financing Costs as a Percentage of Rates Income

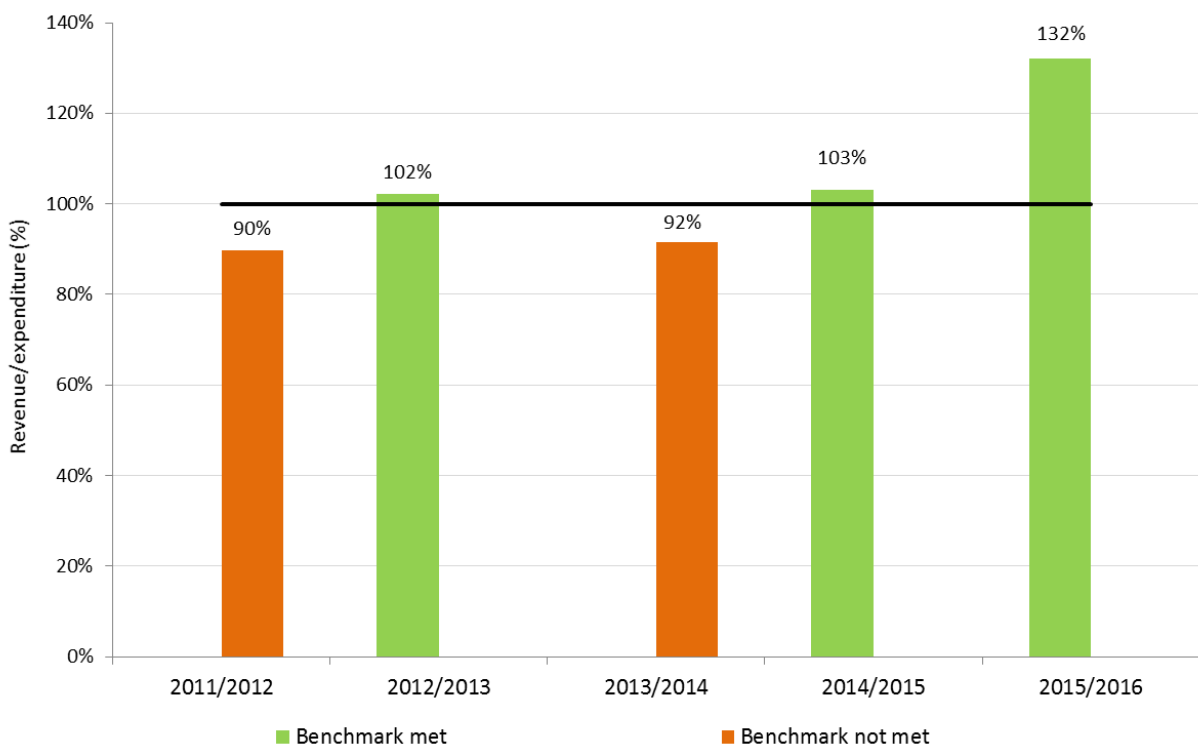
The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in Council's long-term plan. The quantified limit is net interest, as defined as interest expense less interest income, being less than or equal to 10% of annual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



