

Annual Report 2015-16



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1. INTRODUCTION

1.1. Message from the Mayor and Chief Executive

The 2015-16 year saw some fantastic developments happening in our district which demonstrates that Council's strategies combined with the work of passionate community groups is positioning the South Waikato very well for a sustainable and positive future.

2016 has seen significant increases in the value of our residential property in our district. As at March 2016, house prices for the South Waikato have increased 21% for the year (compared to the national average of 11%) and the number of house sales has increased by 46% for the year (compared to the national average of 19%). People are recognising the positive attributes of our district, including: a strong, diverse community, affordable land prices, a growing economy, a business friendly council and facilities to cater to those who enjoy outdoor recreations such as water sports, cycling and walking.

Our GDP growth for the past 12 months is 3.0%, the thirteenth highest district growth in New Zealand. We are very proud of these statistics as they are partly a result of securing of the \$385m Fonterra milk dryer development at Lichfield, the development of the Tokoroa Rail Terminal, a business improvement focus within Council, the establishment of a Business Case Manager position, and a strong communications campaign to turn around the negative media perception of the South Waikato.

In the complex world of shaping the future of the South Waikato and ensuring all council services meet our ratepayers expectations, there are always some challenges.

The district revaluation process takes a snapshot of the property values in our district at a point in time and determines how the rates bill will be split amongst our ratepayers. This process occurs once every three years. The revaluation process saw the average price of dairy farms increase in value by 40% from three years ago. This meant that the average rates increase for our dairy farmers was 10%. Council recognised that the timing of these rating increases was poor, given the low dairy pay-out that dairy farmers have experienced over the past couple of seasons but unfortunately were unable to find a suitable resolution under the constraints of the Rating Act.

To ensure that the rates take is distributed fairly throughout the district, Council has continued to ensure that the uniform annual general charge (UAGC) makes up 29% of the total amount of rates collected. The UAGC is a charge allocated to each household or separately inhabited unit on a property. Under legislation we are allowed to collect 30% of our rates from the UAGC. This helps to distribute the rates take more evenly between our rural and residential ratepayers.

The fact that people are recognising what our district has to offer was no more apparent than at the Blue Spring and Te Waihou. The summer months saw a record number of people using the walkway and unfortunately the high use created a number of issues including: parking, litter, the lack of toilets and damage to the environment, particularly the Blue Spring. Council consulted with the community on this issue and has decided to construct a new toilet facility at the Whites Road end, to encourage people visiting to access the walkway from the Whites Road end, the creation of overflow parking at Whites Road, and undertaking simple works to block off the stairs into the Blue Spring. Council will be closely looking at how much use the walkway receives over the coming summer months with the objective of developing a more comprehensive management plan.

We have undertaken a number of projects to provide new or enhanced services and facilities to our community. This includes supporting the bus that takes students from the South Waikato to the University of Waikato daily. Our high school graduates are now able to obtain a university qualification, without having to leave the South Waikato. We helped to facilitate the new logistics and distribution course that is now being run as part of the Trade Training Centre which will help to increase the number of qualified truck drivers in our district as currently there is a shortage. The trial of the Urban Connector will become permanent in 2016-17. This service allows our residents to travel around Tokoroa and between Tīrau, Putāruru and Tokoroa. Council also committed funding towards a new skatepark in Tokoroa adjacent to the existing Youth Park. Planning and design of this facility begun in 2015-16 and construction will occur in 2016-17.



Neil Sinclair MNZM JP BDS
MAYOR



Craig Hobbs
CHIEF EXECUTIVE

1.2. Report from the Audit Office



INDEPENDENT AUDITOR'S REPORT TO THE READERS OF SOUTH WAIKATO DISTRICT COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

The Auditor-General is the auditor of South Waikato District Council (the District Council). The Auditor-General has appointed me, Melissa Youngson, using the staff and resources of Deloitte on her behalf, to:

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

Opinion on the audited information

In our opinion:

- the financial statements on pages 60 to 108:
 - present fairly, in all material respects:
 - the District Council's financial position as at 30 June 2016;
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with the Public Benefit Entity Reporting Standards.
- the funding impact statement on page 64, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long Term Plan.
- the service provision (referred to as groups of activities) on pages 20 to 53:
 - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2016, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities on pages 20 to 53, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long Term Plan;
- the funding impact statement for each group of activities on pages 20 to 53, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan; and
- the disclosures on pages 15 to 19 required by the Local Government (Financial Reporting and Prudence) Regulations 2014 represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information.

Compliance with requirements

The District Council has:

- complied with the requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures on pages 15 to 19 which are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information.

Our audit was completed on 29 September 2016. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

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

An audit also involves evaluating:

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

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

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



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

Responsibilities of the Council

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

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

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

Responsibilities of the Auditor

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

Independence

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

A handwritten signature in black ink, appearing to read "M. Youngson".

Melissa Youngson
Deloitte
**On behalf of the Auditor-General
Hamilton, New Zealand**

1.3. Councillors and their contact details



Councillors from left to right back row: Jeff Gash, Terry Magill, Marin Glucina, Bill Machen, Herman Van Rooijen, Tua Numanga.

Left to right front row: Thomas Lee, Jenny Shattock (Deputy Mayor), Neil Sinclair (Mayor), Adrienne Bell, Anne Edmeades

| Councillor Name | Phone number | Email Address | Ward |
|--------------------|--------------------------|--|----------|
| Neil Sinclair | 885 0716 027 446 8422 | neil.sinclair@southwaikato.govt.nz | Mayor |
| Adrienne Bell | 027 471 2404 | adrienne.bell@southwaikato.govt.nz | Putāruru |
| Anne Edmeades | 021 0118 4710 | anne.edmeades@southwaikato.govt.nz | Putāruru |
| Jeff Gash | 0275 898 472 | jeff.gash@southwaikato.govt.nz | Tokoroa |
| Marin Glucina | 021 284 3214 | marin.glucina@southwaikato.govt.nz | Tokoroa |
| Thomas Lee | 027 332 1292 | thomas.lee@southwaikato.govt.nz | Tokoroa |
| Bill Machen | 0274 715 899 | bill.machen@southwaikato.govt.nz | Tokoroa |
| Terry Magill | 883 4888 | terry.magill@southwaikato.govt.nz | Tīrau |
| Tua Numanga | 021 961 977 | tua.numanga@southwaikato.govt.nz | Tokoroa |
| Jenny Shattock | 027 441 6230 | jenny.shattock@southwaikato.govt.nz | Tokoroa |
| Herman Van Rooijen | 027 2466601 | herman.vanrooijen@southwaikato.govt.nz | Putāruru |

1.4. Tirau Community Board members

| Name | Phone Number | Email Address |
|----------------------------|--------------|------------------------|
| Cassandra Robinson (Chair) | 027 243 4931 | cassandra.r@xtra.co.nz |
| Clive Collingwood | 027 245 8027 | clive@rsa.org.nz |
| Derek Keesing | 027 493 8819 | derek@arcserv.co.nz |
| Nora Martelletti | 07 888 5756 | |

2. THE COUNCIL STRATEGY

The Council Strategy is set in the Long Term Plan 2015-25 and presents what Council is going to do for the next ten years to make our district a better place to live and work.

At the core of our strategy is our vision (how Council envisages our community in 30 years' time), our outcomes (what Council would like to achieve to make the vision a reality) and our strategies (what Council will actually do to achieve the outcomes). To put it simply, everything that Council does should align with our strategies, outcomes and vision.

2.1. Council's vision

The Council vision describes how Council would like to see our community in 30 years. Our vision is 'Healthy people thriving in a safe, vibrant and sustainable community'.

2.2. Council's outcomes and strategies

The Council outcomes are the goals that Council is working towards over the next 10 years to achieve the vision. Each Council outcome links to one or more strategies. These strategies describe the broad actions that Council will undertake to achieve the outcomes. Council's outcomes and strategies are shown on the next page.

2.3. Financial strategy limits

Council recognises the financial constraints on our community, and in order to protect financial integrity, Council has set limits on the amount of rates that it can collect and the amount of debt that it can accumulate. Whether or not we have achieved compliance with these limits is discussed below.

| Financial Measure | Limit | Achieved? | Comment |
|-------------------|--|-----------|--|
| Rates Increase | Not to exceed the Local Government Cost Index + 2% in any one year | Yes | Rates increase was 1.8%. LGCI for 2016 plus 2% was 3.4%. |
| External debt | External loans not to exceed \$17m plus the level of internal loans borrowed from the Asset Replacement Reserves | Yes | External loans as at 30 June 2016 were \$13.176m |
| Internal debt | Limited to the lowest of 20% of the value of our Asset Replacement Reserves or \$3m. | Yes | Internal loans as at 30 June 2016 were \$1.837m |

2.4. Community outcomes

Grow our economy: existing businesses thrive and new businesses start up in the district.

Tirau Concept Plan - Traffic and Parking issues

Council has been working with the communities of Tokoroa, Putāruru and Tīrau to develop concept plans for these towns. The Tīrau Concept Plan is focussed on encouraging the travelling public to stop in Tīrau, by making it safer and also easier to find parking. We have also focussed on making Tīrau safer for pedestrians and motorists. Council worked with a traffic management consultant and the Tīrau community and visitors to Tīrau to understand how we could achieve those outcomes. A list of suggested works was compiled. During the Annual Plan 2016-17 Council decided to provide \$200,000 towards completing this work. This includes the installation of a new toilet on Hillcrest Street at the 'top of the hill' (southern entrance to Tīrau).

Outcomes

Grow our Economy

Existing businesses thrive and new businesses start up in the district.



Strategies

Economic Development

Stimulate economic development by assisting existing and attracting new businesses while encouraging diversity.

Encourage education and training to improve the employment opportunity of the district's residents.

Improved External Image

People outside our district are encouraged to live, work and develop business here.



District Promotion

Use a full range of marketing tools in conjunction with other organisations, to encourage external people to visit and live and develop businesses in our district.

Well-managed Infrastructure

Our infrastructure is financially and operationally sustainable; it contributes positively to our district environment; and it is cost effective for households and businesses, now and in the future.



Efficient and Effective Operations

Provide sound total asset management planning.

Sustainability is embedded in all of Council's operations.

Efficient Council Operations

Council ensures that our business practices are efficient and effective and achieved through successfully working with our community.

Sustainable Council Operations

We have regard to sustainability while operating in a cost effective manner.

Quality Regulatory Service

Council delivers a local regulatory service that keeps our community safe and is cost effective to households and businesses, now and in the future.



Regulatory Services

Provide regulatory services that meet legislative requirements while supporting our customers.

Quality Services and Facilities

Council provides quality local public services and facilities which are cost effective to households and businesses, now and in the future.



Services and Facilities

Enhance access to and use of Council's services and facilities.

Community Pride

Council provides services that make residents proud of our district, celebrating the artistic, sporting and cultural achievements of our people and the diversity of our cultures.



Community pride

Through improved communication, community activities, an enhanced physical environment focus on making our community proud and engaged.

Maintain and support our community's art and culture and support cultural displays and events.

Cultural Leadership

We support and encourage cultural leadership and capacity building.



Cultural leadership

Build and maintain a strong strategic and operational relationship with Raukawa.

Build and maintain a strong working relationship with Māori at all levels of Council.

Build and maintain a strong working relationship with all cultures present in our district.

Putāruru Moving Forward

Putāruru Moving Forward is a group of local business people working on the Putāruru Concept Plan. The key component of the draft plan to date is to create a vibrant small town within a progressive rural community that is a great place to live, in addition our thinking is to make Putāruru the best regional rural commercial service town; a great place to stop, leveraging off attractions like Te Waihou and Waikato River Trails; and a great place to shop. Council is assisting this work by providing, \$100,000 funding, staff time and a Council representative to help with the development of this work.

The Tokoroa Rail Terminal

The Tokoroa Rail Terminal opened in September 2015. This was a project that was funded by Council, RJ Lincoln Limited and the New Zealand Transport Agency and it is providing economic growth in our district. The facility allows for products to be transported via train to or from the Ports of Tauranga and Auckland. This facility provides time and cost savings for its users and is providing jobs in distribution and logistics. This will support Tokoroa becoming a central North Island logistics and transport hub.

Business case management

Our elected members and staff work proactively with new businesses wishing to set up here, or existing businesses wishing to expand to help make it easier for their plans to come to fruition. Council has a dedicated business case manager within Council, who helps guide businesses through regulatory processes. This approach has helped to secure new businesses and business expansion within our district, such as the new milk dryer development at Fonterra Lichfield. This has brought new jobs to our district from both the construction and post-construction phases.

Improved external image: People outside our district are encouraged to live, work and develop businesses here.

Council consulted on three concept plans for how Leith Place could be developed into the future. We received a lot of our engagement from our community on the concept plans. As a result of the feedback, Council decided not to proceed with the concept plans and will be undertaking further community engagement in late 2016 to find out exactly what our community wants for Leith Place.

Well managed infrastructure: our infrastructure is financially and operationally sustainable; it contributes positively to our district environment and it is cost effective for household and businesses, now and in the future.

The Te Waihou walkway received a record number of visitors this summer. It is great that people are realising the features that our district has to offer, but the downside is that the high number of visitors resulted in issues including damage to Te Puna (the Blue Spring), parking, traffic, littering and dogs.

A quality regulatory service: Deliver a local regulatory service that keeps our community safe and is cost effective to households and businesses, now and in the future.

The District Plan became operative on 1 July 2015. This was a result of a number of years work, deciding how best to manage development and environment over the next ten years.

Council has also participated in the Upper Waihou Local Indigenous Biodiversity Strategies (LIBS) pilot. The Regional Policy Statement requires a LIBS for each district and a LIBS for the South Waikato is also recognised in the District Plan, as a key non-regulatory method of meeting Council's duties to maintain or enhance indigenous biodiversity that may not qualify as significant. This work will continue in the 2016-17 financial year.

Quality services and facilities: Council provides quality local public services and facilities which are cost effective to households and businesses, now and in the future.

Over the next eight years, Council will undertake upgrades to the Tokoroa Indoor Pool facility in order to make sure that this facility is modern and inviting. The first of these upgrades happened this year, which included painting and refurbishment of the ceilings and replacements to the plant.

Council started the construction of new pensioner units on Kindergarten Reserve. This will help ensure that there are affordable, quality housing rental options available for our aging population.

Consultation and design work was undertaken for the new Tokoroa Skatepark which is to be located adjacent to the Tokoroa Youth Park. This will be constructed in the 2016-17 year.

Community pride: Council provides services that make residents proud of our district, celebrating the artistic, sporting and cultural achievements of our people and the diversity of our cultures.

Council held 20 community events over the year, which included the Our Neighbourhood series, Balloons over South Waikato, ANZAC Day events, Youth Week, Matariki and the START careers expo.

Sustainable Council operations: We have regard to sustainability while operating in a cost effective manner.

Council holds resource consents with the Waikato Regional Council for its key components of infrastructure including: the landfills (the Tokoroa Landfill and the closed landfill at Tirau), the wastewater treatment plants, the urban water supplies and our stormwater network. Council operated these facilities without any breaches resulting in formal enforcement actions from Waikato Regional Council.

2.5. Report on achievement of objectives in funding and financial policies

2.5.1. Rates remission and postponement policies report

Background

Council has adopted policies in relation to the remission and postponement of rates. There are a number of circumstances in which applications are considered. Remissions include:

- Community, sporting and other organisations
- Rates on land protected for natural, historical or cultural conservation purposes
- Uniform annual general charges and targeted rates on non-contiguous rural rating units in common ownership
- School sewerage rates
- Penalties
- Māori freehold land
- Uncollectable rates
- Multiple dwellings with a common use on one rating unit
- Water rates due to leaks

| Remission granted | 2015-16 | | 2014-15 | |
|---|---------|-------------|---------|--------|
| | Number | Amount (\$) | Number | (\$) |
| Community, sporting and other organisations | 54 | 99,132 | 50 | 84,089 |
| Rates on land protected for natural, historical or cultural conservation purposes | 2 | 388 | 2 | 387 |
| Uniform annual general charges on non-contiguous rating units owned by the same owner | 8 | 4,943 | 7 | 4,332 |
| School sewerage rates | 34 | 71,084 | 33 | 70,899 |
| Penalties | 133 | 18,136 | 116 | 17,467 |
| Māori freehold land | 7 | 7,785 | 7 | 7,708 |
| Uncollectable rates | 2 | 2,134 | 0 | 0 |
| Multiple residential properties | 2 | 2,621 | 2 | 2,619 |
| Water rates due to leaks | 10 | 4,496 | n/a | n/a |

2.5.2. Rating information

For rating purposes for the 2015/16 year, the number and value of the rating units in the South Waikato District were:

| | |
|---|---------------|
| Number of rating units | 10,099 |
| The total capital value of the rating units | 4,636,472,400 |
| The total land value of the rating units | 2,606,824,050 |

2.6. Revenue and financing policy report

Background

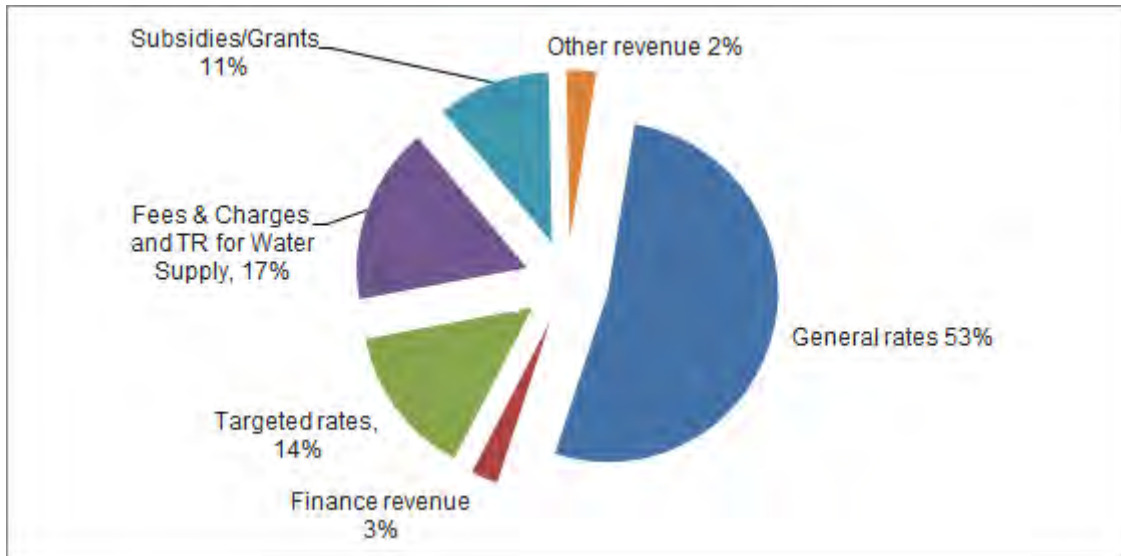
The Revenue and Finance Policy describes where Council will receive its funding from, including what sort of rating model it will use.