Balanced Budget Benchmark

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

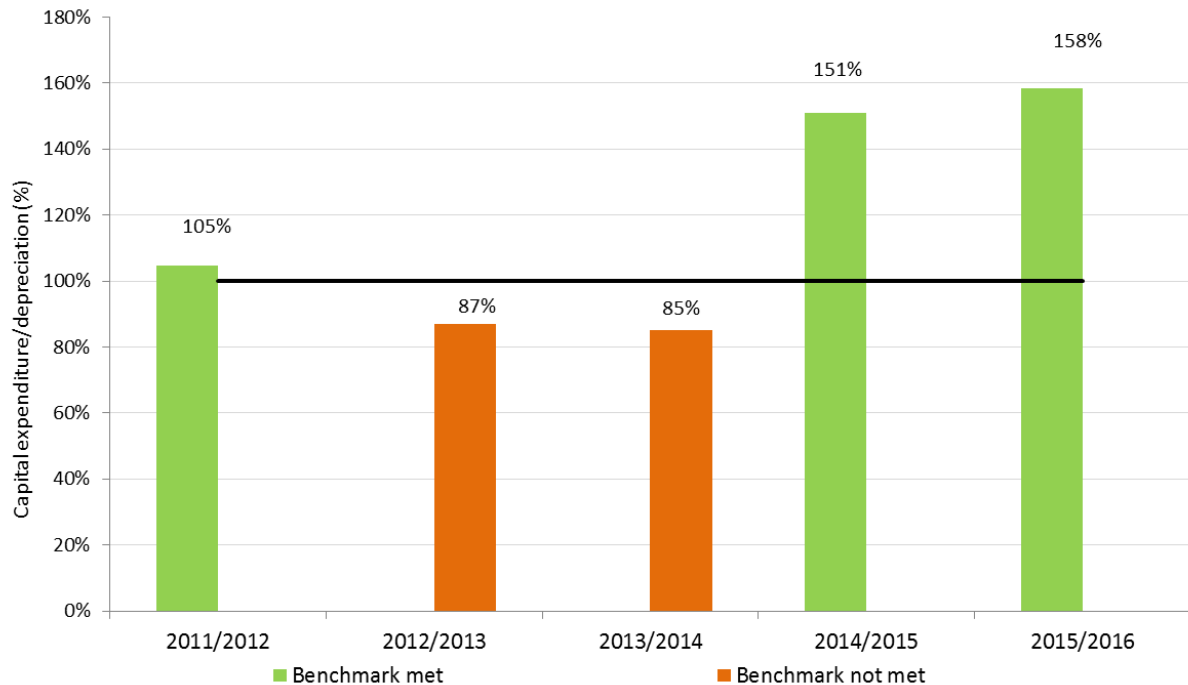
The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



Essential Services Benchmark

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

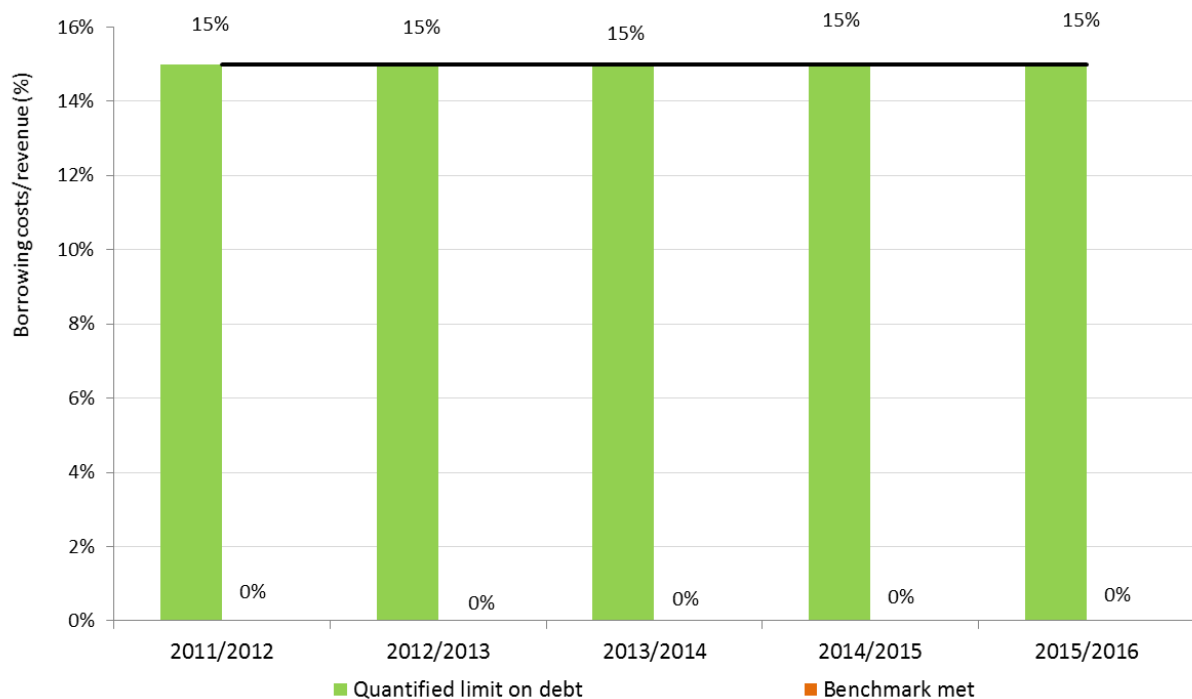
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt Servicing Benchmark