Overall performance

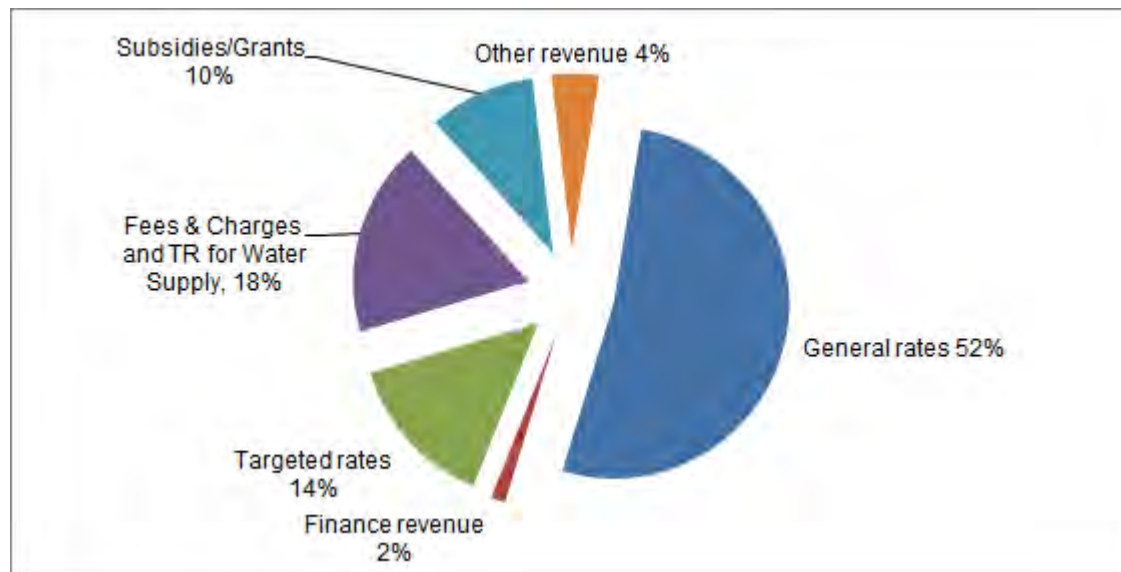
| Significant Activity | General Rates Target | General Rates Actual | Targeted Rates Target | Targeted Rates Actual | User Fees Target | User Fees Actual |
|--|-----------------------------|----------------------|-----------------------|-----------------------|------------------|------------------|
| Animal Control | 40% | 42% | | | 60% | 58% |
| Building Consents and Inspections | 50% | 39% | | | 50% | 61% |
| Business and CBD Promotion - Tokoroa and Putāruru | | | 100% | 100% | | |
| Cemeteries | 40% | 33% | | | 60% | 67% |
| Community Advocacy, Grants and Support (including Visitor Centres) | 100% | 100% | | | | 0% |
| Community Governance (Tirau Community Board) | | 100% | 100% | | | |
| Community Halls | | | 95% | 86% | 5% | 14% |
| District Governance | 100% | 100% | | | | |
| District Promotion | 100% | 100% | | | | |
| District Recreation | 100% | | | | | |
| Economic Development | 100% | 100% | | | | |
| Emergency management (Civil Defence and Rural Fires) | 100% | 99% | | | | 1% |
| Libraries | 90% | 96% | | | 10% | 4% |
| Parks and Reserves (including Sportsgrounds) | 95% | 97% | | | 5% | 3% |
| Pensioner Housing | | 0% | | | 100% | 100% |
| Property Management | 90% | 76% | | | 10% | 24% |
| Public toilets | 95% | 100% | | | 5% | |
| Regulatory Services (Parking and Health) | 80% | 65% | | | 20% | 35% |
| Resource Management (consent processing) | 65% | 73% | | | 35% | 27% |
| Resource Management (policy and monitoring, | 100% | 100% | | | | |
| Roading (general roading activities) | 100% (after subsidies) | 98% | | | | 2% |
| Roading (CBD upgrade loan) | 100% | 100% | | | | |
| South Waikato Performing Arts Centre (The Plaza and Tirau Hall) | 100% (after hireage income) | 100% | | | | |
| South Waikato Sports and Events Centre | 80% | 78% | | | 20% | 22% |
| Stormwater | | | 100% | 100% | | |
| Swimming Pools | 80% | 85% | | | 20% | 15% |
| Talking Poles | 100% | 100% | | | | |
| Te Waihou Walkway | 100% | 100% | | | | |
| Tokoroa Airfield | 40% | 11% | | | 60% | 89% |
| Tokoroa Council of Social Services | 80% | 92% | 65% | | 20% | 8% |
| Waste - Landfills and Refuse Disposal | 30% | 20% | | | 70% | 80% |
| Waste - Litter Collection | 100% | 100% | | | | |
| Waste - Refuse Collection | | | 55% | 53% | 45% | 47% |
| Waste - Recycling | | | 100% | 99% | | 1% |
| Wastewater | | | 100% | 98% | | 2% |
| Water Supply | | | 100% | 100% | | |

2.7. Summary of actual and target revenue sources

Funding impact revenue source - budgeted 2015-16



Funding impact revenue source - actual 2015-16



2.8. Annual report disclosure statement for the year ending 30 June 2016

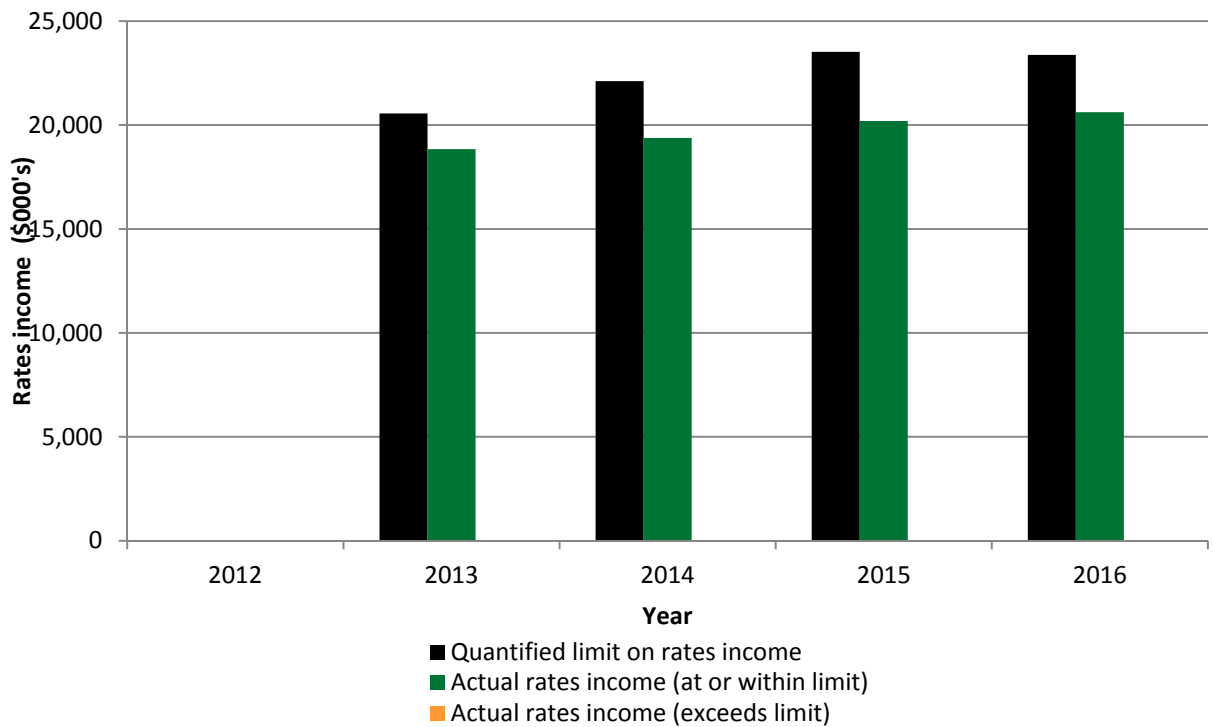
2.8.1. What is the purpose of this statement?

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.

2.8.2. Rates affordability benchmark

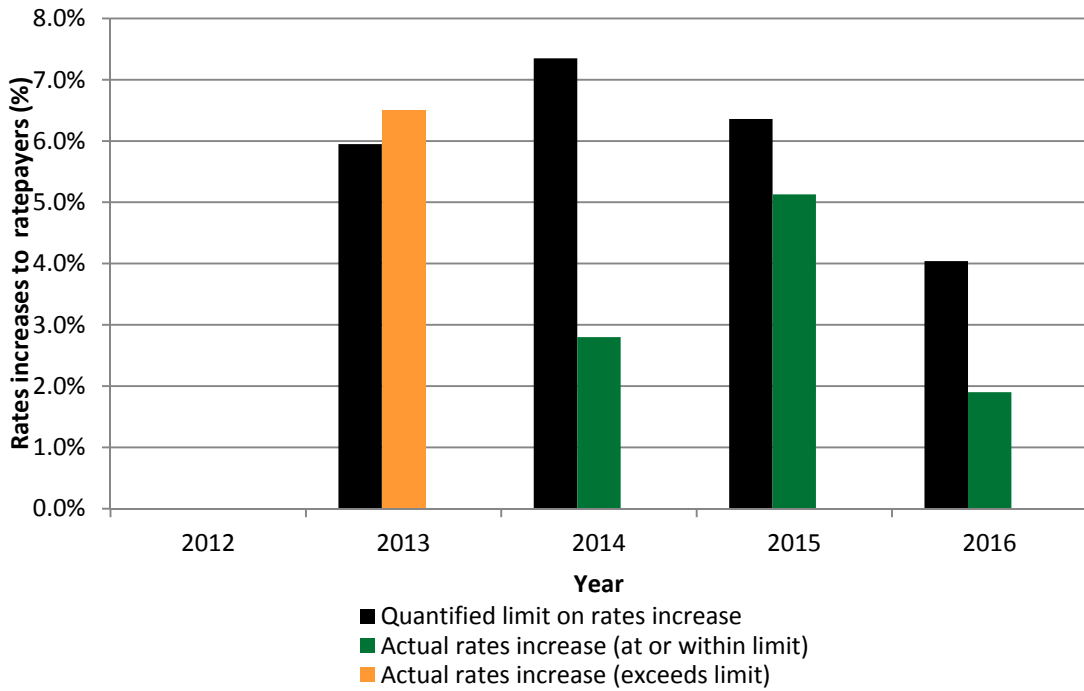
The Council meets the rates affordability benchmark if:

- 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.



2.8.3. Rates (increases) affordability

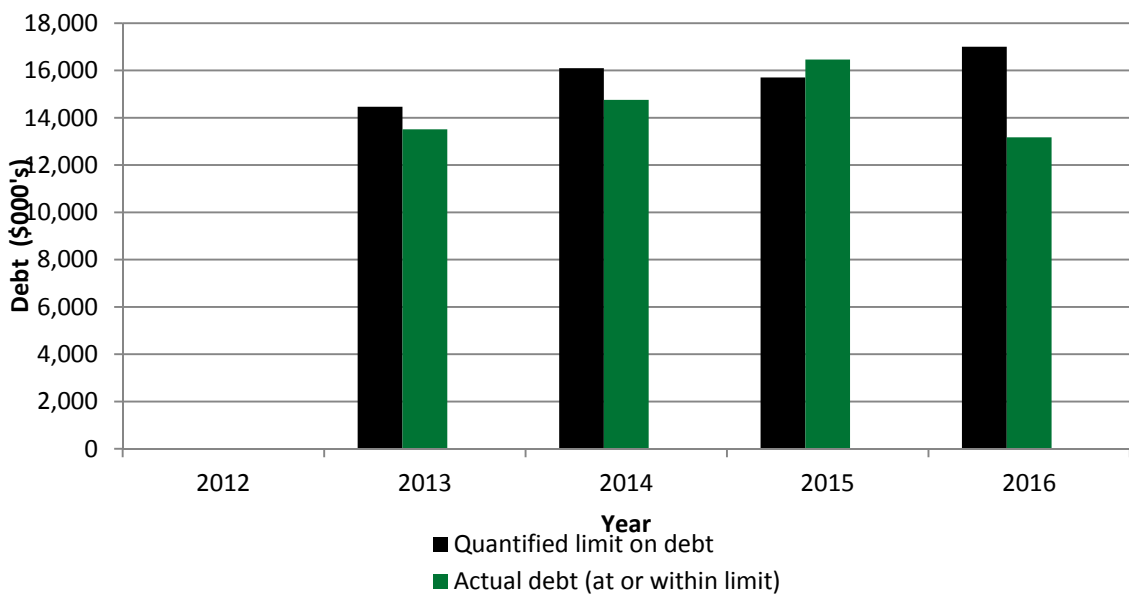
The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's Long Term Plan



2.8.4. Debt affordability benchmark

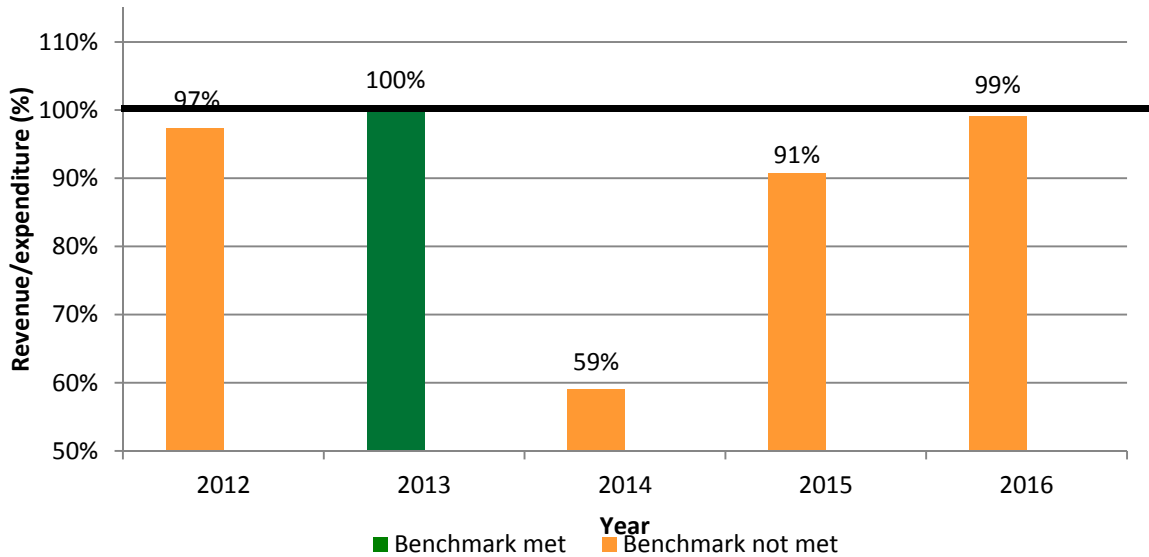
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in Council's Long Term Plan.



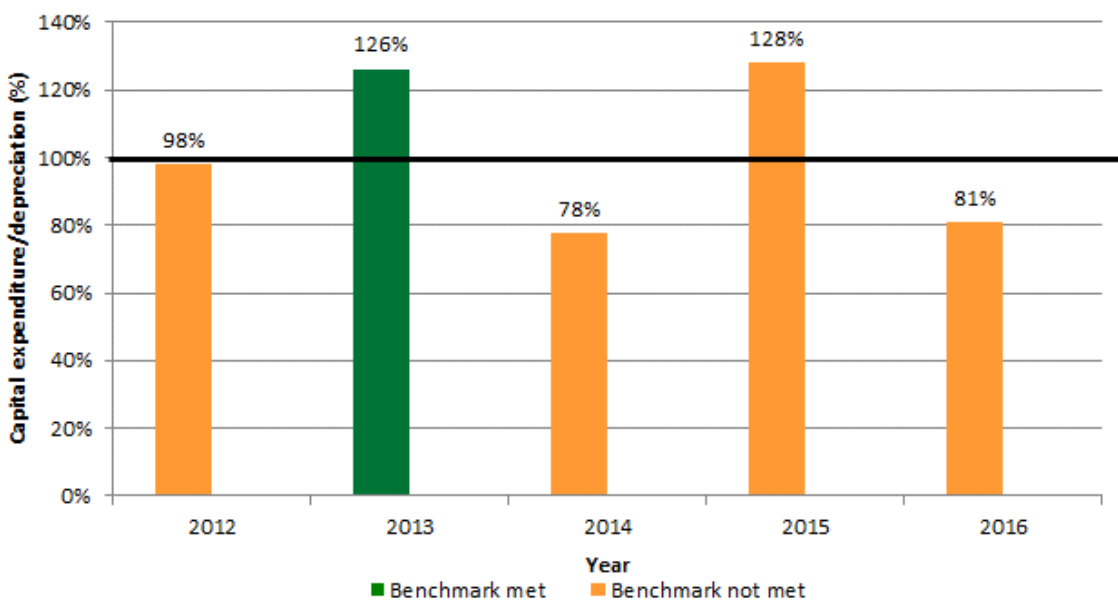
2.8.5. Balanced budget benchmark

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 and equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment). The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



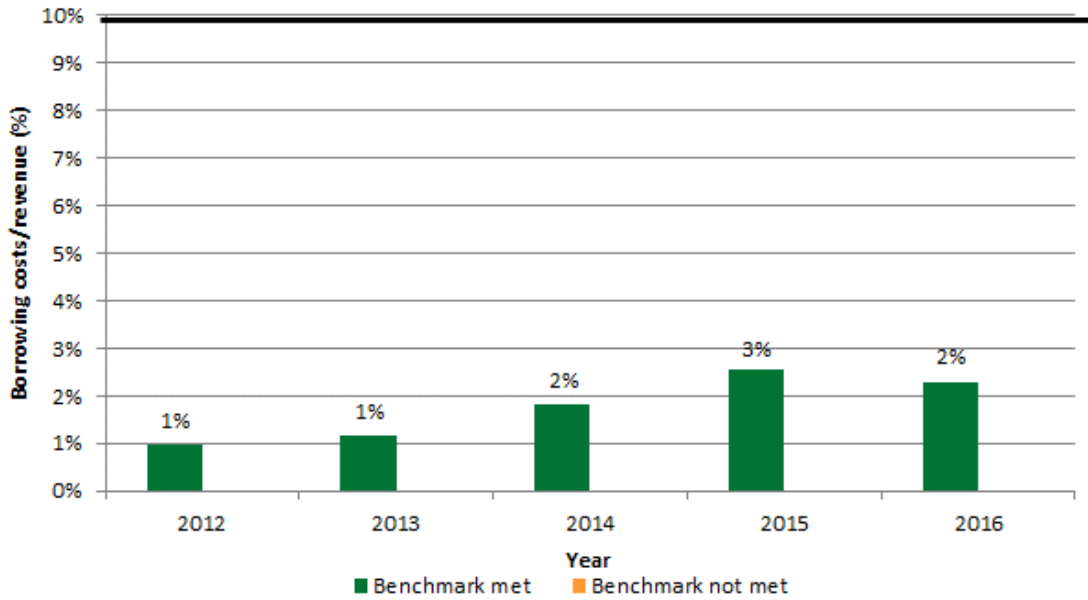
2.8.6. Essential services benchmark

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.



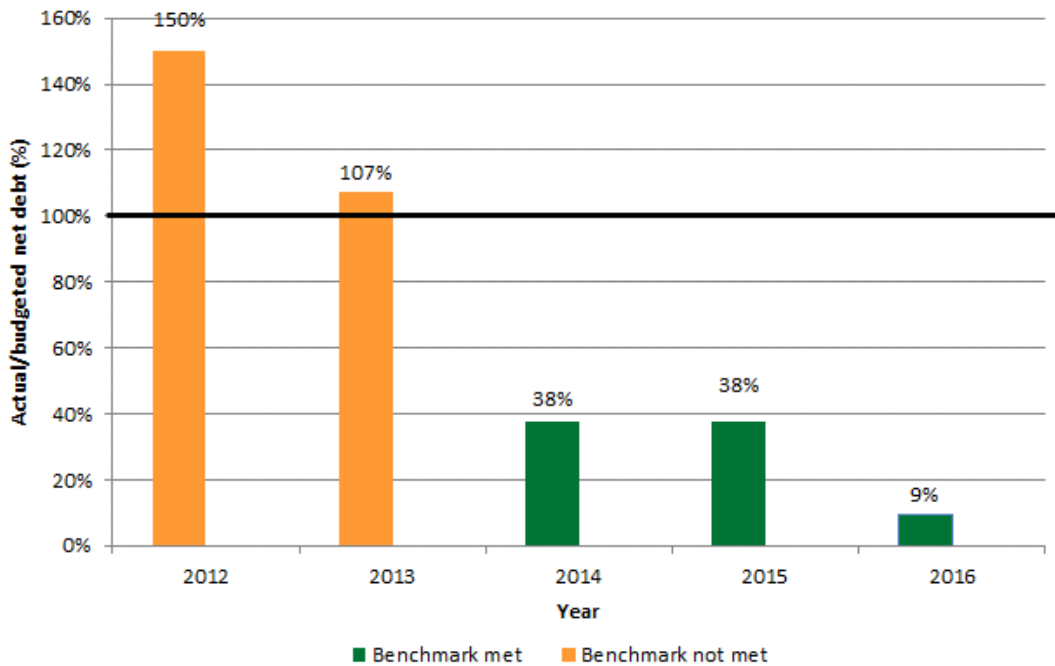
2.8.7. Debt servicing benchmark

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 and equipment). The Council meets this benchmark if its borrowing cost equal or are less than 10% of revenue.



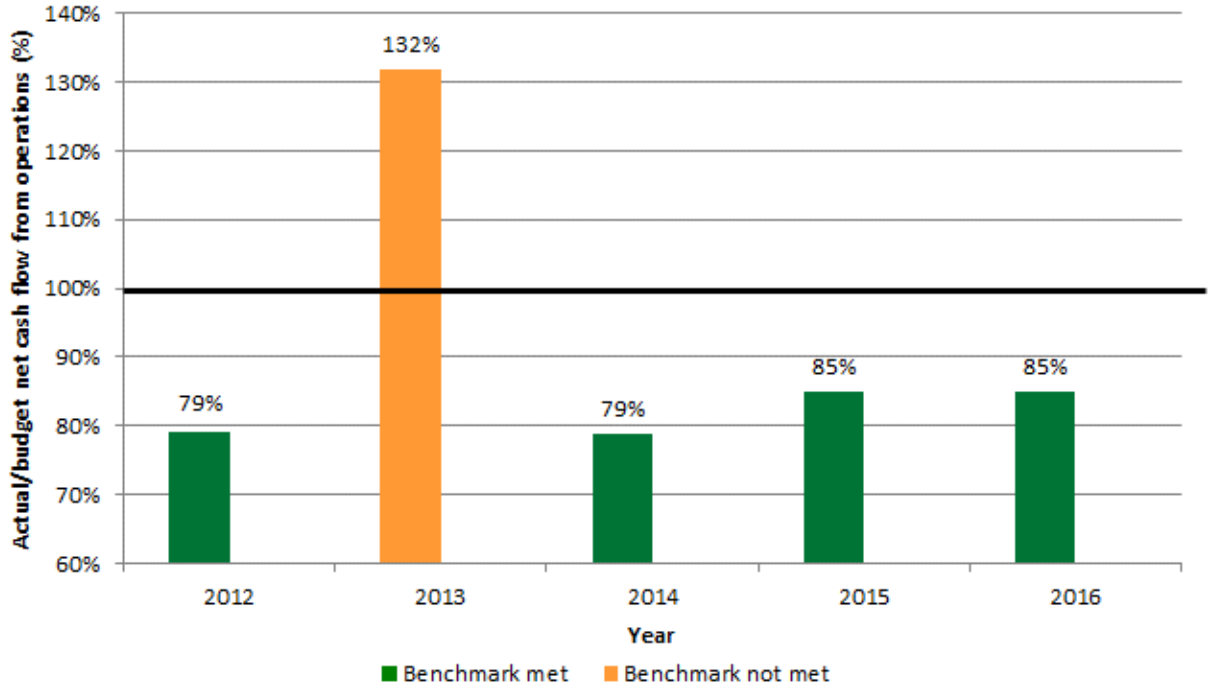
2.8.8. Debt control benchmark

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.



2.8.9. 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 it planned net cash flow from operations.



3. ACTIVITIES SECTION

3.1. Transport and Roothing

3.1.1. What we do

- Maintain local roads (state highways are managed by the New Zealand Transport Agency)
- Road safety education
- Footpaths and mobility crossings
- Road and cycleway resealing
- Pavement rehabilitation (renewing the base of a road)
- Seal extensions (sealing gravel roads)
- Road signs and street lights
- Drainage culverts and bridge maintenance
- Safety improvements to the network (such as road realignments and improvements to intersections to improve visibility).

3.1.2. Why we do it

An efficient and safe transport and roading network play an important role in the daily lives of our residents. It allows people to travel to work, school or play by car, bicycle, foot or mobility scooter and it also allows for the efficient, reliable and safe transportation of goods, which is important for our businesses.

3.1.3. Contribution to the Council Strategy

The transport and roading activity primarily contribute to the following Council outcomes and strategies:

| Outcomes | Strategies |
|---|---|
| Well managed infrastructure: our infrastructure is financially and operationally sustainable; it contributes positively to our district environment, and is cost effective for households and businesses, now and in the future. | Efficient and effective operations strategy: Provide sound total asset management. |
| Sustainable Council operations: We have regard to sustainability while operating in a cost effective manner. | Efficient and effective operations strategy: Sustainability is embedded in all of Council's operations. |
| Efficient Council operations: Council ensures that our business practices are efficient and effective and achieved through successfully working with our community. | Efficient and effective operations strategies: Work together with our partners to achieve common goals. Embed a quality improvement philosophy into all operations of Council. Implement governance and management structures, systems and processes that improve our effectiveness and efficiency. |

3.1.4. Key highlights

Highlights of the roading and transport group of activities include:

- The consultation that was done in relation to the Tīrau Concept Plan. The consultation revealed that traffic and parking were major issues for Tīrau. In May 2016, Council agreed to spend \$200,000 on works that were identified as necessary through the consultation process.

3.1.5. Effects on the community

Transport and roading is an important part of the daily lives of our community. It allows people to travel to work, school or play by car, bicycle, foot or mobility scooter and it also allows for the efficient, reliable and safe transportation of goods, which is important for our businesses.

The transport and roading activity can also have negative effects on the environment. Road works can create dust, noise and disruption and traffic travelling on roads can cause noise. The effects are mitigated by placing controls on road works to ensure that negative effects are reduced and ensuring that the surface of the road is appropriate for the level of traffic volumes.

3.1.6. How well did we do?

The table below shows our key performance measures and whether or not we have achieved them.

| Key Result Areas | 2015-16 Level Achieved | Comments |
|--|------------------------|---|
| 8% by the area of the district's sealed road network is resurfaced annually. | Achieved | Council resealed 8.6% of the roading network. |
| The smooth travel exposure shall be at least 70% of NZTA target for roughness. | Achieved | The smooth travel exposures is 93%. |
| That Council will respond to 100% of all service requests within ten working days of notice. | Not achieved | Council received a total of 626 services requests during the financial year, and failed to respond to five service requests during that time. |
| There are no fatalities or serious injury crashes on the local road network that are directly contributable to road conditions. | Achieved | |
| An annual audit of the footpath network identifies that at least 90% of the footpath network has a displacement of less than 20mm. | Achieved | Council undertook an audit in June 2016 and 99.48% of the footpaths had a displacement of less than 20mm. |

3.1.7. Significant asset acquisitions or replacements

| Transport and roading | Actual Spend 2016 \$000 | Budget Spend 2016 \$000 | Actual Spend 2015 \$000 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Formation widening | 296 | 300 | 377 |
| Seal widening | 239 | 165 | 15 |
| Seal extension | - | - | 58 |
| Pavement rehabilitation | 746 | 1,317 | 922 |
| Drainage kerb and channel | 112 | 150 | 150 |
| Kerb and channel renewals | 95 | 111 | 90 |
| Christmas/feature Lighting | 12 | 12 | 22 |
| Maintenance chip seals and reseals | 1,050 | 1,070 | 949 |
| Asphaltic surfaces | - | - | 151 |
| Traffic services renewals-signs | 191 | 195 | 105 |
| Traffic services renewals-street lights | - | - | 104 |
| Minor improvements | 344 | 300 | 215 |
| Footpath renewals | 38 | 38 | 36 |
| Sundry other | 201 | 300 | 31 |
| Total | 3,324 | 3,958 | 3,225 |

3.1.8. Funding Impact Statement - Transport and Roading

| | LTP 2015 \$000's | LTP 2016 \$000's | Actual 2016 \$000's |
|--|------------------------|------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 4,964 | 4,738 | 4,646 |
| Targeted rates | - | - | - |
| Subsidies and grants for operating purposes | 2,734 | 1,179 | 1,250 |
| Fees and charges | - | 41 | 68 |
| Internal charges and overheads recovered | (84) | 1,513 | - |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 122 | 150 | 160 |
| TOTAL OPERATING FUNDING (A) | 7,736 | 7,620 | 6,124 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 3,151 | 4,230 | 3,807 |
| Finance costs | 226 | 272 | 237 |
| Internal charges and overheads applied | 582 | 1,043 | 907 |
| Other operating funding applications | 260 | - | 1 |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 4,219 | 5,545 | 4,952 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 3,517 | 2,075 | 1,172 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | 1,628 | 1,961 | 1,596 |
| Development and financial contributions | 11 | - | 43 |
| Increase (decrease) in debt | 31 | - | (99) |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 1,670 | 1,961 | 1,540 |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| • to meet additional demand | 426 | - | - |
| • to improve the level of services | 58 | 414 | 922 |
| • to replace existing assets | 3,039 | 3,544 | 2,400 |
| Increase (decrease) in reserves | (1,651) | (3,603) | (1) |
| Increase (decrease) in investments | 3,315 | 3,681 | (609) |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 5,187 | 4,036 | 2,712 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (3,517) | (2,075) | (1,172) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

3.2. Recreation and facilities

3.2.1. What we do

- Manage over 240ha of parks, reserves, playgrounds and sportsgrounds
- Maintain cycleways and walkways
- Pensioner housing
- Community halls
- Libraries
- Cemeteries
- Public toilets
- Public art such as the Talking Poles in Tokoroa and the Mosaic Murals in Putāruru
- The Tokoroa Airfield
- The South Waikato Sport and Events Centre
- The South Waikato Indoor Pools in Tokoroa and outdoor pools in Putāruru and Tirau
- The South Waikato Performing Arts Centre (The Plaza).

3.2.2. Why we do it

Council undertakes the recreation and facilities group of activities to ensure that our residents and visitors to our community have a wide range of options to meet their leisure and recreation needs. These facilities play an important role in fostering community pride in our district as they provide for both formal sporting and recreational groups to come together, or for friends and family to get together in an informal manner. Walkways and reserves play an important role in promoting our district to people who are not locals as they encourage out of residence people to experience the beauty of our district.

3.2.3. Contribution to the Council Strategy

The recreation and facilities group of activities primarily contribute to the following Council outcomes and strategies:

| Outcomes | Strategies |
|--|--|
| Improved external image: People outside our district are encouraged to live, work and develop businesses here. | District promotion strategy: Use a full range of marketing tools in conjunction with other organisations, to encourage external people to visit and live and develop businesses in our district. |
| Quality services and facilities: Council provides quality local public services and facilities which are cost effective to households and businesses, now and in the future. | Services and facilities strategy: Enhance access to and use of Council's services and facilities. |
| Community pride: Council provides services that make residents proud of our district, celebrating the artistic, sporting and cultural achievements of our people and the diversity of our cultures. | Community Pride Strategy: Through improved communication, community activities, an enhanced physical environment focus on making our community proud and engaged. |

3.2.4. Key highlights

The key highlights for the recreation and facilities are:

- The start of the construction of two of the new pensioner units at Kindergarten Reserve. These are the first of six units to be built at the Reserve and another two units will be built on a yet to be decided site. These units will ensure that there are affordable housing opportunities for our older people.
- The South Waikato Sport and Events Centre continues to offer a high quality, reasonably priced venue for our community. Use of the facility included wedding receptions, balls, a regional youth festival,

regional rugby league training camps, primary, intermediate and senior basketball leagues, registration and prize giving facility for various regional and local sport and floral art displays.

- Whilst user numbers have dropped throughout the year at the Indoor Pools, the facility continues to offer a fun and inviting leisure option for our community. This year was the first year in an eight year plan for upgrading the twenty year old indoor pools facility.

3.2.5. Effects on the community

The recreation and facilities group of activities provides a variety of venues and facilities to meet our community's recreational, sporting, housing and arts and cultural needs. These venues often form spaces for informal and formal gatherings. It is important to our community that these venues are maintained appropriately as these facilities are a source of community pride.

3.2.6. How well did we do?

The table below shows our key performance measures and whether or not we have achieved them.

| Key Result Areas | 2015-16 Level Achieved | Comments |
|---|------------------------|---|
| 100% of enquiries and service requests relating to playgrounds are responded to within three working days of notice. | Achieved | Council received 8 enquiries and service requests for the year. |
| 100% of enquiries and service requests relating to parks and reserves are responded to within three working days of notice. | Not achieved | Council failed this KPI because it did not respond to a service request on time in March 2016. Council received 135 service requests and enquiries about parks and reserves and responded to 134 on time. |
| 100% of enquiries and service requests relating to public toilets are responded to within three working days of notice. | Achieved | 18 service requests and enquiries were received in relation to public toilets. |
| 100% of all enquiries, requests or complaints relating to cemeteries are responded to within three working days of notice. | Achieved | Council received 20 enquiries, service requests and complaints in relation to cemeteries. |
| The occupancy of Council's pensioner housing units is at least 95% on an annual basis. | Achieved | The occupancy of Council's pensioner housing units was 97.2%. |
| That the use of the function rooms at the South Waikato Sport and Events Centre will be at least used 45%. Hours of operation will be 8.30am to 4.30pm, Monday to Friday. | Not achieved | The function rooms were only used 32.17%, however these results exclude any weeknight sports leagues, or weekend bookings including generally large functions such as weddings or sports tournaments. |
| That the use of the arena at the South Waikato Sport and Events Centre will be at least used 25%. Hours of operation will be 8.30am to 4.30pm, Monday to Friday. | Not achieved | The arena was only used 14.9% of the time, however these results exclude any weeknight sports leagues, or weekend bookings including generally large functions such as weddings or sports tournaments. |
| At least 90% of pool water tests comply with the relevant New Zealand standards of water quality. | Achieved | 1832 tests were undertaken at the pools in 2015-16. 91% of these tests were compliant. |
| An average of at least four visits per resident per year to the South Waikato Pool facilities will be achieved. | Not achieved | An average of four visits per resident per year equates to 88,284 visits in total. There were only 72,774 visits to the pools in 2015-16. |

| Key Result Areas | 2015-16 Level Achieved | Comments |
|--|------------------------|--|
| An average of at least 6.5 visits per resident per year to the South Waikato District Libraries will be achieved. | Achieved | There were 167,449 visits to the libraries. This is an average of 7.6 visits per resident per year to the libraries. |
| That 10 or more groups make contact with the district libraries each month. Making contact with the library involves either the group visiting the library, or library staff visiting the group. | Achieved | There were 272 groups who made contact with the libraries over the year. |
| That the library websites and Overdrive receive 8,110 visits annually. | Achieved | There were 15,528 visits to the library websites and overdrive. |

3.2.7. Significant asset acquisitions or replacements

| Facilities, properties and amenities | Actual Spend 2016 \$000 | Budget Spend 2016 \$000 | Actual Spend 2015 \$000 |
|--------------------------------------|-------------------------|-------------------------|-------------------------|
| Cemeteries | 60 | 12 | 169 |
| Community Halls | 29 | 33 | 32 |
| Sports Events Centre | - | - | 11 |
| Tirau Hall | - | 43 | 6 |
| Public toilets | 116 | - | 84 |
| Pensioner housing | 184 | 107 | 124 |
| Total | 389 | 195 | 426 |
| | | | |
| Leisure services | Actual Spend 2016 \$000 | Budget Spend 2016 \$000 | Actual Spend 2015 \$000 |
| Library Collection Annual Renewal | 121 | 125 | 122 |
| Library-other | 67 | 87 | 37 |
| Sportsgrounds-Memorial Park | 199 | 222 | 59 |
| Skatepark upgrade | 350 | 350 | - |
| Sportsgrounds-Glenshea Park | 153 | 29 | 80 |
| Reserves - walkway development | 17 | 17 | 32 |
| Reserve - revegetation planting | - | - | 14 |
| Playground Equipment renewals | 105 | 105 | 28 |
| Lake Moananui - Dam repairs | 55 | 55 | 249 |
| Other parks and reserves projects | 68 | 91 | 45 |
| Pools plant replacement | 100 | 247 | 67 |
| Total | 1,235 | 1,328 | 733 |

3.2.8. Funding Impact Statement - recreation and facilities

| | LTP 2015 \$000's | LTP 2016 \$000's | Actual 2016 \$000's |
|--|------------------------|------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 1,469 | 1,213 | 1,206 |
| Targeted rates | 34 | 36 | 28 |
| Subsidies and grants for operating purposes | - | - | 35 |
| Fees and charges | 701 | 940 | 665 |
| Internal charges and overheads recovered | 223 | 963 | - |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | 28 |
| TOTAL OPERATING FUNDING (A) | 2,427 | 3,152 | 1,962 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 958 | 1,692 | 948 |
| Finance costs | 170 | 303 | 214 |
| Internal charges and overheads applied | 751 | 503 | 407 |
| Other operating funding applications | 66 | 11 | - |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 1,945 | 2,509 | 1,569 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 482 | 642 | 393 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | 30 | - |
| Development and financial contributions | - | 17 | 26 |
| Increase (decrease) in debt | 239 | (6) | (83) |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 239 | 41 | (57) |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| • to meet additional demand | 45 | - | - |
| • to improve the level of services | 267 | 35 | 59 |
| • to replace existing assets | 165 | 187 | 259 |
| Increase (decrease) in reserves | (227) | (228) | 75 |
| Increase (decrease) in investments | 471 | 689 | (57) |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 721 | 683 | 336 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (482) | (642) | (393) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

3.2.9. Funding impact statement - leisure services

| | LTP 2015 \$000's | LTP 2016 \$000's | Actual 2016 \$000's |
|--|------------------------|------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 4,521 | 4,236 | 4,157 |
| Targeted rates | - | - | - |
| Subsidies and grants for operating purposes | 1 | 2 | 3 |
| Fees and charges | 376 | 985 | 314 |
| Internal charges and overheads recovered | (61) | 10 | - |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | 28 |
| TOTAL OPERATING FUNDING (A) | 4,837 | 5,233 | 4,502 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 2,683 | 2,546 | 2,634 |
| Finance costs | 163 | 165 | 155 |
| Internal charges and overheads applied | 1,042 | 1,198 | 1,304 |
| Other operating funding applications | 141 | 37 | 114 |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 4,029 | 3,946 | 4,207 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 808 | 1,287 | 295 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | 2 | - |
| Development and financial contributions | 9 | 2 | 8 |
| Increase (decrease) in debt | 244 | (9) | (67) |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 253 | (5) | (59) |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| • to meet additional demand | - | - | - |
| • to improve the level of services | 660 | 350 | 700 |
| • to replace existing assets | 384 | 978 | 537 |
| Increase (decrease) in reserves | (783) | (1,337) | (628) |
| Increase (decrease) in investments | 800 | 1,291 | (373) |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 1,061 | 1,282 | 236 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (808) | (1,287) | (295) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

3.3. Economic and community development

3.3.1. What we do

- Facilitate economic development
- Provide community grants
- Support youth initiatives
- Promote our central business districts
- Organise community events to help foster community pride
- Promote the district to those who live and work outside the South Waikato
- Undertake joint ventures with government agencies
- Support skills training and business development
- Advocate for (and with) South Waikato communities
- Support community groups and help with capacity building.

3.3.2. Contribution to the Council Strategy

The economic and community development group of activities primarily contribute to the following Council outcomes and strategies:

| Council Outcome | Council Strategy |
|--|--|
| Grow our economy: Existing businesses thrive and new businesses start up in the district. | Economic development strategies: Stimulate economic development by assisting existing and attracting new businesses while encouraging diversity. Encourage education and training to improve the employment opportunities of district's residents. |
| Improved external image: People outside our district are encouraged to live, work and develop businesses here. | District promotion strategy: Use a full range of marketing tools in conjunction with other organisations, to encourage external people to visit and live and develop businesses in our district. |
| Community pride: Council provides services that make residents proud of our district, celebrating the artistic, sporting and cultural achievements of our people and the diversity of our cultures. | Community Pride Strategies: Maintain and support our community's art and culture, and support cultural displays and events. Through improved communication, community activities, an enhanced physical environment focus on making our community proud and engaged. |
| Cultural leadership: We support and encourage cultural leadership and capacity building. | Cultural leadership strategies: Build and maintain a strong working relationship with Māori at all levels of Council to encourage true partnership. Build and maintain a strong working relationship with all cultures present in our district. |

3.3.3. Key highlights

Highlights for the economic and community groups of activities in 2015-16 include:

- The implementation of the public transport service which has made it easier for people to travel around Tokoroa and between the towns in the district
- The Putāruru Concept Plan, Putāruru Moving Forward. Work has progressed on this to a stage where the group will be consulting with the Putāruru community in early 2016-17
- The Leith Place development

- The opening of the Tokoroa Road Rail Terminal
- The ongoing consultation on the Tokoroa Skatepark and the work that has been done to develop a concept plan for what this facility, and the Tokoroa Youth Park could look like in the future.

3.3.4. Effects on the community

The community development work that Council undertakes is important because it helps build community cohesion by encouraging community pride and supporting our community groups. As identified in the Council Strategy, encouraging economic development is seen to be a very important role for Council so that we can create new jobs for our residents and help to slow the rate of population decline.

3.3.5. How well did we do?

The table below shows our key performance measures and whether or not we have achieved them.

| Key Result Areas | 2015-16 Level Achieved | Comments |
|---|------------------------|--|
| That the details of at least 80% of groups registered on the Community Connect website are updated annually. | Achieved | 100% of groups updated their details. |
| That Council holds 12 or more events per annum, with no less than two key stakeholders supporting or partnering with Council to hold each event. | Achieved | Council held 20 events whether there were no less than two key stakeholders supporting the event. Events included Youth Week, Our Neighbour Series, ANZAC day and Balloons over Waikato. |
| That no less than a total of 30 students are enrolled annually in the Tokoroa Trade Training Centre engineering, automotive and welding programmes. | Not achieved | There were 27 students who enrolled in engineering at the beginning of the 2016 year. This includes 12 who enrolled in the welding and fabrication programme and 15 students who enrolled in engineering and automotive. Unfortunately the KPI does not include students enrolled in the new distribution course, of which there are 18 students expected to start this programme in June. |

3.3.6. Significant asset acquisitions or replacements

| Economic and community development | Actual Spend 2016 \$000 | Budget Spend 2016 \$000 | Actual Spend 2015 \$000 |
|------------------------------------|-------------------------|-------------------------|-------------------------|
| CBD Security Cameras | 40 | 80 | 1 |
| Tokoroa Rail Terminal | 399 | - | 1,871 |
| Te Waihou Walkway upgrade | - | - | 99 |
| Talking Poles | - | 23 | 10 |
| Total | 439 | 103 | 1,981 |

Funding for the Tokoroa Rail Terminal came from the South Waikato Investment (\$5m) Community and Economic Development funding. This was not included in the Council's Annual Plan because it had no rates impact.

3.3.7. Funding Impact Statement - economic and community development

| | LTP 2015 \$000's | LTP 2016 \$000's | Actual 2016 \$000's |
|--|------------------------|------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 2,288 | 2,138 | 2,097 |
| Targeted rates | 171 | 273 | 125 |
| Subsidies and grants for operating purposes | - | - | 28 |
| Fees and charges | 14 | 10 | 25 |
| Internal charges and overheads recovered | (130) | 643 | - |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | - |
| TOTAL OPERATING FUNDING (A) | 2,343 | 3,064 | 2,275 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 2,252 | 777 | 412 |
| Finance costs | 81 | 311 | 157 |
| Internal charges and overheads applied | 194 | 445 | 401 |
| Other operating funding applications | 5 | 1,155 | 1,150 |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 2,532 | 2,688 | 2,120 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | (189) | 376 | 155 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | 8 |
| Development and financial contributions | - | - | - |
| Increase (decrease) in debt | 215 | 247 | 20 |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 215 | 247 | 28 |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| • to meet additional demand | - | - | - |
| • to improve the level of services | - | - | - |
| • to replace existing assets | 16 | 95 | 40 |
| Increase (decrease) in reserves | (16) | 152 | 45 |
| Increase (decrease) in investments | 26 | 376 | 98 |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 26 | 623 | 183 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | 189 | (376) | (155) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

3.4. Water supply

3.4.1. What we do

- Supply potable (drinkable) water to the urban areas of Tokoroa, Putāruru, Tīrau, Arapuni
- Supply potable water to the rural communities of Athol and Lichfield.

3.4.2. Contribution to the Council Strategy

The water supply group of activities primarily contribute to the following Council outcomes and strategies:

| Outcome | Strategy |
|--|---|
| Well managed infrastructure: Our infrastructure is financially and operationally sustainable; it contributes positively to our district environment and it is cost effective for household and businesses, now and in the future. | Efficient and effective operations strategy: Provide sound total asset management planning. |
| Sustainable Council operations: We have regard to sustainability while operating in a cost effective manner. | Efficient and effective operations strategy: Sustainability is embedded in all of Council's operations. |

3.4.3. Key highlights

Highlights for the water supply activity include:

- New fluoride and chlorine chemical tanks were replaced at the Billah Street headworks. This work was required to meet health and safety requirements.
- The roof of one of the reservoirs at Colson's Hill was painted to help extend its life.
- New UV and micro filtration treatment was installed at Arapuni as part of Council's obligation to meet the Drinking Water Standards.

3.4.4. Effects on the community

A reliable supply of clean drinking water is essential for the health of our residents. In our urban areas, Council provides a water treatment and reticulation service because economies of scale make it more efficient than each household or business providing their own water supply. In most cases it is more cost efficient for rural residents to provide their own water supply. A stable supply of water is essential in supporting our existing businesses and encouraging new businesses to our district.