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

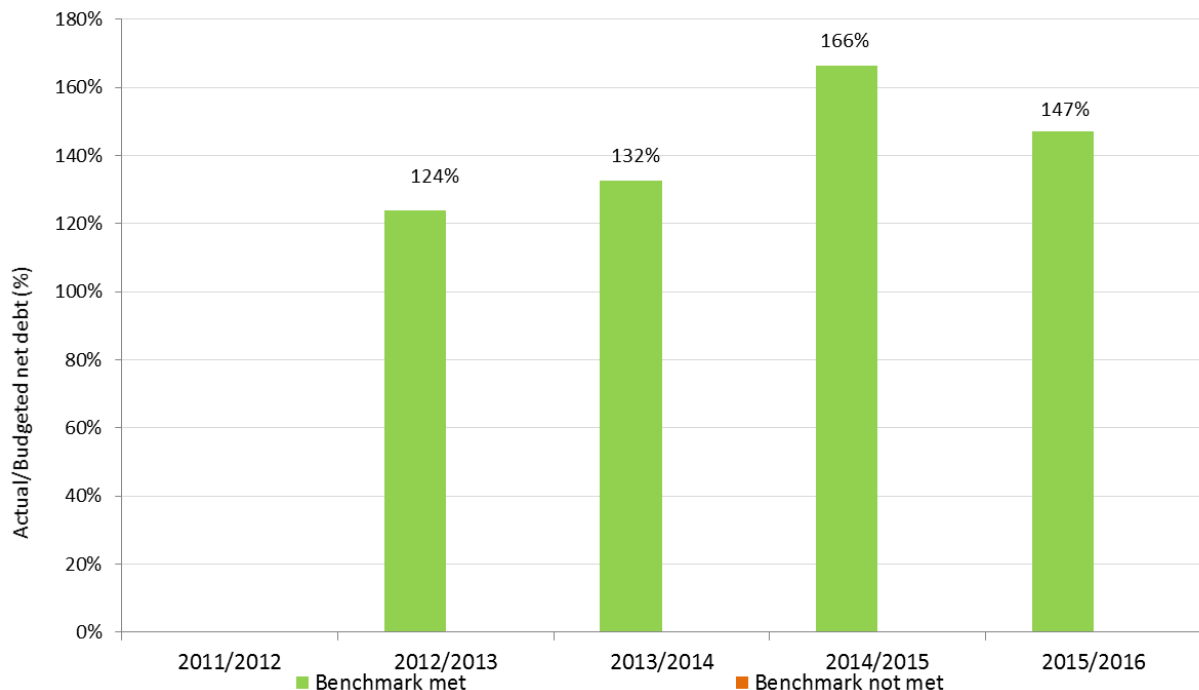
Because Statistics New Zealand projects the Council's population will grow [as fast as, or faster than,/more slowly than] the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.