3.4.5. How well did we do?

| Key Result Areas | 2015-16 Level Achieved | Comments |
|--|------------------------|---|
| At least 97% of tests for E-coli (bacteria compliance) carried out on treated reticulated water will indicate a level of E-Coli in the reticulated Council systems of less than one per 100ml. | Achieved | There were 698 tests taken over the year. 99.86% of the tests taken were compliant. |

| Key Result Areas | 2015-16 Level Achieved | Comments |
|---|------------------------|--|
| Drinking water treatment and distribution: All unsecure water sources, will have their water treated as prescribed in part 5 of the drinking-water standards to treat protozoa. | Not achieved | Council has seven water sources in total. Over the past five years Council has upgraded five water sources to ensure compliance with part 5 of the Drinking Water Standards 2005 (Revised 2008) for protozoa (Cryptosporidium and Giardia). In addition Council have undertaken manual monitoring for Cryptosporidium and Giardia every six months at all sites. To date all samples taken have been clear. Council will install new Microfiltration and Ultra Violet Light Treatment at Lichfield Water Treatment site in December 2016 and at Glenshea Water Treatment Plant in December 2017. |
| Drinking water treatment and distribution: The water loss from Council's reticulation network will be no more than 20%. | Achieved | The water loss from Council's water network was 19%. |
| The median response times for call-outs in response to a fault or interruption to the water reticulation system does not exceed one hour of notice. | Achieved | The median response time was 26 minutes. |
| The total number of complaints received by Council about water supply issues (including clarity, taste, odour, water pressure/flow and continuity of supply) does not exceed one complaint per 1000 connections to Council's water supply system. | Achieved | There were no complaints received about water supply issues. |

3.4.6. Significant asset acquisition

| Water supply | Actual Spend 2016 \$000 | Budget Spend 2016 \$000 | Actual Spend 2015 \$000 |
|---|-------------------------|-------------------------|-------------------------|
| Tokoroa - reticulation replacements | 197 | 175 | 213 |
| Tokoroa - capital component of maintenance | 126 | 130 | 20 |
| Tokoroa - Billah St headworks (incl basement pumps) | - | - | 46 |
| Tokoroa - rising main - Colson's Hill | - | - | 45 |
| Tokoroa/Lichfield - resource consents | - | - | 20 |
| Putāruru - reticulation replacements | 3 | - | 42 |
| Putāruru - capital component of maintenance | 32 | 50 | 19 |
| Putāruru - Pinedale Reservoirs Solar Panel | - | - | 2 |
| Tirau - capital component of maintenance | 57 | 63 | - |
| Tirau - reticulation replacements | - | - | 24 |
| Arapuni - reticulation renewal | 47 | 39 | 26 |
| Arapuni - storage tank/reservoir refurbish | - | - | 5 |
| Arapuni - UV treatment | 145 | - | 5 |
| Total | 607 | 457 | 467 |

3.4.7. Funding Impact Statement - water supply

| | LTP 2015 \$000's | LTP 2016 \$000's | Actual 2016 \$000's |
|--|------------------------|------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| Rates Revenue: | | | |
| General Rates, Uniform Annual General Charges, rates penalties | - | - | - |
| Targeted rates | 2,020 | 2,099 | 2,121 |
| Other Revenue | | | |
| Subsidies and grants for operating purposes | - | - | - |
| Fees and charges | 247 | 288 | 391 |
| Internal charges and overheads recovered | 69 | 4,533 | - |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | 94 |
| TOTAL OPERATING FUNDING (A) | 2,336 | 6,920 | 2,606 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 722 | 5,349 | 2,253 |
| Finance costs | - | - | - |
| Internal charges and overheads applied | 939 | 770 | 676 |
| Other operating funding applications | - | - | - |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 1,661 | 6,119 | 2,929 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 675 | 801 | (323) |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | 1 | - | - |
| Increase (decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Other dedicated capital funding | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 1 | - | - |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| • to meet additional demand | - | - | - |
| • to improve the level of services | - | - | - |
| • to replace existing assets | 385 | 457 | 606 |
| Increase (decrease) in reserves | (385) | (457) | 375 |
| Increase (decrease) in investments | 676 | 801 | (1,304) |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 676 | 801 | (323) |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (675) | (801) | 323 |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

3.5. Stormwater

3.5.1. What we do

- Manage stormwater from the roading network
- Manage stormwater from land (ie ensure that we have appropriate systems to deal with stormwater generated from existing activities happening on the land)
- Ensure that there are appropriate systems in place to deal with stormwater generated from future developments.

3.5.2. Contribution to the Council strategy

The stormwater group of activities primarily contribute to the following Council outcomes and strategies:

| Outcomes | Strategies |
|--|---|
| Well managed infrastructure: Our infrastructure is financially and operationally sustainable; it contributes positively to our district environment and it is cost effective for household and businesses, now and in the future. | Efficient and effective operations strategy: Provide sound total asset management planning. |
| Sustainable Council operations: We have regard to sustainability while operating in a cost effective manner. | Efficient and effective operations strategy: Sustainability is embedded in all of Council's operations. |

3.5.3. Key highlights

Highlights for the stormwater group of activities include:

- New stormwater pipes were installed in Arapuni Street from the Putāruru Hotel to Totara Street, to replace the existing pipe work which had failed.

3.5.4. Effects on the community

When appropriate systems to deal with stormwater do not exist it can cause hazards such as flooding of homes, businesses and damage to the roading network.

3.5.5. How well did we do?

| Key Result Areas | 2015-16 Level Achieved | Comments |
|---|------------------------|---|
| Council will have no flood events in a year. A flood event is defined as an occasion where buildings that are compliant with the Building Code and are serviced by Council's reticulated stormwater system experience flooding. | Not achieved | A house in Putāruru was flooded during a storm event in June 2016. |
| No buildings that comply with the Building Code will be flooded. | Not achieved | A house in Putāruru was flooded during a storm event in June 2016. |
| There will be no more than two 'Formal Enforcement Actions' from the consenting authority in regard to Council's compliance with resource consent conditions. | Achieved | Council did not receive any 'Formal Enforcement Actions' in regards to compliance with resource consent conditions. |
| The median response time for call-outs to attend a flooding event does not exceed four hours. | Achieved | There was only one call-out for the year in relation to a flooding event. This call-out was responded to within four hours. |

| Key Result Areas | 2015-16 Level Achieved | Comments |
|---|------------------------|---|
| The total number of complaints received by Council about the stormwater system does not exceed more than one complaint per 1,000 connections to Council's stormwater system | Achieved | There are 7511 connections to the stormwater network, so Council is allowed 7 complaints. Council did not receive any complaints. |

3.5.6. Significant asset acquisition

| Stormwater | Actual Spend 2016 \$000 | Budget Spend 2016 \$000 | Actual Spend 2015 \$000 |
|-------------------------------------|-------------------------|-------------------------|-------------------------|
| Tokoroa - minor new works projects | 13 | 17 | 14 |
| Putāruru - minor new works projects | 3 | - | 12 |
| Putāruru - pipe renewal | 69 | 75 | 3 |
| Tīrau - minor new works projects | 5 | 6 | - |
| Arapuni Rd Outlets Replacement | 5 | 5 | - |
| Total | 95 | 103 | 29 |

3.5.7. Funding Impact Statement - stormwater

| | LTP 2015 \$000's | LTP 2016 \$000's | Actual 2016 \$000's |
|--|------------------------|------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| Rates Revenue: | | | |
| General Rates, Uniform Annual General Charges, rates penalties | - | - | - |
| Targeted rates | 444 | 556 | 566 |
| Other Revenue | | | |
| Subsidies and grants for operating purposes | - | - | - |
| Fees and charges | - | - | - |
| Internal charges and overheads recovered | 123 | - | - |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | 169 |
| TOTAL OPERATING FUNDING (A) | 567 | 556 | 735 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 180 | 162 | 133 |
| Finance costs | - | - | - |
| Internal charges and overheads applied | 41 | 85 | 79 |
| Other operating funding applications | - | - | - |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 221 | 247 | 212 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 346 | 309 | 523 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | 9 |
| Increase (decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | - | - | 9 |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| • to meet additional demand | - | - | - |
| • to improve the level of services | - | 10 | 22 |
| • to replace existing assets | 36 | 93 | 74 |
| Increase (decrease) in reserves | (36) | (103) | 436 |
| Increase (decrease) in investments | 346 | 309 | - |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 346 | 309 | 532 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (346) | (309) | (523) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

3.6. Wastewater

3.6.1. What we do

- Operate wastewater networks in Tokoroa, Putāruru, Tīrau and Arapuni
- Collect wastewater from homes and businesses via sewerage pipes and send it to the treatment plants, either by gravity or pumping
- Treat wastewater to a high quality, then discharge it to water or landfill
- Provide facilities for businesses who generate a high amount of waste (known as trade waste).

3.6.2. Contribution to the Council Strategy

The wastewater group of activities primarily contribute to the following Council outcomes and strategies:

| Outcomes | Strategies |
|---|---|
| Well managed infrastructure: Our infrastructure is financially and operationally sustainable; it contributes positively to our district environment; and it is cost effective for household and businesses, now and in the future. | Efficient and effective operations strategy: Provide sound total asset management planning. |
| Sustainable Council operations: We have regard to sustainability while operating in a cost effective manner. | Efficient and effective operations strategy: Sustainability is embedded in all of Council's operations. |

3.6.3. Key highlights

Highlights for the wastewater group of activities include:

- New switchboards were installed at six of our wastewater pump stations.
- The pump stations on Overdale Street and Croad Place had new pumps installed.

3.6.4. Effects on the community

Because of the high volume of wastewater that is generated in urban areas it can be unsafe to human health and the environment if effluent is disposed of via septic tank systems. Council operates a wastewater network, which means that households, businesses and community facilities such as schools can dispose of their wastewater in a manner that is safe for both human health and the environment.

3.6.5. How well did we do?

| Key Result Areas | 2015-16 Level Achieved | Comments |
|--|------------------------|---|
| The total number of dry weather overflows from the sewerage system shall not exceed three per 1,000 sewerage connections to the sewerage system. A dry weather overflow is when a blockage causes wastewater in the reticulated system to spill. | Not achieved | There are 7625 connections to the wastewater system. Council is allowed 22 overflows. There were 23 dry weather overflows for the year. |
| The median response times for call-outs in response to a fault or interruption to Council's wastewater reticulation system does not exceed one hour of notice. | Achieved | The median response time was 20 minutes. |
| The median time to clear blockages or faults to Council's wastewater reticulation network will not exceed 24 hours from notification. | Achieved | The median response time to clear blockages was 1.25 hours. |

| Key Result Areas | 2015-16 Level Achieved | Comments |
|--|------------------------|--|
| The total number of complaints received by Council about wastewater issues (including sewage odour, sewerage system faults, sewerage system blockages and response times to issues with its sewerage system) does not exceed more than one complaint per 1000 connections. | Achieved | There are 7625 connections to the wastewater network. Seven complaints are allowed. There was only one complaint received. |
| There will be no 'Formal Enforcement Actions' from the consenting authority in regard to Council's compliance with resource consent conditions | Achieved | There were no 'formal enforcement actions' undertaken. |

3.6.6. Significant asset acquisition

| Wastewater | Actual Spend 2016 \$000 | Budget Spend 2016 \$000 | Actual Spend 2015 \$000 |
|--|-------------------------|-------------------------|-------------------------|
| Tokoroa - wastewater treatment plant (WWTP) upgrade | 206 | 504 | - |
| Tokoroa - wastewater WWTP Boiler Pumps | - | - | 9 |
| Tokoroa - UV plant upgrade | 15 | 15 | 14 |
| Tokoroa WWTP - nitrogen removal enhancement | 27 | 100 | - |
| Tokoroa WWTP - security gates | - | - | 27 |
| Tirau WWTP upgrade | 31 | 32 | 25 |
| Putāruru Replace sewer main - Duke to Main | - | - | 95 |
| District-wide above ground/under ground plant renewals | - | - | 109 |
| Putāruru resource consent renewal | - | - | 2 |
| Putāruru filter pumps & UV | 35 | 36 | 11 |
| Other | - | - | 9 |
| Total | 314 | 687 | 301 |

3.6.7. Funding Impact Statement - wastewater

| | LTP 2015 \$000's | LTP 2016 \$000's | Actual 2016 \$000's |
|--|------------------------|------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| Rates Revenue: | | | |
| General Rates, Uniform Annual General Charges, rates penalties | - | - | - |
| Targeted rates | 2,812 | 2,833 | 2,930 |
| Other Revenue | | | |
| Subsidies and grants for operating purposes | - | - | - |
| Fees and charges | 6 | 6 | 46 |
| Internal charges and overheads recovered | 316 | 521 | - |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | 185 |
| TOTAL OPERATING FUNDING (A) | 3,134 | 3,360 | 3,161 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 1,701 | 1,995 | 1,553 |
| Finance costs | 57 | 90 | 85 |
| Internal charges and overheads applied | 335 | 553 | 477 |
| Other operating funding applications | 73 | 4 | - |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 2,166 | 2,642 | 2,115 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 968 | 718 | 1,046 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | 3 | - | - |
| Increase (decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 3 | - | - |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of services | - | - | 27 |
| - to replace existing assets | 337 | 687 | 287 |
| Increase (decrease) in reserves | (337) | (687) | 732 |
| Increase (decrease) in investments | 971 | 718 | - |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 971 | 718 | 1,046 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (968) | (718) | (1,046) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

3.7. Solid Waste and Recycling

3.7.1. What we do

- Operate a landfill near Tokoroa
- Operate a transfer station near Putāruru
- Provide recycling 'drop off' centres in Tīrau, Putāruru, Tokoroa, Waotu and Okoroire
- Collect household rubbish and recycling from the kerb in our urban areas
- Provide rubbish bins in our town centres and in public places
- Pick up litter that has been dropped in our town centres
- Issue infringement notices to those who dump rubbish in inappropriate places.

3.7.2. Contribution to the Council Strategy

The solid waste and recycling group of activities primarily contribute to the following Council outcomes and strategies:

| Outcomes | Strategies |
|---|--|
| Well managed infrastructure: Our infrastructure is financially and operationally sustainable it contributes positively to our district environment and it is cost effective for household and businesses, now and in the future. | Efficient and effective operations strategy: Provide sound total asset management planning. |
| Sustainable Council operations: We have regard to sustainability while operating in a cost effective manner. | Efficient and effective operations strategy: Sustainability is embedded in all of Council's operations |

3.7.3. Key highlights

Highlights for the solid waste and recycling groups of activities include:

- Safety barriers were installed at the Tokoroa Landfill face
- The kiosk at the Putāruru Transfer Station was upgraded.

3.7.4. Effects on the community

Council provides the kerbside rubbish and recycling collections to our urban areas so that our residents are able to dispose of their waste safely. The landfill and transfer station provide facilities where residents and business operators are able to dispose of larger pieces of waste such as demolition materials and green waste. Both nationally and regionally Council has been given clear direction that waste minimisation is a priority which is why recycling facilities are provided.

3.7.5. How well did we do?

| Key Result Areas | 2015-16 Level Achieved | Comments |
|--|------------------------|--|
| There will be no 'Formal Enforcement Actions' from the consenting authority in regard to Council's compliance with resource consent conditions | Achieved | There were no 'formal enforcement actions' undertaken by the consenting authority. |
| The amount of waste that is recycled must not be less than 10% of the residual waste* sent to landfill. *Residual waste' is the gross tonnages over the weighbridge less cover material, sewage sludge, greenwaste and metal/timber fractions. | Achieved | The amount of waste that was recycled was 31.19% of residual waste. |

| Key Result Areas | 2015-16 Level Achieved | Comments |
|---|------------------------|--|
| 100% of enquiries and service requests relating to refuse collection are responded to within three working days of notice. | Achieved | There were 27 enquiries and service requests received in relation to the refuse collection service. 100% of these were responded to on time. |
| 100% of enquiries and service requests relating to recycling collection are responded to within three working days of notice. | Achieved | There were 32 enquiries and service requests received in relation to the recycling collection. 100% of these were responded to on time. |

3.7.6. Significant asset acquisition

| Solid waste and recycling | Actual Spend 2016 \$000 | Budget Spend 2016 \$000 | Actual Spend 2015 \$000 |
|--|-------------------------|-------------------------|-------------------------|
| Tokoroa - recycling facility | - | - | 173 |
| Tokoroa - capital component of maintenance | 5 | 19 | 21 |
| Tokoroa - new Tipping Head | - | - | 52 |
| Tokoroa - other minor projects | 4 | 5 | 4 |
| Putāruru - other minor projects | 13 | 15 | - |
| Total | 22 | 39 | 250 |

3.7.7. Funding impact statement - solid waste and recycling

| | LTP 2015 \$000's | LTP 2016 \$000's | Actual 2016 \$000's |
|--|------------------------|------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| Rates Revenue: | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 747 | 464 | 457 |
| Targeted rates | 663 | 814 | 814 |
| Other Revenue | | | |
| Subsidies and grants for operating purposes | - | 53 | 67 |
| Fees and charges | 1,271 | 921 | 1,088 |
| Internal charges and overheads recovered | (19) | - | - |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | 65 | 116 |
| TOTAL OPERATING FUNDING (A) | 2,662 | 2,317 | 2,542 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 2,035 | 1,692 | 1,706 |
| Finance costs | 101 | 129 | 84 |
| Internal charges and overheads applied | 189 | 415 | 462 |
| Other operating funding applications | 102 | - | - |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 2,427 | 2,236 | 2,252 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 235 | 81 | 290 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | - |
| Increase (decrease) in debt | - | (11) | (9) |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | - | (11) | (9) |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| • to meet additional demand | - | - | - |
| • to improve the level of services | - | - | - |
| • to replace existing assets | 33 | 40 | 23 |
| Increase (decrease) in reserves | (33) | (51) | 80 |
| Increase (decrease) in investments | 235 | 81 | 178 |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 235 | 70 | 281 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (235) | (81) | (290) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

3.8. Regulatory

3.8.1. What we do

- Planning guidance and compliance
- Building guidance and compliance
- Civil defence and rural fire
- Animal control
- Liquor licensing
- Monitor food premises to ensure that they meet the appropriate health standards
- Noise control
- Parking enforcement
- Business case management (a programme for businesses wishing to locate in or expand in our district to help navigate them through regulatory processes).

3.8.2. Contribution to the Council Strategy

The regulatory activities primarily contribute to the following Council outcomes and strategies:

| Outcomes | Strategies |
|--|--|
| Grow our economy: Existing businesses thrive and new businesses start up in the district. | Economic development strategies: Stimulate economic development by assisting existing and attracting new businesses while encouraging diversity. |
| A quality regulatory service: Deliver a local regulatory service that keeps our community safe and is cost effective to households and businesses, now and in the future. | Regulatory services strategy: Provide regulatory services that meet legislative requirements while supporting our customers. |
| Cultural leadership: We support and encourage cultural leadership and capacity building. | Cultural leadership strategies: Build and maintain a strong strategic and operational relationship with Raukawa. |

3.8.3. Key highlights

Highlights for Regulatory include:

- The District Plan becoming operative on 1 July 2015. The development of the District Plan involved many years work, and input from a wide range of individuals and organisations.
- Participation in the Local Indigenous Biodiversity Strategy pilot project. This is an initiative being run by the Waikato Regional Council which is trialling a new way of working with private landowners to improve biodiversity on their land.

3.8.4. Effects on the community

Central Government has given Council responsibilities to make sure that our community is safe.