Debt Control Benchmark

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

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

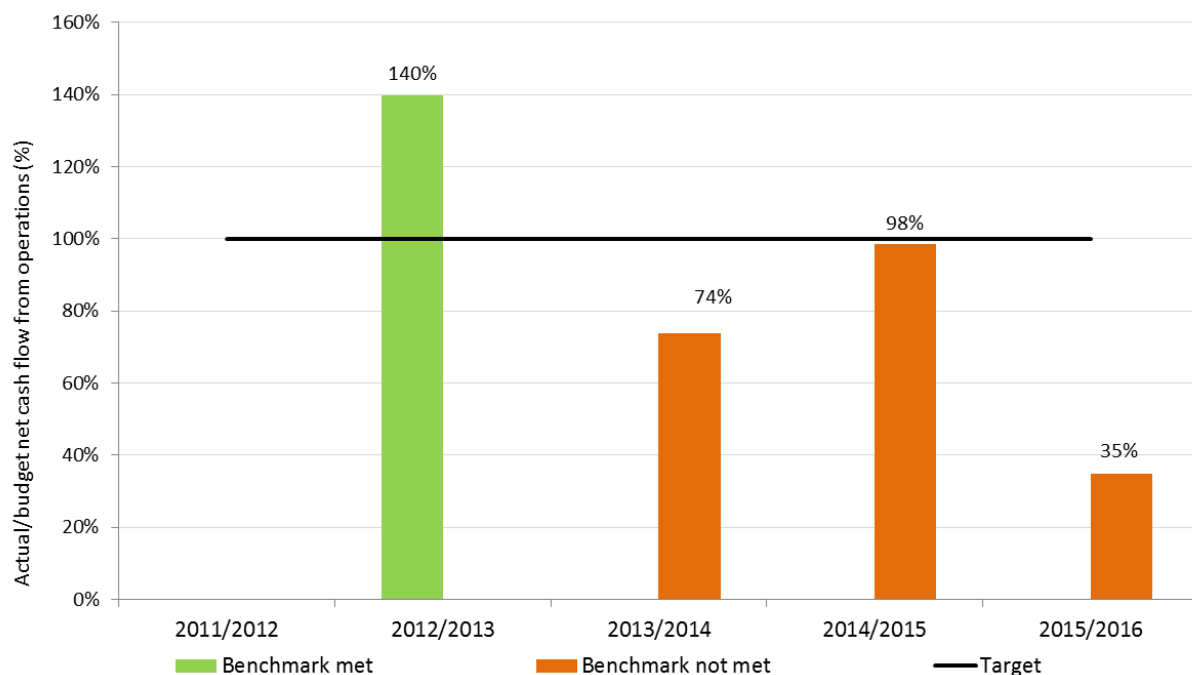


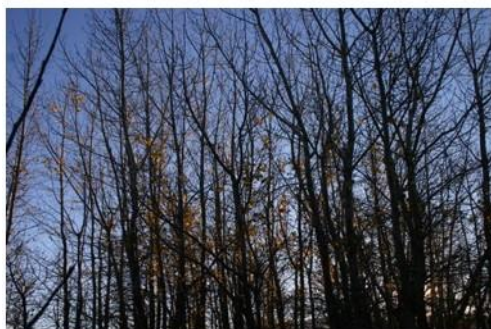
Mathematically, the results shown in the graph above are correct. The graph shows “benchmark met” whenever the Council is better off (either less indebted or with greater net assets) than planned. In this case, there is no net debt, so figures are comparing actual net assets against budgeted net assets.

Operations Control Benchmark

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

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





COUNCIL STRUCTURE

Council Structure

Division of Responsibility between
Council and Management

Council Committee Structure

Community Board Structure

Organisation 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 four committees – Finance, Asset and Services, Planning and Regulation, and Strategy and Policy. All Councillors are members of each committee with the following Councillors appointed to chair the meeting:

- Chair of Finance – Councillor Smith
- Chair of Asset and Services – Councillor Leslie
- Chair of Planning and Regulation – Councillor Cox
- Chair of Strategy and Policy – Mayor Barlow
- Each Committee and the full Council meets on a six weekly basis.