3.8.5. How did we do?

| Key Result Areas | 2015-16 Level Achieved | Comments |
|--|------------------------|---|
| Building control: At least 90% of building consents are processed within statutory timelines (20 working days) | Achieved | Council processed 487 building consents and 100% of these were processed on time. |

| Key Result Areas | 2015-16 Level Achieved | Comments |
|---|------------------------|---|
| Building control: Council will retain accreditation as a Building Consent Authority. | Achieved | |
| Environmental Health: 100% of premises registered under the Food Hygiene regulations are inspected annually. | Achieved | There were 221 premises inspected under the Food Hygiene regulations. |
| Environmental Health: 100% of premises registered under the Food Act 2014 are audited annually. | Achieved | Currently there are no premises registered under the Food Act 2014. |
| Liquor licensing: 100% of on, off and club licenses are inspected annually. | Achieved | There are 53 premises registered and 100% of these were inspected. |
| Animal control: Greater than 90% of urgent requests are responded to within one hour on 24/7 basis. | Achieved | There were 97 urgent requests received and 100% of these were responded to within one hour. |
| Business Case Management: 100% of all potential business development projects that require an integrated regulatory approach are contacted within three working days. | Achieved | There were 104 cases that required an integrated regulatory approach, and 100% of these were contacted within three working days. |
| Resource management policy and monitoring, including environmental protection and monitoring: At least 95% of non-notified consents are processed within statutory timelines (20 or 40 working days). | Achieved | Council processed 62 resource consents and 98.39% were processed on time. |
| Resource management policy and monitoring, including environmental protection and monitoring: Not less than 80 hours per annum is spent on monitoring land uses eg resource consents, certificates of compliance and existing situations. | Achieved | Council staff spent 102 hours on monitoring land uses. |
| Resource management policy and monitoring, including environmental protection and monitoring: Reviews and Plan Changes to the District Plan are carried out in accordance with the statutory requirements in the Resource Management Act 1991(RMA). | Achieved | |
| Civil Defence: More than three training sessions/exercises are attended within the Waikato Civil Defence Emergency Management Group. | Achieved | There were 15 training sessions/exercises attended. |
| Civil Defence: At least one South Waikato District Emergency Operations Centre or Managers exercise is held on an annual basis. | Achieved | An event was held in September 2015. |
| Civil Defence: To raise awareness of civil defence issues, Council will conduct 20 or more visits to local organisations. | Achieved | Council visited 47 local organisations. |
| Rural Fire: Maintain rural fire management arrangements to meet the requirements of the Forest and Rural Fires Act 1977 and Pumicelands Enlarged Rural Fire District. | Achieved | |

| Key Result Areas | 2015-16 Level Achieved | Comments |
|--|------------------------|--|
| Rural Fire: At least 90% of all rural fire and emergency calls are responded to within 15 minutes. | Achieved | Council received 16 calls and 100% of these were responded to within 15 minutes. |

3.8.6. Significant asset acquisition

| Emergency Management | Actual Spend 2016 \$000 | Budget Spend 2016 \$000 | Actual Spend 2015 \$000 |
|----------------------------|-------------------------|-------------------------|-------------------------|
| Additional generator | - | - | 21 |
| Replace 13 portable radios | 9 | 10 | 3 |
| Total | 9 | 10 | 24 |

3.8.7. Funding Impact Statement - regulatory management

| | LTP 2015 \$000's | LTP 2016 \$000's | Actual 2016 \$000's |
|--|------------------------|------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| Rates Revenue: | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 1,107 | 920 | 903 |
| Targeted rates | - | - | - |
| Subsidies and grants for operating purposes | 3 | - | - |
| Fees and charges | 776 | 834 | 942 |
| Internal charges and overheads recovered | - | - | - |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | 44 | 69 |
| TOTAL OPERATING FUNDING (A) | 1,886 | 1,798 | 1,914 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 1,137 | 1,166 | 1,152 |
| Finance costs | - | - | - |
| Internal charges and overheads applied | 748 | 625 | 633 |
| Other operating funding applications | - | 5 | 5 |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 1,885 | 1,796 | 1,790 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 1 | 2 | 124 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | - |
| Increase (decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | - | - | - |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of services | - | - | - |
| - to replace existing assets | 2 | - | 24 |
| Increase (decrease) in reserves | (2) | - | (23) |
| Increase (decrease) in investments | 1 | 2 | 123 |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 1 | 2 | 124 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (1) | (2) | (124) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

3.8.8. Funding Impact Statement - resource management and planning

| | LTP 2015 \$000's | LTP 2016 \$000's | Actual 2016 \$000's |
|--|------------------------|------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| Rates Revenue: | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 903 | 814 | 798 |
| Targeted rates | - | - | - |
| Subsidies and grants for operating purposes | 19 | - | - |
| Fees and charges | 107 | 1 | 116 |
| Internal charges and overheads recovered | (74) | 109 | - |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | - |
| TOTAL OPERATING FUNDING (A) | 955 | 924 | 914 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 556 | 523 | 492 |
| Finance costs | 33 | 38 | 35 |
| Internal charges and overheads applied | 293 | 269 | 270 |
| Other operating funding applications | 73 | - | - |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 955 | 830 | 797 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | - | 94 | 117 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | - |
| Increase (decrease) in debt | - | (93) | (68) |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | - | (93) | (68) |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| • to meet additional demand | - | - | - |
| • to improve the level of services | - | - | - |
| • to replace existing assets | - | 27 | - |
| Increase (decrease) in reserves | - | - | - |
| Increase (decrease) in investments | - | (26) | 49 |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | - | 1 | 49 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | - | (94) | (117) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

3.8.9. Funding Impact Statement - emergency management

| | LTP 2015 \$000's | LTP 2016 \$000's | Actual 2016 \$000's |
|--|------------------------|------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| Rates Revenue: | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 355 | 315 | 310 |
| Targeted rates | - | - | - |
| Subsidies and grants for operating purposes | 12 | (2) | - |
| Fees and charges | - | 11 | 4 |
| Internal charges and overheads recovered | - | - | - |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | - |
| TOTAL OPERATING FUNDING (A) | 367 | 324 | 314 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 203 | 219 | 190 |
| Finance costs | - | 1 | - |
| Internal charges and overheads applied | 156 | 89 | 88 |
| Other operating funding applications | - | - | - |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 359 | 309 | 278 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 8 | 15 | 36 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | - |
| Increase (decrease) in debt | - | (2) | (1) |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | - | (2) | (1) |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of services | - | - | - |
| - to replace existing assets | 4 | 10 | 9 |
| Increase (decrease) in reserves | (4) | (10) | 6 |
| Increase (decrease) in investments | 8 | 13 | 20 |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 8 | 13 | 35 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (8) | (15) | (36) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

3.9. Governance and corporate

3.9.1. What we do

- Organise local government elections
- Support the elected members
- Ensure efficient Council and TTrau Community Board meetings
- Communicate effectively with our communities
- Develop Long Term Plans, Annual Plans and Annual Reports
- Manage Council's corporate business (which includes information systems, legal services, human resources, revenue, finance, communications and strategic planning).

3.9.2. Contribution to the Council Strategy

The governance and corporate group of activities primarily contribute to the following Council outcomes and strategies:

| Outcomes | Strategies |
|--|---|
| Grow our economy: Existing businesses thrive and new businesses start up in the district. | Economic development strategies: Stimulate economic development by assisting existing and attracting new businesses while encouraging diversity. Encourage education and training to improve the employment opportunities of district's residents. |
| Improved external image: People outside our district are encouraged to live, work and develop businesses here. | District promotion strategy: Use a full range of marketing tools in conjunction with other organisations, to encourage external people to visit and live and develop businesses in our district. |
| Community pride: Council provides services that make residents proud of our district, celebrating the artistic, sporting and cultural achievements of our people and the diversity of our cultures. | Community Pride Strategy: Through improved communication, community activities, an enhanced physical environment focus on making our community proud and engaged. |
| Cultural leadership: We support and encourage cultural leadership and capacity building. | Cultural leadership strategies: Maintain and support our community's art and culture, and support cultural displays and events. Build and maintain a strong strategic and operational relationship with Raukawa. Build and maintain a strong working relationship with Māori at all levels of Council. Build and maintain a strong working relationship with all cultures present in our district. |
| Efficient Council operations: Council ensures that our business practices are efficient and effective and achieved through successfully working with our community. | Efficient and effective operations strategies: Work together with our partners to achieve common goals. Embed a quality improvement philosophy into all operations of Council. Implement governance and management structures, systems and processes that improve our effectiveness and efficiency. |

3.9.3. Key highlights

The key highlight for the governance and corporate group of activities is:

- Representation review where we consult with the community on whether the structure of our wards and the number of councillors is appropriate.

3.9.4. Effects on the community

The governance and corporate group of activities support all the other activities carried out by Council to ensure that they run smoothly by providing the necessary information systems and financial support. Governance and corporate plays an important role in ensuring that democracy is upheld in our district as it ensures that elections and decision-making processes are lawful. Communications play an important role in informing our community about Council's upcoming plans and allowing opportunities for our residents to have their say.

3.9.5. How did we do?

| Key Result Areas | 2015-16 Level Achieved | Comments |
|---|------------------------|--|
| Council will conduct error-free local government elections (the election process is defined in the Local Electoral Act 2001). | Achieved | |
| To ensure that Council only collects enough rates to meet its funding requirements, the operating level of Council's average annual general fund will not be more than \$500,000 in surplus or less than \$500,000 in deficit. | Achieved | |
| That Council complies with all sections of the Local Government Act 2002 governing the functions of elected officials and consultation with our community on documents (including strategies, policies and bylaws). | Achieved | |
| All official information requests are responded to within the statutory timeframe (20 or 40 working days). | Achieved | Council received 54 official information requests and 100% of these were responded to on time. |
| That 90% of media queries are responded to within five working days. | Achieved | Council receive 143 media queries and 99.3% of these were responded to within five working days. |
| That 100% of media queries are responded to within ten working days. | Achieved | Council receive 144 media queries and 100% of these were responded to within ten working days. |
| The total amount of rate arrears is less than 10% of the current year's total rates paid to Council. | Achieved | |
| Council's information systems are available at least 99% of the time. System availability is defined as reliable access during business hours to supported applications. Availability is measured from offices over 24 hours 365 days of the year, excluding planned and agreed maintenance downtime. | Achieved | |
| Annual Plans and Long Term Plans will be adopted in compliance with the requirements and deadlines of the Local Government Act 2002. | Achieved | |

3.9.6. Significant asset acquisition

| Governance and corporate | Actual Spend 2016 \$000 | Budget Spend 2016 \$000 | Actual Spend 2015 \$000 |
|------------------------------------|--|--|--|
| Council admin buildings and depots | - | - | 92 |
| IT expenditure | 112 | 147 | 148 |
| Vehicle replacements | 242 | 242 | 48 |
| Trade training tools | 4 | 5 | 63 |
| Furniture renewals | 10 | 10 | 11 |
| Total | 368 | 404 | 362 |

3.9.7. Funding Impact Statement - governance and corporate

| | LTP 2015 \$000's | LTP 2016 \$000's | Actual 2016 \$000's |
|--|------------------------|------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 1,597 | 1,719 | 2,125 |
| Targeted rates | 15 | 17 | 18 |
| Subsidies and grants for operating purposes | - | - | - |
| Fees and charges | - | 29 | 159 |
| Internal charges and overheads recovered | 3 | 4,468 | 7,813 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | - | - | 244 |
| TOTAL OPERATING FUNDING (A) | 1,615 | 6,233 | 10,359 |
| APPLICATION OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 437 | 4,416 | 7,073 |
| Finance costs | - | 71 | 114 |
| Internal charges and overheads applied | 1,045 | 1,517 | 2,106 |
| Other operating funding applications | 133 | 1,095 | 967 |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 1,615 | 7,099 | 10,260 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | - | (866) | 99 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | - |
| Increase (decrease) in debt | - | (9) | (186) |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Other dedicated capital funding | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | - | (9) | (186) |
| APPLICATION OF CAPITAL FUNDING | | | |
| Capital expenditure: | | | |
| • to meet additional demand | - | - | 22 |
| • to improve the level of services | - | - | 496 |
| • to replace existing assets | 758 | 1,510 | 395 |
| Increase (decrease) in reserves | (758) | (1,510) | (1,414) |
| Increase (decrease) in investments | - | (875) | 414 |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | - | (875) | (87) |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | - | 866 | (99) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - |

3.10. Customer Satisfaction survey

3.10.1. Introduction

In the past, Council has engaged an independent organisation to complete a Residents Satisfaction Survey. The most recent survey was undertaken in March 2014. Council has now decided to undertake satisfaction reporting four times a year, so that Council has a more timely understanding on the satisfaction levels of our residents with the services and facilities that Council delivers. The first survey under the new regime was published in June 2016.

3.10.2. Sample sizes

A sample size of 402 respondents was used. The survey is designed to be demographically representative: 253 representatives were from the Tokoroa Ward, 113 were from the Putāruru Ward and 36 respondents were from the Tīrau Ward.

The overall satisfaction figures include the categories: somewhat satisfied, satisfied and very satisfied and the overall dissatisfaction figures include: very dissatisfied and somewhat dissatisfied.

3.10.3. Overall Satisfaction

The overall results are presented below. In previous Annual Reports, Council has compared the results from surveys taken over the years. The most recent survey undertaken asked different questions to previous surveys, which has made comparison with other years difficult. For some of our results areas, there was a significant amount of people who answered 'don't know', for example the Croad Place Recycling Centre. This is likely because the facility isn't used by Putāruru and Tīrau residents. However, the significant portion of 'don't knows' has made the satisfaction level look lower than it could have done. Because of this there are two columns below - 'Satisfaction' which includes the 'don't knows' and 'Satisfaction excluding the don't knows'.

| Council Area | Satisfaction Level | Satisfaction Level excluding 'don't knows' |
|--|--|--|
| Overall satisfaction with Council's performance | 79% | 80% |
| Wastewater system reliability | 87% | 94% |
| How Council treats and disposes of wastewater | 60% | 85% |
| Ability of stormwater network to protect your property from flooding | 77% | 84% |
| Ability of stormwater network to keep roads and footpaths free from flooding | 71% | 75% |
| How well the stormwater network is maintained | 64% | 76% |
| Kerbside rubbish collection | 93% | 94% |
| Kerbside recycling services | 72% | 86% |
| Putāruru, Tīrau, Waotu and Okoroire recycling points | 43% (however note that 46% of respondents answered that they didn't know or didn't use the facility) | 80% |
| The Croad Place Recycling Centre | 43% (however note that 52% of respondents answered that they didn't know or didn't use the facility) | 90% |
| The services for managing green waste | 46% | 78% |
| The services for managing general waste | 68% | 76% |
| Management of loose litter and bins in and around the town | 69% | 76% |
| How well urban roads are maintained | 79% | 80% |
| How well rural roads are maintained | 72% | 77% |

| Council Area | Satisfaction Level | Satisfaction Level excluding 'don't knows' |
|--|--------------------|--|
| The safety of roads | 78% | 80% |
| Availability of footpaths/crossing points for mobility scooters/wheel chairs | 67% | 75% |
| How well footpaths are maintained | 69% | 70% |
| Adequacy of cycleways on our roads | 39% | 49% |
| Provision of dedicated walkways/other cycleways around the South Waikato | 74% | 80% |
| Satisfaction with sportsgrounds | 79% | 93% |
| Satisfaction with other parks and reserves | 80% | 89% |
| Satisfaction with playgrounds | 69% | 90% |
| Satisfaction with cemeteries | 63% | 93% |
| Satisfaction with libraries | 96% | 98% |
| Satisfaction with swimming pools | 83% | 86% |
| Satisfaction with public toilets | 55% | 56% |
| Satisfaction with community halls | 88% | 92% |
| Satisfaction with South Waikato Sport and Events Centre | 93% | 96% |
| Library opening hours | 94% | 95% |
| Range of books and materials available at the libraries | 95% | 95% |
| The library charges | 86% | 91% |
| The overall service delivered by the library | 97% | 98% |
| The way that the libraries connect with local groups | 74% | 96% |
| Satisfaction with animal control | 72% | 75% |
| Satisfaction with managing and issuing building consents | 54% | 76% |
| Satisfaction with managing and issuing resource consents | 54% | 64% |
| Satisfaction with managing liquor licensing | 83% | 90% |
| Satisfaction with Civil Defence | 51% | 77% |
| Satisfaction with Rural Fire | 40% | 93% |
| Satisfaction with licensing premises such as cafes, restaurants and hairdressers | 57% | 70% |
| Satisfaction with making a complaint or a request for service | | |
| How easy it was to make your enquiry or requests | 68% | n/a |
| How long it took to resolve the matter | 36% | n/a |
| The information provided being accurate | 50% | n/a |
| How well Council staff understood your request and how well they communicated with you | 51% | n/a |
| The resolution or outcome achieved | 41% | n/a |
| How would you rate Council overall for how well they handled your enquiry | 49% | n/a |

3.11. Involvement with Council Controlled Organisations (CCOs)

A CCO is a company with a majority Council shareholding, or a trust or similar organisation with a majority of Council-controlled votes or Council-appointed trustees. Council is involved in one regional CCO called Local Authority Shared Services (LASS) Limited.

The company was established in 2005-06 and is a legal entity to help foster and develop shared service initiatives throughout the region.

The LASS is jointly owned by the local authorities of the region: Waikato Regional Council, Hamilton City Council, Hauraki, Matamata-Piako, Otorohanga, Rotorua, South Waikato, Taupo, Thames-Coromandel, Waikato, Waipa and Waitomo District Councils.

3.11.1. Company Objective

The objective of LASS is to provide local authorities of the Waikato Region with a vehicle to procure shared services. LASS also provides Councils that wish to develop new services with a corporate structure under which they can develop and promote services to other local authorities.

The constitution of LASS sets out the principles of which the company will be operated and governed. This includes shareholders' rights and the appointment of directors. The company's Annual Statement of Intent identifies its activities, intentions for the year and the objectives to which those activities will contribute.

3.11.2. Nature and Scope of Activities

The principal nature and scope of the activity for the company is to:

- Provide shared services to all local authorities within the Waikato region. The company also intends to sell processes and systems as set up under individual agreements to local authorities outside the region.
- Pursue all opportunities to develop shared services that may benefit the community, either through enhanced services or reduced costs.
- Give consideration to developing shared service products which a majority of local authorities of the region believe are of value. The objective is to provide the most effective access to regional information that may be of value to the community using modern technology and processes.
- Explore all possible avenues to provide these services itself, or contract them from outside parties, each depending on a rigorous business case.

Council policies and objectives relating to CCOs

South Waikato District Council's policy on appointment of directors to CCOs states that, where Council is but one of a group of councils jointly controlling a CCO, then Council shall provide representatives (as appropriate) to consider the appointment and remuneration.

LASS is governed by a board of directors made up of the chief executives of the local authority shareholders. Council's involvement in LASS is consistent with its Appointment of Directors to CCO's Policy. Council's involvement in LASS was confirmed, following public consultation through its Annual Plan 2005-06.

Council at present has no formal objectives other than to maintain its current shareholding.

Performance results

The following performance measures were incorporated into the Local Authority Shared Services Limited (LASS) 2015-16 financial year:

| Performance Measure | Actual Outcome |
|---|---|
| Procurement | |
| A minimum of three new procurement initiatives investigated per annum and business cases developed if considered appropriate. | Achieved. Three new procurement initiatives have been implemented (Laboratory Services (5-year term), IT Professional Services Panel (3-year term, with a 2-year right of renewal), Internal Audit Services (3-year term)). |

| Performance Measure | Actual Outcome |
|---|---|
| Initiatives which are implemented shall provide financial savings and/or improved service levels to the participating councils. | Achieved. The Laboratory Services contract is expected to save over \$170,000 p.a. if all of the eligible councils participate. The IT Professional Services Panel provides discounted hourly rates of between and 0 – 50% off market rates, averaging 10.4% over the 22 suppliers. The Internal Audit Services contract provides discounted hourly rates of between 25 – 30% off market rates, plus a number of additional, value added services at no cost. The fees will remain unchanged for 3 years. |
| New suppliers are awarded contracts according to the LASS Financial Delegations Policy. | Achieved. The Laboratory Services contract is an extension of an existing Waikato Regional Council contract, which was originally competitively tendered. Both of the other contracts were publicly tendered and awarded in accordance with the LASS Financial Delegations Policy. |
| Collaborative Projects | |
| A minimum of three priority projects for collaboration are identified per annum. | Achieved. Five new collaboration projects were implemented during 2015/16: - EECA Collaboration Agreement - development of a regional GIS Data Portal - transfer of the Waikato Building Consent group into LASS; - the permanent establishment of RATA within LASS - the transfer of Future Proof into LASS. |
| If considered of value, business cases are developed for approval by the Board, and the projects are implemented. | Achieved. All proposals were approved following the consideration of a report to, and a resolution of, the LASS Board. |
| Existing LASS contracts | |
| The LASS Contracts Register is maintained and managed. | Achieved. The Contracts Register is up-to-date. |
| Contracts which are due for renewal are tested for competitiveness and either renegotiated or tendered through a competitive process. | Achieved. The NZ Post contract has been extended for 2 years on the existing terms and conditions. |
| Cashflow | |
| Monthly financial statements show a positive cashflow position. | Achieved. All monthly financial statements showed a positive cashflow. Reports on the financial position were considered at LASS Board meetings on 21 August and 3 November 2015, 15 February, 1 April and 10 June 2016. |
| Cost Control | |
| Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board. | Achieved. Administration expenditure showed a positive variance of \$54,649 as at 30 June 2016. Reports on the financial position were considered at LASS Board meetings on 21 August and 3 November 2015, and on 15 February, 1 April and 10 June 2016. |
| Reporting | |

Annual Report 2015-16

| Performance Measure | Actual Outcome |
|---|---|
| <p>The Board shall provide a written report on the business operations and financial position of the LASS to the Shareholders every six months.</p> <p>Note that every second report shall be the Annual Report, which includes a report that all of the statutory requirements of the LASS are being adhered to.</p> | <p>Achieved. The 2015-16 LASS Annual Report is being provided.</p> <p>The 6-monthly report was sent to all shareholders on 27 January 2016.</p> |
| Waikato Mayoral Forum | |
| <p>The Mayoral Forum is regularly updated on the progress of each approved workstream.</p> | <p>Achieved. Progress reports were provided to the Mayoral Forum on 7 September and 16 November 2015, and 22 February and 18 April 2016.</p> |
| <p>Approved invoices for Mayoral Forum projects are paid by the 20th of the month following their receipt.</p> | <p>Achieved. All approved invoices were paid by the 20th of the month following their receipt.</p> |
| Share Valuation Data Services (SVDS) | |
| <p>The SVDS is available to users at least 99% of normal working hours.</p> | <p>Achieved. SVDS was available to users for more than 99.5% of normal working hours.</p> |
| <p>All capital enhancement work is supported by a business case and approved by the SVDS Advisory Group.</p> | <p>Achieved. The SVDS Advisory Group met five times - on 6 August and 5 November 2015, and on 29 January (teleconference), 10 March and 2 June 2016</p> |
| Waikato Regional Transport Model (WRTM) | |
| <p>All WRTM modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget.</p> | <p>Achieved. The model supplier reports quarterly on service performance. All modelling reports were actioned within the agreed timeframe and scope; two projects were under the budget estimate and one was slightly over.</p> |
| <p>A report by the Contract Manager on any new developments and on the status of the model is provided to the LASS Board at least every six months.</p> | <p>A report by the Contract Manager on any new developments and on the status of the model is provided to the LASS Board at least every six months.</p> |
| <p>The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated.</p> | <p>Achieved. WRTM Census update base model was completed in August 2015.</p> <p>The peer reviewer has been engaged from the outset of the project.</p> <p>All technical notes and the base model have been signed off by the peer reviewer.</p> <p>Peer reviewer is scheduled to sign off the Future Models in late 2016.</p> |
| Shareholder Survey | |
| <p>A survey of shareholders is undertaken each year, and the results are reported to all shareholders.</p> | <p>Achieved. A survey was undertaken in May 2016, and the results are included in this report.</p> |
| Review of Benefits | |
| <p>Information on the financial and non-financial benefits being achieved by LASS are included in the 6-monthly and Annual Report to shareholders.</p> | <p>Achieved. Information on the achievements of LASS over the past 12 months are included in this report and as part of these performance measures.</p> |

4. FINANCIAL STATEMENTS

Statement of compliance

The Council of the South Waikato District hereby confirms that all statutory requirements in relation to the annual report, as outlined in the Local Government Act 2002, have been complied with.



Neil Sinclair MNZM JP BDS
MAYOR
29 September 2016



Craig Hobbs
CHIEF EXECUTIVE
29 September 2016

4.1. Financial statements

Statement of comprehensive revenue and expenses

| For the year ended 30 June 2016 | | | | |
|--|----------|-------------------|-------------------|-------------------|
| | Note No. | Actual 2016 \$000 | Budget 2016 \$000 | Actual 2015 \$000 |
| Revenue | | | | |
| Rates, excluding targeted water supply rates | 4 | 20,618 | 20,789 | 20,194 |
| Fees, charges, and targeted rates for water supply | | 5,610 | 5,305 | 5,159 |
| Development and financial contributions | | 86 | 19 | 33 |
| Subsidies and grants | 5 | 3,075 | 3,380 | 3,058 |
| Finance income | 6 | 413 | 807 | 507 |
| Other revenue | 7 | 1,498 | 880 | 1,623 |
| Total revenue | | 31,300 | 31,180 | 30,574 |
| Expenditure | | | | |
| Employee benefits expense | 8 | 8,492 | 8,261 | 8,359 |
| Depreciation and amortisation expense | 15 | 6,853 | 7,764 | 7,141 |
| Finance costs | 6 | 735 | 912 | 811 |
| Other expenses | 9 | 15,389 | 13,215 | 17,214 |
| Total expenditure | | 31,469 | 30,152 | 33,525 |
| Surplus/(Deficit) before tax | | (169) | 1,028 | (2,951) |
| Income tax expense | | - | - | - |
| Surplus/(Deficit) after tax | | (169) | 1,028 | (2,951) |
| Other comprehensive revenue and expense | | | | |
| Gain/loss in Asset Revaluation Reserve | 21 | 4,475 | - | 6,273 |
| Gain/loss in Investment Revaluation Reserve | 21 | 239 | - | 538 |
| Total other comprehensive revenue and expense | | 4,714 | - | 6,811 |
| Total comprehensive revenue and expense | | 4,545 | 1,028 | 3,860 |

These Financial Statements should be read in conjunction with the accounting policies and notes on pages 65 to 108

Statement of changes in equity

| For the year ended 30 June 2016 | Note No. | Restricted Reserves | Council Created Reserves | Property Revaluation Reserves | Investment Revaluation Reserves | Retained Earnings | Total |
|--|-------------|------------------------|--------------------------------|-------------------------------------|---------------------------------------|----------------------|----------------|
| Balance as at 30 June 2014 | | 10,707 | 8,041 | 215,730 | 290 | 146,056 | 380,824 |
| Deficit for the year | 21 | - | - | - | - | (2,951) | (2,951) |
| Transfers to retained earnings on disposal | | - | - | (646) | - | 646 | - |
| Transfer of vegetation assets to retained earnings on disposal | | - | - | (1,811) | - | 1,811 | - |
| Transfers to General Equity | | 7,631 | 560 | - | - | (8,191) | - |
| Transfers from General Equity | | (3,231) | (3,517) | - | - | 6,748 | - |
| Other comprehensive revenue and expense | | | | | | | |
| Gain/loss in Asset Revaluation Reserve | 21 | - | - | 6,273 | - | - | 6,273 |
| Gain/loss in Investment Revaluation Reserve | 21 | - | - | - | 538 | - | 538 |
| Total comprehensive revenue and expense | | 4,400 | (2,957) | 3,816 | 538 | (1,937) | 3,860 |
| Balance at 30 June 2015 | | 15,107 | 5,084 | 219,546 | 828 | 144,119 | 384,684 |
| Deficit for the year | 21 | - | - | - | - | (169) | (169) |
| Transfers to retained earnings on disposal | | - | - | (539) | - | 539 | - |
| Transfers to General Equity | | 5,061 | 697 | - | - | (5,758) | - |
| Transfers from General Equity | | (4,328) | (2,325) | - | - | 6,653 | - |
| Other comprehensive revenue and expense | | | | | | | |
| Gain/loss in Asset Revaluation Reserve | 21 | - | - | 3,890 | - | - | 3,890 |
| Gain/loss in Investment Revaluation Reserve | 21 | - | - | - | 239 | - | 239 |
| Total comprehensive revenue and expense | | 733 | (1,628) | 3,351 | 239 | 1,265 | 3,960 |
| Balance at 30 June 2016 | | 15,840 | 3,456 | 222,897 | 1,067 | 145,384 | 388,644 |

These Financial Statements should be read in conjunction with the accounting policies and notes on pages 65 to 108

Statement of financial position

| | Note No. | Actual 2016 \$000 | Budget 2016 \$000 | Actual 2015 \$000 |
|--|----------|-------------------|-------------------|-------------------|
| Equity | | | | |
| Retained earnings | 21 | 145,384 | 153,662 | 144,119 |
| Other reserves | 21 | 243,260 | 243,895 | 240,565 |
| Total equity | | 388,644 | 397,557 | 384,684 |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 10 | 3,984 | 1,323 | 6,234 |
| Current portion of investments | | - | 2,000 | - |
| Receivables from non-exchange transactions | 11 | 1,867 | 1,843 | 2,100 |
| Receivables from exchange transactions | 11 | 872 | 1,013 | 1,598 |
| Inventories | 12 | 219 | 204 | 198 |
| Other financial assets | 13 | 5 | - | 867 |
| Non-current assets held for sale | 14 | 788 | - | 743 |
| Total current assets | | 7,735 | 6,383 | 11,740 |
| Non-current assets | | | | |
| Property, plant and equipment | 15 | 385,002 | 400,514 | 382,300 |
| Other financial assets | 13 | 14,443 | 9,040 | 9,504 |
| Non-current assets held for sale | 14 | 126 | - | 81 |
| Intangible assets | 16 | 142 | 2 | 203 |
| Total non-current assets | | 399,713 | 409,556 | 392,088 |
| Total assets | | 407,448 | 415,939 | 403,828 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Payables and deferred revenue from non-exchange transactions | 17 | 1,081 | 3,802 | 995 |
| Payables and deferred revenue from exchange transactions | 17 | 2,574 | - | 2,589 |
| Employee benefit obligations | 19 | 992 | 1,152 | 981 |
| Borrowings | 20 | 880 | 1,014 | 816 |
| Provision for landfill closure | 18 | 23 | 28 | 26 |
| Trust accounts | 17 | 4 | 146 | 15 |
| Total current liabilities | | 5,554 | 6,142 | 5,422 |
| Non-current liabilities | | | | |
| Provision for landfill closure | 18 | 818 | 718 | 809 |
| Borrowings | 20 | 12,296 | 11,140 | 12,776 |
| Employee benefit obligations | 19 | 136 | 382 | 137 |
| Total non-current liabilities | | 13,250 | 12,240 | 13,722 |
| Total liabilities | | 18,804 | 18,382 | 19,144 |
| Net assets | | 388,644 | 397,557 | 384,684 |

These Financial Statements should be read in conjunction with the accounting policies and notes on pages 65 to 108

Statement of cashflows

| | Note No. | Actual 2016 \$000 | Budget 2016 \$000 | Actual 2015 \$000 |
|---|-------------|-------------------------|-------------------------|-------------------------|
| Cash flow from operating activities | | | | |
| <i>Cash was provided from:</i> | | | | |
| Rates | | 23,118 | 22,886 | 22,108 |
| Subsidies and grants | | 3,849 | 3,380 | 2,385 |
| Fees and charges | | 3,812 | 3,907 | 2,921 |
| Other income | | 1,183 | - | 1,230 |
| Interest received | | 413 | 32 | 507 |
| Dividend received | | 293 | - | 264 |
| | | <u>32,668</u> | <u>30,205</u> | <u>29,415</u> |
| <i>Cash was applied to:</i> | | | | |
| Interest paid | | 735 | 912 | 811 |
| Net GST paid | | 1,440 | - | 990 |
| Payment to suppliers and employees | | 21,709 | 18,872 | 22,139 |
| | | <u>23,884</u> | <u>19,784</u> | <u>23,940</u> |
| Net cash inflows/(outflows) from operating activities | 22 | 8,784 | 10,421 | 5,475 |
| Cash flow from investing activities | | | | |
| <i>Cash provided from:</i> | | | | |
| Proceeds from investments | | - | 775 | - |
| Property, plant and equipment sales | | 60 | - | 186 |
| | | <u>60</u> | <u>775</u> | <u>186</u> |
| <i>Cash was applied to:</i> | | | | |
| Purchase of investments | | 3,837 | 1,000 | 1,998 |
| Purchase of property, plant and equipment | | 6,841 | 8,438 | 7,679 |
| | | <u>10,678</u> | <u>9,438</u> | <u>9,677</u> |
| Net cash inflows/(outflows) from investing activities | | (10,618) | (8,663) | (9,491) |
| Cash flow from financing activities | | | | |
| <i>Cash was provided from:</i> | | | | |
| Loans raised | | 189 | 261 | 1,629 |
| | | <u>189</u> | <u>261</u> | <u>1,629</u> |
| <i>Cash was applied to:</i> | | | | |
| Loans repaid | | 605 | 1,019 | 2,794 |
| | | <u>605</u> | <u>1,019</u> | <u>2,794</u> |
| Net cash inflows/(outflows) from financing activities | | (416) | (758) | (1,165) |
| Net increase/(decrease) in cash and cash equivalents | | (2,250) | 1,000 | (5,181) |
| Cash and cash equivalents at the beginning of the year | | 6,234 | 323 | 11,415 |
| Cash and cash equivalents at the end of the year | 10 | 3,984 | 1,323 | 6,234 |

These Financial Statements should be read in conjunction with the accounting policies and notes on pages 65 to 108

Funding Impact Statement - whole of Council

| | Annual Plan 2015 \$000's | Actual 2015 \$000's | LTP 2016 \$000's | Actual 2016 \$000's |
|--|--------------------------------|---------------------------|------------------------|---------------------------|
| SOURCES OF OPERATING FUNDING | | | | |
| General Rates, Uniform Annual General Charges, rates penalties | 16,820 | 16,529 | 16,557 | 16,699 |
| Targeted rates | 5,727 | 6,415 | 6,091 | 6,602 |
| Subsidies and grants for operating purposes | 2,588 | 1,259 | 1,233 | 1,384 |
| Fees and charges | 3,176 | 3,138 | 4,174 | 3,820 |
| Interest and dividends from investments | 458 | 740 | 807 | 791 |
| Local authorities fuel tax, fines, infringement fees, and other receipts | 112 | 328 | 259 | 316 |
| TOTAL OPERATING FUNDING (A) | 28,881 | 28,409 | 29,121 | 29,612 |
| APPLICATION OF OPERATING FUNDING | | | | |
| Payments to staff and suppliers | 20,059 | 29,090 | 25,655 | 23,488 |
| Finance costs | 850 | 891 | 983 | 1,081 |
| Other operating funding applications | 899 | 2,369 | 2,306 | 2,237 |
| TOTAL APPLICATIONS OF OPERATING FUNDING (B) | 21,808 | 32,350 | 28,944 | 26,806 |
| SURPLUS (DEFICIT) OF OPERATING FUNDING (A-B) | 7,073 | (3,941) | 177 | 2,806 |
| SOURCES OF CAPITAL FUNDING | | | | |
| Subsidies and grants for capital expenditure | 1,497 | 1,706 | 1,993 | 1,604 |
| Development and financial contributions | 13 | 33 | 19 | 86 |
| Increase (decrease) in debt | 1,059 | 673 | 117 | (494) |
| Gross proceeds from sale of assets | - | - | - | - |
| Lump sum contributions | - | - | - | - |
| TOTAL SOURCES OF CAPITAL FUNDING (C) | 2,569 | 2,412 | 2,129 | 1,196 |
| APPLICATION OF CAPITAL FUNDING | | | | |
| Capital expenditure: | | | | |
| • to meet additional demand | 443 | 3,234 | - | 22 |
| • to improve the level of services | 1,230 | 3,336 | 809 | 2,226 |
| • to replace existing assets | 4,794 | 1,349 | 7,627 | 4,654 |
| Increase (decrease) in reserves | (3,909) | 73 | (7,834) | (316) |
| Increase (decrease) in investments | 7,084 | (9,521) | 1,704 | (2,584) |
| TOTAL APPLICATIONS OF CAPITAL FUNDING (D) | 9,642 | (1,529) | 2,306 | 4,002 |
| SURPLUS (DEFICIT) OF CAPITAL FUNDING (C-D) | (7,073) | 3,941 | (177) | (2,806) |
| FUNDING BALANCE ((A-B)+(C-D)) | - | - | - | - |

4.2. Notes to the financial statements

1. Statement of accounting policies

Reporting entity

The South Waikato District Council (Council) is a territorial authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

The primary objective of Council is to provide services and social benefits to the community rather than making a financial return. Accordingly, Council has designated itself as a public benefit entity for the purposes of financial reporting. The financial statements of the Council are for the year ended 30 June 2016. The financial statements were authorised for issue by the Councillors on 29 September 2016.

Basis of preparation

Statement of compliance

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements have been prepared in accordance with NZ GAAP and they comply with Tier 1 Public Benefit Entity (PBE) Standards.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluations of land and buildings, certain infrastructural assets, and certain financial instruments (including derivative instruments).

Functional and presentation currency

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

The accounting policies set out below have been applied consistently for all periods presented in these financial statements.

Changes in accounting policies

There has been no changes in accounting policies.

Standards, amendments and interpretations issues but not yet effective

Amendments have been issued as part of a project to improve presentation and disclosure requirements under PBE IPSAS. These changes are unlikely to have a material impact on the Financial Statements and disclosure.

Significant accounting policies

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Council and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services in the normal course of business, net of discounts and sales related taxes. The following specific recognition criteria must also be met before revenue is recognised.

Revenue from non-exchange transactions

Rates

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable. Rates charged to Council properties are excluded from rates income in the profit or loss.

Water rates

Revenue from water rates by meter is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Government grants

Government grants are recognised when:

- claimed, for work completed on previously approved programmes
- eligibility has been established by the grantor.

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

Interest and dividends

Interest income is recognised as it accrues using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial instrument.

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

Financial contributions

Financial contributions are recognised as revenue when the Council provides, or is able to provide, the services for which the contribution was charged. Otherwise, the financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide, the service.

Vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as income. Assets vested in the Council are recognised as income when control over the asset is obtained.

Revenue from exchange transactions

Provision of services

Revenue from the provision of services (fees and charges) are recognised as income when the obligation to pay, by reference to the stage of completion of the transaction at balance date, arises.

Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where 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.

Cost allocation policy

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information. Direct costs are those costs directly attributable to a specific activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Cost drivers for allocation of indirect costs

The cost of internal services not directly charged to activities are allocated as support costs using appropriate cost drivers such as actual usage, staff numbers and floor area.

Non-current assets held for sale

Non-current assets are classified as held for sale if the carrying amount will be recovered through a sale rather than continuing use. This condition is met only when the sale is highly probable and the asset is available for sale in its present condition. Council must be committed to the sale, and a completed sale is expected within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the asset's 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 profit or loss.

Any increase in fair value, less costs to sell, is recognised in profit or loss up to the level of any impairment losses that have been previously recognised.

Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

These are classified as:

Operational assets

These are tangible assets and include land, buildings and improvements, motor vehicles, the South Waikato Indoor Pools and associated equipment, and the library collection.

Infrastructural assets

These are fixed utility systems that provide a continuing service to the community and are not generally regarded as tradeable. They include:

- all property, plant and equipment associated with water supply, wastewater, stormwater and waste disposal, including the land that they are located upon
- all roads, service lanes, footpaths, street lights, carparks and associated street furniture
- all public toilets and restrooms, public halls and the land they are situated on.

Restricted assets

These assets cannot be disposed of because of legal or other restrictions and provide a benefit or service to the community. They include:

- all property (excluding South Waikato Indoor Pools) associated with recreation, scenic, historic purposes, esplanade and local purpose reserves, including the reserve land
- all cemeteries
- all land contained within road reserves.

Measurement at recognition

All items of property, plant and equipment that qualify for recognition as assets are initially measured at cost. An item of property, plant and equipment is recognised as an asset only if it is probable that any future economic benefits or service potential associated with them will flow to Council and the cost of the item can be measured reliably. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Measurement after recognition

Property, plant and equipment are shown at cost or revalued amount, less accumulated depreciation and impairment losses. Those asset classes that are revalued are generally valued on a three year rotational basis

to ensure revalued assets are carried at a value that is not materially different from fair value. All revaluations are either performed by independent and qualified valuers or in-house and peer-reviewed by independent and qualified valuers. All other asset classes are carried at depreciated historical cost.

Operational assets

Heritage assets

Valuation is at fair value as determined from market-based evidence. The most recent valuation performed by Webb Galleries was as at 30 June 2009.

Library collection

Valuation is at cost less accumulated depreciation and any accumulated impairment losses.

Land and buildings

Valuation is at fair value as determined from market-based evidence. The most recent valuation exercise for buildings was performed by Telfer Young, Registered Valuers and Property Consultants, Rotorua, effective as at 30 June 2015.

Motor vehicles, plant and equipment, furniture and fittings

Valuation is at cost less accumulated depreciation and any accumulated impairment losses.

Infrastructural assets

Land and buildings including land underneath roads were revalued effective 30 June 2015 by Telfer Young, Registered Valuers and Property Consultants, Rotorua, at current market value. The valuation methodology used for land underneath roads is the assessment of the value based upon an indicated value of the land adjoining the roads. Rural and urban roads have been separated and the average land value for adjoining land for each separate division applies. In some cases, a discount has been applied to the land value.

Landfill cell development, pipes and pumps are valued at cost less accumulated depreciation and any impairment costs.

Street furniture is valued at cost less accumulated depreciation and any impairment costs.

Roads, footpaths, streetlights, large culverts and bridges were revalued effective 30 June 2014 by professionally qualified in-house staff, and peer reviewed by Opus International Consultants Limited, Auckland at optimised depreciated replacement value. Each asset component was valued taking into account its remaining useful life.

Wastewater, stormwater disposal and water supply property, plant and equipment were revalued on 30 June 2016 by professionally qualified in-house staff, and peer reviewed by Beca Projects NZ Limited at optimised depreciated replacement value.

The underground reticulation pipework was also revalued on 30 June 2016 by professionally qualified in-house staff, and peer reviewed by Beca Projects NZ Limited, at optimised depreciated replacement value.

Paper roads with a total length of 151.378km are recorded at land value.

Costs incurred in obtaining any resource consents are capitalised as part of the asset to which they relate. If a resource consent application is declined then all capitalised costs are written off.

Restricted assets

Restricted land and buildings are carried at fair value less accumulated depreciation. The most recent market-based valuation was performed by Telfer Young, Registered Valuers and Property Consultants, Rotorua, effective as at 30 June 2015.

Parks and reserves assets were revalued effective 30 June 2015 at depreciated replacement value. The revaluation was undertaken using a combination of in-house staff and an external consultant, Robert Berghuis, Senior Valuer from Beca Projects NZ Limited. Both in-house staff and the external consultant have an extensive knowledge base and background in parks and reserves asset management.

The external consultant reviewed the useful lives and replacement cost unit values on Council's fixed assets register. The replacement cost unit values were updated to current market values by using, either:

available current contract-supplier unit rates for equivalent asset types (giving the highest level of confidence) or

the 2012 asset values/purchase cost adjusted for industry-specific inflation indices to represent estimated replacement costs for modern equivalent asset (MEA) components as at 30 June 2015 (giving a high level of confidence).

As part of the revaluation process, where assets that continue to be in commission are found to have a remaining life of nil (on Council's fixed assets register), an adjusted remaining useful life of 2.5% of the original base life has been made.

Accounting for revaluations

Council accounts for revaluations on property, plant and equipment on a class of asset basis.

The results of revaluing are recognised in other comprehensive income and accumulated as a separate component of equity in the asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed through profit or loss. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in profit or loss will be recognised first in profit or loss up to the amount previously expensed and then credited to other comprehensive income.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis at rates that reflect their estimated useful lives.

Depreciation is charged to write off the cost or valuation of assets, other than land and properties under construction and road formation cost, over their estimated useful lives. The depreciation rates are applied at a component level and are dependent on the remaining useful life of each component. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Operational and restricted assets

| | |
|----------------------------------|-----------------|
| Heritage assets | Not depreciated |
| Land | Not depreciated |
| Buildings | 40 - 100 years |
| Plant and equipment | 5 - 30 years |
| Swimming pools | 40 - 100 years |
| Motor vehicles | 5 years |
| Computer equipment and furniture | 3 - 10 years |
| Library equipment | 5 - 10 years |

Infrastructural assets

Roading Network

| | |
|---------------------|---------------|
| Top surface - rural | 1 - 18 years |
| Top surface – urban | 1 – 22 years |
| Pavement – rural | 40 - 70 years |
| Pavement - urban | 40 - 99 years |
| Culverts | 25 - 80 years |
| Footpaths | 10 - 80 years |
| Kerbs | 80 years |

| | |
|-----------------------------------|-----------------|
| Signs | 6- 9 years |
| Streetlights and poles | 25 - 70 years |
| Bridges | 78 - 118 years |
| Land (including land under roads) | Not depreciated |

Waste

| | |
|----------------------------|---------------|
| Landfills, pipes and pumps | 7 - 100 years |
|----------------------------|---------------|

Wastewater Systems

| | |
|-----------------|--------------|
| Manholes | 80 years |
| Treatment plant | 5 - 80 years |

Stormwater Systems

| | |
|-----------------------|---------------|
| Reticulated pipework | 50 - 90 years |
| Manholes and cesspits | 90 years |
| Detention dams | 60 years |

Water Supply

| | |
|---------------------------|--|
| Reticulated pipework | 55 - 95 years |
| Valves and hydrants | 80 years |
| Pump stations | Up to 100 years (dependent on componentry) |
| Storage tanks | 25 - 80 years |
| Infrastructural buildings | 40 - 100 years |
| Street furniture | 3 - 10 years |

Impairment

All assets, current and non-current, are tested annually for indicators of impairment or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where an entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised in other comprehensive income. Where that results in a debit balance in other comprehensive income, the balance is recognised in profit or loss.