Council has two sub-committees – Audit and Risk and the Tekapo Property Group. The Audit and Risk sub-committee is a subset of the Finance Committee and consists of the Mayor, deputy mayor and two Councillors. The Tekapo Property Group consists of four Councillors and two outside appointments. This is also a sub-committee of the Finance Committee. The chair of Audit and Risk is Mayor Barlow, and the chair of the Tekapo Property Group is Cr Cox.

The Chair of the Audit & Risk Subcommittee is Mayor Barlow. The Chair of the Tekapo Property Subcommittee is Cr Cox.

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 2015 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.

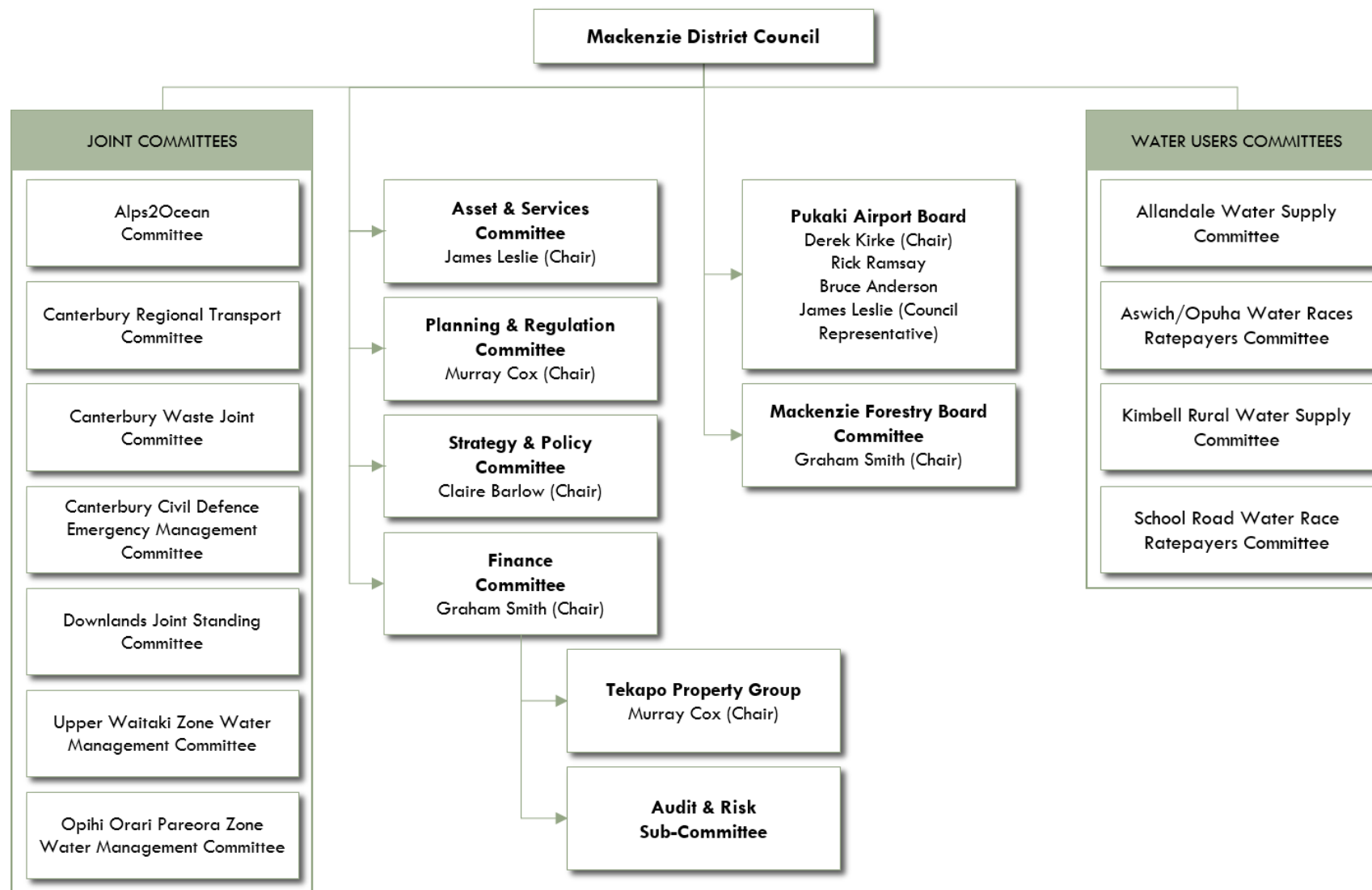
While many of the Council’s functions have been delegated, the overall responsibility for achieving the vision and goals of the District ultimately rests with the Council. The Council helps discharge this responsibility by maintaining effective systems of internal control. Internal control includes the 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.

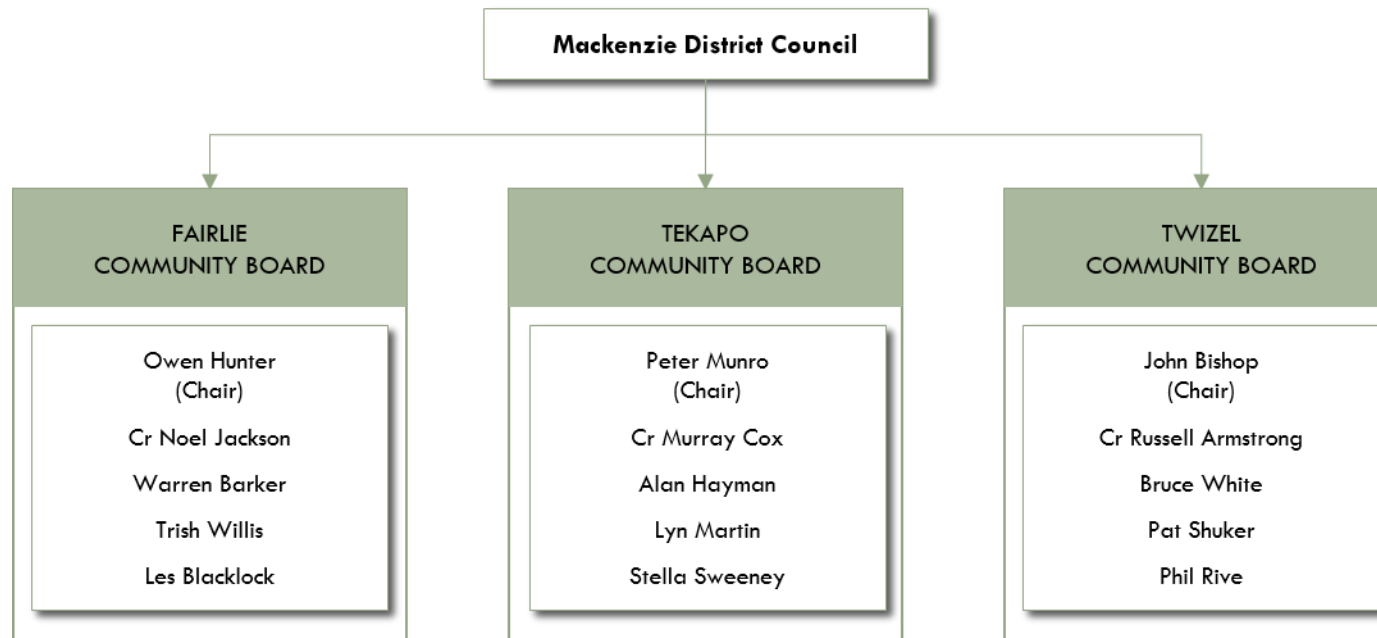
Council Committee Structure

As at June 2016



Community Board Structure

As at June 2016



Organisation Chart

As at June 2016