For assets not carried at a revalued amount, the total impairment loss is recognised in profit or loss.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for the class of asset was previously recognised in profit or loss, a reversal of the impairment loss is also recognised in profit or loss.

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in profit or loss.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in profit or loss. When revalued assets are sold, the amounts included in the asset revaluation reserves in respect of those assets are transferred to general equity.

Subsequent cost

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 can be measured reliably.

Assets under construction

Capital works under construction are valued at cost. The total cost of the project is transferred to the relevant asset class on its completion and then depreciated.

Vested assets

Certain infrastructure assets have been vested in Council and are recognised in profit or loss at fair value. These assets have been valued based on the actual quantities of infrastructure components vested and the current 'in the ground' cost of providing identical services. Vested assets include roads, the Talking Poles, pavement art, the Tokoroa town clock, the airport tower, Tokoroa Skateboard Park, and various culverts and water pipes. On initial recognition the fair value of vested assets is recognised in profit or loss. Subsequent to this vested assets are revalued together with other property, plant and equipment, and surpluses or deficits arising on revaluation are treated in the same way as other property, plant and equipment.

Rental property

Rental property is included in property, plant and equipment in accordance with PBE IPSAS, as the rental property is held to provide a social service rather than for rental income, capital appreciation or both.

Intangible assets**Computer software**

Acquired computer software is capitalised on the basis of the cost incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as expense when incurred.

Carbon credits

Purchased carbon credits are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Easements

No value is attached to easements due to the difficulty in establishing their original cost or fair value.

Amortisation of intangible assets

The carrying amount 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 profit or loss. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

| | |
|-------------------|-------------|
| Computer software | 3 – 7 years |
|-------------------|-------------|

Financial instruments

Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Investments are initially measured at fair value plus transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value. Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value

Financial assets in this category are either financial assets held for trading or financial assets designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future or
- it is a part of an identified portfolio of financial instruments that the Council manages together and has a recent actual pattern of short-term profit-taking or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 13.

These consist of forward foreign exchange contracts that are assets. Council uses these derivative financial instruments to hedge exposure to foreign exchange fluctuations. However, as permitted by PBE IPSAS 29, Council does not employ hedge accounting techniques in its accounting for derivative financial instruments. After initial measurement these assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss. Council does not currently hold any of these investments.

Financial assets at fair value through profit or loss

These consist of forward foreign exchange contracts that are assets. Council uses these derivative financial instruments to hedge exposure to foreign exchange fluctuations. However, as permitted by PBE IPSAS 29, Council does not employ hedge accounting techniques in its accounting for derivative financial instruments. After initial measurement these assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that Council's management has the positive intention and ability to hold to maturity. These investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective interest basis. Currently Council does not hold any assets in this category.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Loans and receivables are classified as trade and other receivables in the balance sheet and include rates receivable, accrued income and New Zealand Transport Agency subsidies receivable.

Available for sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Certain shares held by Council are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 13. Gains and losses arising from changes in fair value are recognised directly in the investment revaluation reserve, until the investment is

disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the Investment revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised separately in profit or loss in the statement of comprehensive income when Council's right to receive payment is established.

These include bonds and shares, the investment in Local Authority Shared Services Limited and Local Government Civic Assurance. If these assets are traded in an active market they are measured at their fair value using quoted market prices at the balance sheet date. The quoted market price used is the current bid price. If the financial assets are not traded in an active market, their fair value is determined using valuation techniques. Council uses a variety of valuation methods and makes assumptions based on market conditions existing at each balance date. Of the remaining financial assets, if quoted market prices of similar financial assets in the market are not available, other techniques such as discounted expected cash flows are utilized to determine their fair value, or otherwise cost is used.

Impairment of financial assets

At each balance sheet date Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the profit or loss.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as available for sale and financial lease receivables, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty or
- Default or delinquency in interest or principal payments.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities including debt instruments issued by Council are classified according to the substance of the contractual arrangements entered into.

The accounting policies adopted for specific financial liabilities are as follows:

Bank borrowings

Interest bearing bank loans are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Debt instruments

Council issues bonds from time to time to raise funds. These are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

Derivative financial instruments

These are mainly forward foreign exchange contracts. These are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Any gain or loss is recognised in profit or loss immediately.

Council activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. Council uses derivative financial instruments (primarily foreign currency forward contracts) to mitigate its risks associated with foreign currency fluctuations which relate to certain firm commitments and forecasted transactions. The significant interest rate risk arises from bank loans.

The use of financial derivatives is governed by Council's policies as approved by Council resolution, and which provide written principles on the use of financial derivatives consistent with Council's risk management strategy. Council does not use derivative financial instruments for speculative purposes.

Investments in Council controlled organisations

Council has an interest (2.7%) in a Council Controlled Organisation (CCO), Local Authority Shared Services Limited. Council has no significant influence on operational or financial policies.

As this investment is not traded on an active market and quoted market prices of similar financial assets are not available, the fair value cannot be measured reliably. The investment is therefore measured at cost.

Inventories

Inventories held for distribution or consumption in the provision of services are measured at the lower of cost or current replacement cost. The cost to these inventories is assigned by using the weighted average cost formula. The write down from cost to current replacement cost is recognised in profit or loss.

Foreign currencies

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits, and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to the Inland Revenue (IRD) is included as part of receivables or payables in the Balance Sheet. The net amount of GST paid or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flow. Commitments and contingencies are disclosed exclusive of GST.

Employee benefits

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, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, 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 entitlement earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that it will be used by staff to cover those future absences.

Long-term entitlements

Entitlements that are payable beyond 12 months, such as long service leave and retiring leave have been calculated on actuarial basis using the service of professional actuaries. The actuarial calculations are based on an assumed salary increase of 3.5% (2015: 3.5%) per annum and a discount rate between 2.12% and 4.75% (2015: 2.93% - 5.50%) per annum. The discount rate is derived from the forward rates on NZ Government Bonds over recent periods. It's also assumed that all employees will retire at the age of 65 and will resign in accordance with the withdrawal rate assumption taken from the Treasury Circular 1998/15. Any actuarial gain or loss resulting from re-measurement of these liabilities is recognised in profit or loss.

Employees appointed to the staff prior to 31 December 1989 who retire from Council with not less than ten years continuous service are eligible for retirement leave. Employees appointed to the staff prior to 1 April 1992 are eligible for long service leave.

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave and 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 scheme

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in profit or loss.

Public equity

Public equity is the community's interest in the Council, as measured by the value of total assets less total liabilities. Public equity is disaggregated and classified into a number of reserves to enable clearer identification of the specific uses Council makes of its accumulated surpluses. The components of equity are:

- general equity (retained earnings)
- restricted reserves
- Council-created reserves
- property revaluation reserves
- investment revaluation reserves.

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned.

General equity (retained earnings)

General equity refers to reserves that do not fall into any of the four categories below.

Restricted reserves

Restricted reserves are those reserves subject to specific conditions accepted as binding by the Council and which may not be revised by Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specific purposes or if certain specified conditions are met. The reserves represent balances held from the collection of targeted rates and charges on activities that are funded from targeted rating or those same activities funding depreciation.

Council created reserves

Council-created reserves are a part of the accumulated balance and are established at the will of Council. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of Council.

Property revaluation reserves

Revaluation reserves arise from certain asset classes being revalued.

Investment revaluation reserve

The investment revaluation reserve contains cumulative unrealised gains and losses in investments classified as 'available for sale' in accordance with PBE IPSAS 29.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases

Council as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Council as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Provisions

Council recognises a provision for future expenditure of uncertain amount when there is a present obligation (legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are 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.

Landfill post-closure provision

Council, as operator of the Tokoroa and Putāruru landfills, has a legal obligation under its resource consent, to provide on-going maintenance and monitoring services at the landfill site after closure. A provision for closure and post-closure costs is recognised as a liability when the obligation for closure and post-closure expenses arises.

A calculation of these future costs has been discounted and 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. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to Council. Amounts provided for landfill closure and post-closure are capitalised in the landfill asset where they give rise to future economic benefit to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

Financial guarantee contracts

A financial guarantee contract is a contract that requires Council to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are disclosed as contingent liabilities. The amount of these contingent liabilities is equal to the loan balances guaranteed.

Critical judgements and estimations

The preparation of financial statements in conformance with PBE IPSAS requires judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditures.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revisions affect both current and future periods.

Management has made the following judgments and estimations that have the most significant effect on the amounts recognised in the financial statements:

Property, plant and equipment

As the Council is a Public Benefit Entity, property plant and equipment are valued at depreciated replacement cost that is based on an estimate of either fair value or current gross replacement costs of improvement less allowances for physical deterioration and optimisation for obsolescence and relevant surplus capacity. There are certain assets such as wastewater or stormwater related assets which may be affected by changes in the measurement of qualitative standards which could affect the results of future periods.

The depreciation method used reflects the service potential of assets and is reviewed each year to ensure that there is no under maintenance of assets which could affect the results of future periods.

Classification of investments

Council has designated all its bond investments as 'available for sale', rather than 'held to maturity', although they all have specific maturity dates. This was due to significant disposals within this class of financial asset before maturity in previous financial years. Therefore, unrealised gains and losses on these investments are recognised as a movement in other comprehensive income. The carrying amount of the available for sale financial assets is disclosed in the notes to the financial report.

Long service leave provisions

Key assumptions concerning the future have been made in the actuarial calculation of long service leave and retiring leave. These are disclosed in the notes to the financial report.

Landfill closure and post-closure provision

Assumptions about the future have been made in the calculation of the landfill closure and post closure cost provisions. These are disclosed in the notes to the financial report.

2. Cost of services

| | Actual 2016 \$000 | Budget 2016 \$000 | Actual 2015 \$000 |
|--|-------------------------|-------------------------|-------------------------|
| REVENUE | | | |
| Revenue From Significant Activities | | | |
| Economic and community development | 189 | 288 | 104 |
| Facilities, property and amenities | 837 | 1,015 | 785 |
| Governance and Corporate | 420 | (52) | 254 |
| Leisure Services | 354 | 991 | 333 |
| Solid Waste and Recycling | 2,085 | 1,852 | 1,630 |
| Stormwater | 743 | 556 | 487 |
| Transport and Rooding | 2,971 | 3,214 | 2,942 |
| Wastewater | 3,169 | 2,839 | 2,870 |
| Water Supply | 2,606 | 2,388 | 2,463 |
| Environment-regulatory services | 1,074 | 878 | 877 |
| Environment-resource management and planning | 116 | 110 | 128 |
| Environment-emergency management | 4 | 11 | 1 |
| Total Service Statement Revenue | 14,568 | 14,090 | 12,874 |
| General Revenue | 17,319 | 17,152 | 18,469 |
| Less internal revenue | (587) | (62) | (769) |
| TOTAL REVENUE | 31,300 | 31,180 | 30,574 |
| EXPENDITURE | | | |
| Expenditure From Significant Activities | | | |
| Economic and community development | 2,049 | 2,433 | 2,216 |
| Facilities, property and amenities | 1,985 | 1,959 | 1,817 |
| Governance and Corporate | 4,384 | 3,112 | 6,638 |
| Leisure Services | 4,709 | 4,537 | 4,594 |
| Solid Waste and Recycling | 2,454 | 2,428 | 2,288 |
| Stormwater | 631 | 674 | 621 |
| Transport and Rooding | 7,406 | 7,508 | 9,017 |
| Wastewater | 2,982 | 3,158 | 2,896 |
| Water Supply | 2,501 | 2,468 | 2,969 |
| Environment-regulatory services | 1,816 | 1,798 | 1,791 |
| Environment-resource management and planning | 800 | 831 | 1,200 |
| Environment-emergency management | 299 | 326 | 326 |
| Total Service Statement Expenditure | 32,016 | 31,232 | 36,373 |
| Less Internal Expenditure | (547) | (1,080) | (2,848) |
| TOTAL EXPENDITURE | 31,469 | 30,152 | 33,525 |
| NET DEFICIT BEFORE TAX | (169) | 1,028 | (2,951) |

3. Exchange/non-exchange revenue

| | Actual 2016 \$000 | Budget 2016 \$000 | Actual 2015 \$000 |
|---|-------------------------|-------------------------|-------------------------|
| Revenue from exchange transactions | | | |
| Fees and user charges including targeted rates for water supply | 5,610 | 5,305 | 5,159 |
| Total revenue from exchange transactions | 5,610 | 5,305 | 5,159 |
| Revenue from non-exchange transactions | | | |
| Development contributions | 86 | 19 | 33 |
| Subsidies and grants | 3,075 | 3,380 | 3,058 |
| Interest revenue | 413 | 807 | 507 |
| Other revenue | 1,476 | 680 | 1,500 |
| Rates, excluding targeted rates for water supply | 20,618 | 20,789 | 20,194 |
| Vested assets | 22 | 200 | 123 |
| Total revenue from non-exchange transactions | 25,690 | 25,875 | 25,415 |
| Total revenue | 31,300 | 31,180 | 30,574 |

In the 2014/15 Annual Report both subsidies and grants, and interest revenue were classified as exchange transactions and have now been re-classified as non-exchange transactions. Non-exchange transactions arise where an entity receives value from another entity without giving approximately equal value in exchange.

4. Rates revenue

| | Actual 2016 \$000 | Actual 2015 \$000 |
|---|-------------------------|-------------------------|
| General Rates | 16,353 | 16,195 |
| Targeted rates attributable to activities | | |
| Waste water | 2,929 | 2,860 |
| Stormwater | 566 | 487 |
| Solid waste | 814 | 740 |
| Business Promotion | 126 | 94 |
| Economic Development | 28 | 45 |
| Public Halls | 18 | 11 |
| District Governance | 346 | 321 |
| Rates charged on Council properties | (562) | (559) |
| Total rates, excluding targeted water supply rates | 20,618 | 20,194 |

Council's rates policy allows Council to remit rates on churches, marae, play centres, schools and other community or sporting organisations. There are also remissions on protected land or in certain cases where land is being commercially developed.

In accordance with the Local Government (Rating) Act 2002, certain properties cannot be rated for general rates. This includes schools, places of religious worship, public gardens and reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of wastewater, water and refuse. Non-rateable land does not constitute a remission under council rates remission policy.

5. Subsidies and grants

| | Actual 2016 \$000 | Actual 2015 \$000 |
|---|-------------------------|-------------------------|
| New Zealand Transport Agency roading subsidies | 2,846 | 2,875 |
| Grants and donations for the SW Sport and Events Centre | 35 | 43 |
| National Waste Levy | 154 | 125 |
| Sundry other | 40 | 15 |
| | 3,075 | 3,058 |

There are no unfulfilled conditions and other contingencies attached to subsidies and grants (2015: nil).

6. Finance income and finance costs

| | Actual 2016 \$000 | Actual 2015 \$000 |
|--|-------------------------|-------------------------|
| Finance Income | | |
| Interest Income | | |
| - Call account | 70 | - |
| - Term deposits | - | 256 |
| - Available for Sale bonds | 343 | 251 |
| Total Finance Income | 413 | 507 |
| Finance Cost | | |
| Interest cost | | |
| - Interest on bank borrowings | 722 | 785 |
| - Provisions: Discount unwinding (Note 18) | 13 | 26 |
| Total Finance Costs | 735 | 811 |

7. Other revenue

| | Actual 2016 \$000 | Actual 2015 \$000 |
|---------------|-------------------------|-------------------------|
| Dividends | 293 | 264 |
| Petrol tax | 160 | 156 |
| Vested assets | 22 | 123 |
| Other | 1,023 | 1,080 |
| | 1,498 | 1,623 |

8. Employee benefit expenses

Defined benefit retirement leave provision

At the time of retirement from the Council, including early retirement on medical grounds, every employee who has completed not less than ten years current continuous service will be entitled to retirement leave. The amount of the leave entitlement payable will be calculated at the rate of one week's leave for each year of current continuous service, with a maximum of 26 weeks. Any employee who was appointed to the staff of Council after December 31, 1989 will not be entitled to any retirement leave. If any eligible employee dies whilst in the service of the Council, the Council will pay in lieu to his or her estate. No retirement leave entitlement will accrue to an employee who resigns, is dismissed or made redundant.

| | Actual 2016 \$000 | Actual 2015 \$000 |
|--|-------------------------|-------------------------|
| The principal assumptions used for the purpose of the actuarial valuations were as follows: | | |
| Discount rate | 2.12%-4.75% | 2.93%-5.5% |
| Expected rate of salary increase | 3.5% | 3.5% |
| Retirement age for all employees | 65 | 65 |
| Amounts recognised in the balance sheet in respect of the defined benefit retirement plan are as follows: | | |
| Present value of unfunded obligation | 180 | 220 |
| Net liability recognised in the balance sheet | 180 | 220 |
| Comprising: | | |
| Current | 47 | 124 |
| Non-current | 133 | 96 |
| Total employee benefit obligations | 180 | 220 |
| Amounts recognised in the income statement in respect of the defined benefit retirement plan are as follows: | | |
| Current service cost | 4 | 23 |
| Interest cost | 3 | 2 |
| Actuarial gains/(losses) | 24 | (31) |
| Total | 31 | (6) |
| The charge for the year is included in the employee benefits expense in the income statement. | | |
| Changes in the present value of the defined benefit obligation are as follows: | | |
| Opening defined benefit obligation | 220 | 241 |
| Current service cost | 4 | 23 |
| Interest cost | 3 | 2 |
| Actuarial gains/(losses) | 24 | (31) |
| Less: benefits paid | (92) | (15) |
| Closing defined benefit obligation | 159 | 220 |

Long service compensated leave

Every employee who has completed a period of 15, 20 and 25 years' current continuous service who was employed prior to 1 April 1992 is entitled to a special holiday of two weeks, three weeks and four weeks respectively.

Every employee who was employed on or after 1 July 2003 who is under coverage of the Officers' (Public Service Association) Collective Employment Agreement and who has completed a period of 10, 15 and 20 years' current continuous service will be entitled to a special holiday of one week at each of those anniversaries. This clause will not apply to employees who have, or will, become entitled in terms of the previous clause.

| | Actual 2016 \$000 | Actual 2015 \$000 |
|--|----------------------------------|----------------------------------|
| The present value of long service compensated leave | 59 | 66 |
| Comprising: | | |
| Current | 26 | 25 |
| Non-current | 33 | 41 |
| Total employee benefit obligations | 59 | 66 |
| Amounts recognised in the profit or loss in respect of Council's long service compensated leave and salaries are as follows: | | |
| Salaries | 8,492 | 8,359 |
| Current service cost | 3 | 6 |
| Interest cost | 1 | 1 |
| Actuarial (gains)/ losses | (11) | (15) |
| Past service cost | - | - |
| Total | 8,485 | 8,351 |
| The charge for the year is included in the employee benefits expense in the profit or loss. | | |
| Changes in the present value of long service compensated leave are as follows: | | |
| Opening long service compensated leave obligation | 66 | 79 |
| Current service cost | 3 | 6 |
| Interest cost | 1 | 1 |
| Past service cost | - | - |
| Less: benefits paid | (5) | (5) |
| Actuarial (gains)/losses | (11) | (15) |
| Closing long service compensated leave obligation | 54 | 66 |
| Total employee benefits expense recognised in the profit or loss | 8,492 | 8,359 |
| Current portion of employee benefit obligations recognised in the balance sheet. | 992 | 149 |
| Non-current portion of employee benefit obligations recognised in the balance sheet. | 136 | 137 |

Severance Payments

During the year to 30 June 2016 there were no severance payments made to employees of the South Waikato District Council (2015:\$3,805).

9. Other expenses

| | Actual 2016 \$000 | Actual 2015 \$000 |
|---|-------------------------|-------------------------|
| Audit Fees-audit of financial statements | 125 | 122 |
| Audit Fees-audit of Long Term Plan | - | 81 |
| Impairment of receivables | (29) | (242) |
| Rates Remissions | 163 | 170 |
| Councilors Remuneration (including meeting allowances) | 385 | 335 |
| Insurance | 210 | 209 |
| Subscriptions, fees and contribution to other organisations | 70 | 120 |
| Legal and settlement fees | 12 | 45 |
| Donations and grants | 985 | 1,114 |
| Economic and Community fund grants | 953 | 905 |
| Inventories consumed | (1) | 3 |
| Losses on disposal of property, plant and equipment | 1,115 | 3,014 |
| Repairs and maintenance | 3,791 | 4,112 |
| Energy | 616 | 664 |
| Other operating expenses | 6,994 | 6,562 |
| Total | 15,389 | 17,214 |

10. Cash and cash equivalents

| | Actual 2016 \$000 | Actual 2015 \$000 |
|--|-------------------------|-------------------------|
| Cash at bank and in hand | 334 | 300 |
| Term deposits: ex-South Waikato Investment Funds | - | 3,000 |
| Cash investments in Restricted reserves | 693 | 2,046 |
| Call accounts | 2,957 | 888 |
| Total cash and cash equivalents | 3,984 | 6,234 |

The carrying amount of short-term deposits with maturity dates of three months or less approximates their fair value. The weighted average effective interest rate for cash and cash equivalents is 1.5% (2015 2.5%).

11. Trade and other receivables

| | Actual 2016 \$000 | Actual 2015 \$000 |
|---|-------------------------|-------------------------|
| Rates receivable | 1,648 | 1,691 |
| Metered water | 20 | 50 |
| Sundry debtors | 832 | 1,020 |
| Prepayments | 224 | 157 |
| Accrued revenue | 162 | 936 |
| Related party receivables | - | 19 |
| | 2,886 | 3,873 |
| Less: Provision for Impairment of receivables | 147 | 175 |
| Total trade and other receivables | 2,739 | 3,698 |
| Receivables from non-exchange transactions include outstanding amounts for rates, grants, infringements, and fees and charges that are partly subsidised by rates | | |
| | 1,867 | 2,100 |
| Receivables from exchange transactions include outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates | | |
| | 872 | 1,598 |

The carrying amount of trade and other receivables approximates their fair value. A provision for receivables is established when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest rate method. This provision has been determined by reference to past default experience. Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The age of rates receivables overdue but not impaired are as follows:

| | Actual 2016 \$000 | Actual 2015 \$000 |
|--|-------------------------|-------------------------|
| Arrears (> 1 year) | 511 | 483 |
| Current (< 1 year) | 930 | 1,000 |
| Penalties | 206 | 208 |
| Carrying amount | 1,647 | 1,691 |
| Movements in the provision for impairment of receivables are as follows: | | |
| At 1 July | 175 | 418 |
| Increase/(decrease) in provisions made during the year | 26 | (184) |
| Receivables written off during the year | (55) | (59) |
| At 30 June | 146 | 175 |

12. Inventories

| | Actual 2016 \$000 | Actual 2015 \$000 |
|----------------------------|-------------------------|-------------------------|
| Reticulation repairs stock | 175 | 188 |
| Other stock | 44 | 10 |
| Total | 219 | 198 |

13. Other financial assets

| | Actual 2016 \$000 | Actual 2015 \$000 |
|---|-------------------------|-------------------------|
| Current portion | | |
| Available for Sale Financial Assets: | | |
| Corporate bonds, deposits and other fixed interests | - | 834 |
| Loans and receivables | | |
| Putaruru Squash Rackets Club | - | 2 |
| Tokoroa Kart Club | 5 | 2 |
| Withholding tax on income | - | 29 |
| Total current portion | 5 | 867 |
| Non-Current portion | | |
| Available for Sale Financial Assets: | | |
| Corporate bonds, deposits and other fixed interests | 8,886 | 5,248 |
| Oveseas share portfolio | 4,756 | 3,580 |
| Shared Valuation Database Systems | 43 | 43 |
| NZ Local Government Insurance Corporation Limited | 44 | 44 |
| Loans and receivables | | |
| Putaruru Squash Racquets Club | - | 4 |
| Tokoroa Kart Club | 1 | 4 |
| Heat Swap paying providers | 713 | 581 |
| Total non-current portion | 14,443 | 9,504 |

Fair value

The fair value of loans and receivables has been determined using cash flows discounted at a rate based on the South Waikato District Council's borrowing rate of 4.58% (2015: 5.00%). The fair value approximates the carrying amount stated above.

The shares in NZ Local Government Insurance Corporation Limited, and Shared Valuation Database Systems are unlisted. The fair value of these unlisted shares has not been disclosed for these instruments because their fair value cannot be measured reliably. It cannot be reliably measured due to a lack of an active market and a lack of appropriate cashflow projection information for NZ Local Government Insurance Corporation Limited. Shared Valuation Database

Systems shares cannot be reliably measured due to the lack of an active market and reliable revenue stream information. Council does not intend to dispose of the unlisted shares.

Impairment

No impairment provisions were made for other financial assets

14. Non-current assets held for sale

| | Actual 2016 \$000 | Actual 2015 \$000 |
|--|-------------------------|-------------------------|
| Current | | |
| Local Purpose Reserve etc; Parts of James Higgins Park | 217 | 217 |
| Sections 1 and 4 (Lake Road, Tirau) | 61 | 61 |
| Depot – Patetere Street – Tīrau | 510 | 465 |
| | 788 | 743 |
| Non -Current | | |
| Tokoroa Depot | 96 | 26 |
| Putāruru Smallbore Rifle Club | 7 | - |
| 42 Thompson Street Tokoroa | 23 | - |
| Section 3 SO 459585 | - | 10 |
| Section 4 SO 459585 | - | 3 |
| Unformed Road off Lichfield Road | - | 29 |
| 57 Arapuni Street – Putāruru | - | 4 |
| Parts of Totara Park - Putāruru | - | 9 |
| | 126 | 81 |
| Total | 914 | 824 |

Council has approved the sale of these properties and they are currently available for sale. The completion date of the properties listed under current is expected to be by 30 June 2017. The properties listed under non-current have been available for sale for more than a year, and there has been little interest shown in these properties. It is unlikely that they will be sold by 30 June 2017.

The accumulated property revaluation reserve recognised in equity for these properties at 30 June 2016 is \$248,000 (2015:\$520,000).

15. Property, plant and equipment

| Asset Class | Cost/revaluation 1 July 2015 \$000 | Accumulated depreciation & impairment charges 1 July 2015 \$000 | Carrying amount 1 July 2015 \$000 | Current year addition \$000 | Assets transferred to Council \$000 | Current year disposal \$000 | Revaluation surplus \$000 | Current year depreciation charges \$000 | Depreciation write- off on disposals \$000 | Depreciation elimination on revaluation | Adjust revaluation reserve for properties held for | Cost/revaluation 30 June 2016 \$000 | Accumulated depreciation and impairment charges 30 June 2016 \$000 | Transfer to non- current assets held for sale | Carrying amount 30 June 2016 \$000 |
|-------------------------------------|--|--|---|-----------------------------------|---|-----------------------------------|------------------------------|--|--|---|--|---|---|---|--|
| Operational assets | | | | | | | | | | | | | | | |
| <i>Heritage assets</i> | 144 | - | 144 | - | - | - | - | - | - | - | - | 144 | - | - | 144 |
| Library collection | 1,365 | (935) | 430 | 121 | - | (151) | - | (105) | 119 | - | - | 1,335 | (921) | - | 414 |
| Buildings | 16,487 | 6 | 16,493 | 338 | - | - | - | (255) | - | - | (514) | 16,317 | (255) | - | 16,062 |
| Furniture & fittings | 1,361 | (980) | 381 | 86 | - | (7) | - | (61) | 4 | - | - | 1,440 | (1,037) | - | 403 |
| Equipment | 6,066 | (5,392) | 674 | 208 | - | (88) | - | (326) | 87 | - | - | 4,569 | (4,014) | - | 555 |
| Land | 3,512 | (4) | 3,508 | - | - | - | - | (0) | - | - | (964) | 2,548 | (4) | - | 2,544 |
| Motor vehicles | 1,295 | (632) | 663 | 238 | - | (137) | - | (190) | 90 | - | - | 1,396 | (732) | - | 664 |
| Other major plant | 595 | (266) | 329 | 7 | - | - | - | (41) | - | - | - | 602 | (307) | - | 295 |
| Total operational assets | 30,825 | (8,203) | 22,622 | 998 | - | (383) | - | (978) | 300 | - | (1,478) | 28,351 | (7,270) | - | 21,081 |
| Infrastructural assets | | | | | | | | | | | | | | | |
| Bridges | 7,571 | (184) | 7,387 | 202 | - | (65) | - | (181) | 3 | - | - | 7,707 | (361) | - | 7,346 |
| Culverts | 5,918 | (138) | 5,780 | 216 | 3 | (3) | - | (137) | 1 | - | - | 6,134 | (274) | - | 5,860 |
| Buildings | 3,973 | - | 3,973 | 26 | - | - | - | (81) | - | - | - | 3,999 | (81) | - | 3,918 |
| Land | 4,716 | - | 4,716 | - | - | - | - | - | - | - | - | 4,716 | - | - | 4,716 |
| Landfill | 4,893 | (2,454) | 2,439 | 23 | - | - | - | (184) | - | - | - | 4,916 | (2,638) | - | 2,278 |
| Pipes | 13 | (3) | 10 | - | - | - | - | - | - | - | - | 13 | (3) | - | 10 |
| Pumps | 267 | (267) | - | - | - | - | - | - | - | - | - | 267 | (267) | - | - |
| Roads and footpaths | 222,171 | (2,730) | 219,441 | 4,201 | - | (1,053) | - | (2,588) | 286 | - | - | 225,598 | (5,033) | (278) | 220,287 |
| Sewerage: | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Treatment plant and facilities | 14,501 | (998) | 13,503 | 219 | - | (482) | 639 | (399) | 111 | - | - | 13,594 | (3) | - | 13,591 |
| Other (includes reticulation) | 17,193 | (1,006) | 16,187 | - | - | (6) | 585 | (505) | 1 | - | - | 16,262 | (0) | - | 16,262 |
| Street furniture | 550 | (464) | 86 | - | - | - | - | (33) | - | - | - | 550 | (497) | - | 53 |
| Streetlights | 2,431 | (141) | 2,290 | 126 | - | (19) | - | (115) | 2 | - | - | 2,537 | (253) | - | 2,284 |
| Stormwater system | 20,851 | (853) | 19,998 | 231 | - | (4) | 1,828 | (418) | 0 | (0) | - | 21,687 | (52) | - | 21,635 |
| Water systems | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Treatment plant and facilities | 6,780 | (560) | 6,220 | 241 | - | (66) | 222 | (275) | 5 | 6 | - | 6,353 | - | - | 6,353 |
| Other (includes reticulation) | 18,678 | (1,070) | 17,608 | 341 | 19 | (69) | 1,241 | (537) | 14 | (25) | - | 18,590 | 2 | - | 18,592 |
| Total infrastructural assets | 330,506 | (10,868) | 319,638 | 5,826 | 22 | (1,767) | 4,515 | (5,453) | 423 | (19) | - | 332,923 | (9,460) | (278) | 323,185 |
| Restricted assets | | | | | | | | | | | | | | | |
| Parks & reserves | 2,429 | - | 2,429 | 462 | - | (3) | - | (273) | - | - | - | 2,888 | (273) | - | 2,615 |
| Restricted buildings | 2,688 | - | 2,688 | 107 | - | (18) | - | (55) | 0 | - | - | 2,777 | (55) | - | 2,722 |
| Restricted land | 31,944 | - | 31,944 | 430 | - | (6) | - | (0) | - | - | 824 | 33,195 | (3) | - | 33,192 |
| Total restricted assets | 37,061 | - | 37,061 | 999 | - | (27) | - | (328) | 0 | - | 824 | 38,860 | (331) | - | 38,529 |
| Capital work in progress | 2,979 | - | 2,979 | (772) | - | - | - | - | - | - | - | 2,207 | - | - | 2,207 |
| Grand total | 401,371 | (19,071) | 382,300 | 7,051 | 22 | (2,177) | 4,515 | (6,759) | 723 | (19) | (654) | 402,341 | (17,061) | (278) | 385,002 |

| Asset Class | Cost/revaluation 1 July 2014 \$000 | Accumulated depreciation & impairment Carrying amount 1 July 2014 \$000 | Current year addition \$000 | Assets transferred to Council Current year disposal \$000 | Revaluation surplus \$000 | Current year depreciation charges Depreciation write-off on disposals Depreciation elimination on revaluation | Cost/revaluation 30 June 2015 \$000 | Accumulated depreciation and impairment Transfer to assets held for sale | Carrying amount 30 June 2015 \$000 | | | | | |
|-------------------------------------|--|--|-----------------------------------|--|---------------------------------|---|---|---|--|------------|----------------|-----------------|--------------|----------------|
| Operational assets | | | | | | | | | | | | | | |
| Heritage assets | 144 | - | 144 | - | - | - | 144 | - | 144 | | | | | |
| Library collection | 1,315 | (876) | 439 | 122 | (72) | (103) | 1,365 | (935) | 430 | | | | | |
| Buildings | 16,284 | (458) | 15,826 | 503 | (1) | 453 | 16,487 | 6 | 16,493 | | | | | |
| Furniture & fittings | 1,346 | (935) | 411 | 31 | (16) | (61) | 1,361 | (980) | 381 | | | | | |
| Equipment | 5,360 | (4,267) | 1,093 | 25 | 4 | (146) | 6,066 | (5,392) | 674 | | | | | |
| Land | 3,390 | (1) | 3,389 | - | (133) | 252 | 3,512 | (4) | 3,508 | | | | | |
| Motor vehicles | 1,333 | (538) | 855 | 48 | (146) | (200) | 1,295 | (632) | 663 | | | | | |
| Other major plant | 510 | (235) | 275 | 84 | - | (30) | 595 | (266) | 329 | | | | | |
| Total operational assets | 29,742 | (7,310) | 22,432 | 813 | 4 | (514) | 705 | (1,124) | 306 | - | 30,825 | (8,203) | - | 22,622 |
| Infrastructural assets | | | | | | | | | | | | | | |
| Bridges | 7,570 | - | 7,570 | 1 | - | (184) | 7,571 | (184) | - | - | 7,571 | (184) | - | 7,387 |
| Culverts | 5,936 | (25) | 5,911 | 7 | - | (138) | 5,918 | (138) | - | - | 5,918 | (138) | - | 5,780 |
| Buildings | 4,573 | (132) | 4,441 | 270 | (11) | (637) | 3,973 | (90) | - | - | 3,973 | - | - | 3,973 |
| Land | 3,992 | - | 3,992 | - | - | 724 | 4,716 | - | - | - | 4,716 | - | - | 4,716 |
| Landfill | 4,827 | (2,293) | 2,534 | 74 | - | (169) | 4,893 | (2,454) | - | - | 4,893 | (2,454) | - | 2,439 |
| Pipes | 13 | (3) | 10 | - | - | (0) | 13 | (3) | - | - | 13 | (3) | - | 10 |
| Pumps | 269 | (269) | - | - | - | - | 267 | (267) | - | - | 267 | (267) | - | - |
| Roads and Footpaths | 219,662 | - | 219,662 | 3,078 | (563) | (2,796) | 222,171 | (2,730) | 66 | - | 222,171 | (2,730) | - | 219,441 |
| Sewerage: | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Treatment plant and facilities | 14,116 | (527) | 13,589 | 175 | (89) | (486) | 14,501 | (398) | 314 | - | 14,501 | (398) | - | 13,503 |
| Other (includes reticulation) | 17,408 | (506) | 16,902 | 97 | (11) | (501) | 17,193 | (1,006) | (300) | - | 17,193 | (1,006) | - | 16,187 |
| Street furniture | 540 | (420) | 120 | 10 | - | (44) | 550 | (464) | 0 | - | 550 | (464) | - | 86 |
| Streetlights | 2,324 | (28) | 2,296 | 125 | (18) | (113) | 2,431 | (141) | - | 0 | 2,431 | (141) | - | 2,290 |
| Stormwater system | 20,111 | (443) | 19,668 | 818 | (78) | (410) | 20,851 | (853) | 0 | - | 20,851 | (853) | - | 19,998 |
| Water systems | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Treatment plant and facilities | 7,193 | (281) | 6,912 | 202 | 33 | (32) | 6,780 | (560) | (612) | - | 6,780 | (560) | - | 6,220 |
| Other (includes reticulation) | 17,704 | (563) | 17,141 | 559 | (165) | (516) | 18,678 | (1,070) | 589 | - | 18,678 | (1,070) | - | 17,608 |
| Total infrastructural assets | 326,238 | (5,490) | 320,748 | 5,416 | 33 | (973) | 87 | (5,730) | 57 | 0 | 330,506 | (10,868) | - | 319,638 |
| Restricted assets | | | | | | | | | | | | | | |
| Parks & reserves | 4,752 | (579) | 4,173 | 423 | (2,241) | (5) | 2,429 | - | 169 | 146 | 2,429 | - | - | 2,429 |
| Restricted buildings | 2,504 | (81) | 2,423 | 51 | (1) | 266 | 2,688 | - | - | - | 2,688 | - | - | 2,688 |
| Restricted land | 27,610 | (291) | 27,319 | 92 | (41) | 4,559 | 32,376 | (432) | 15 | - | 32,376 | (432) | (432) | 31,944 |
| Total restricted assets | 34,866 | (951) | 33,915 | 566 | (2,283) | 4,820 | (287) | 184 | 146 | 146 | 37,493 | - | (432) | 37,061 |
| Capital work in progress | 2,060 | - | 2,060 | 919 | - | - | 2,979 | - | - | - | 2,979 | - | - | 2,979 |
| Grand total | 392,906 | (13,751) | 379,155 | 7,714 | 37 | (3,770) | 5,612 | (7,141) | 547 | 146 | 401,803 | (19,071) | (432) | 382,300 |

The net carrying amount of property, plant and equipment held under a finance lease is \$Nil; (2015 \$Nil). No impairment losses have been recognised in infrastructural assets due to damage or rapid wear and tear. No compensation has been received from insurance claims for damage to motor vehicles and equipment (2015 \$Nil). The closing balance of the revaluation reserve is \$222,897,000 (2015 \$219,546,000).

| Network infrastructure | Most recent estimate of replacement cost \$000 | Date of estimate |
|--------------------------------|---|-------------------------|
| Roads and Footpaths | 225,382 | 30/06/2014 |
| Wastewater | | |
| Treatment plant and facilities | 22,461 | 30/05/2016 |
| Other | 41,964 | 30/05/2016 |
| Water systems | | |
| Treatment plant and facilities | 12,109 | 30/05/2016 |
| Other | 44,525 | 30/05/2016 |
| Stormwater system | 40,563 | 30/05/2016 |

Revaluation

In assessing the Optimised Replacement Cost, allowance has been made for costs of bringing the asset into working condition for its intended use and these costs include architectural and engineering fees. With regard to reserve lands, designations or properties zoned reserve, market value was assessed in comparison to adjoining lands and then a deduction was made or in some cases premium was added for the designation or reserve status, based on the restriction of use and the likelihood of this status being removed or changed.

Depreciation and amortisation expense by group of activity

| | Actual 2016 \$000 | Actual 2015 \$000 |
|------------------------------------|--------------------------|--------------------------|
| Transport and roading | 3,068 | 3,293 |
| Recreation and facilities | 964 | 851 |
| Water supply | 860 | 851 |
| Stormwater | 419 | 410 |
| Wastewater | 908 | 990 |
| Solid waste and recycling | 203 | 191 |
| Regulatory | 48 | 50 |
| Environment - emergency management | 21 | 22 |
| Governance and corporate | 362 | 483 |
| Total | 6,853 | 7,141 |

16. Intangible assets

| | Actual 2016 \$000 | Actual 2015 \$000 |
|---------------------------------------|-------------------------|-------------------------|
| Computer Software | | |
| Opening carrying amount | 202 | 4 |
| Additions/(disposals) | 31 | 200 |
| Amortisation charge | (92) | (2) |
| Closing carrying amount | 141 | 202 |
| Carbon credits | | |
| Opening carrying amount | 1 | 1 |
| Additions/(disposals) | - | - |
| Amortisation charge | - | - |
| Closing carrying amount | 1 | 1 |
| Total closing carrying amounts | 142 | 203 |

The intangible assets included above have finite useful lives of between 3-4 years, over which the assets are amortised. These assets are amortised on a straight line basis. The amortisation charge for the year is included in the depreciation and amortisation expense line of the Statement of Comprehensive Revenue and Expense.

Carbon credits

Council has previously acquired carbon credits for the purpose of meeting its obligations under the Emissions Trading Scheme for carbon emissions from its landfill operations. Council is required to forfeit carbon credits for emissions following the end of each calendar year.

17. Trade and other payables

Trade and other payables are non-interest bearing and are normally settled on the 20th of the following month basis. Therefore, the carrying amount of trade and other payables approximates their fair value. Furthermore, the carrying amount of trust accounts approximates their fair value.

| | Actual 2016 \$000 | Actual 2015 \$000 |
|---|-------------------------|-------------------------|
| Sundry Creditors | 2,122 | 2,229 |
| Accrued expenses | 146 | 285 |
| Income received in advance | 1,387 | 1,022 |
| Related Party Payables | - | 48 |
| Total | 3,655 | 3,584 |
| Payables and deferred revenue under non-exchange transactions | 1,081 | 995 |
| Payables and deferred revenue under exchange transactions | 2,574 | 2,589 |
| Trust Accounts | 4 | 15 |

18. Landfill provisions

| | Actual 2016 \$000 | Actual 2015 \$000 |
|---|-------------------------|-------------------------|
| Opening balance | 835 | 798 |
| Additional provision made during the year | - | 38 |
| Amounts used during the year | (7) | (27) |
| Unused amount reversed during the year | - | - |
| Discount unwinding (Note 6) | 13 | 26 |
| Total landfill provision | 841 | 835 |
| Presented by: | | |
| Current provision | 23 | 26 |
| Non-current provision | 818 | 809 |
| Total landfill provision | 841 | 835 |

Council operates its Tokoroa landfill under various resource consent conditions. Council has responsibility, under the resource consent, to provide ongoing maintenance and monitoring of the landfill after the site is closed. The Tīrau landfill site has been permanently closed and the surface of the site capped to resource consent standards. There are closure and post-closure responsibilities such as the following:

Closure responsibilities

Include final cover application and vegetation, incremental drainage control features, completing facilities for leachate collection and monitoring, water quality monitoring and gas recovery and monitoring.

Post closure responsibilities

Include treatment and monitoring of leachate, ground water and surface monitoring, gas monitoring and recovery, implementation of remedial measures such as needed for cover and control systems and ongoing site maintenance for drainage systems, final cover and vegetation.

Capacity of the site

Final capping at Tokoroa is programmed for 2022. The remaining capacity of the site (refuse, clean fill and cover) is approximately 60,419 cubic metres (2015: 68,136 cubic metres). Estimates of life have been made

by Council's Engineers, based on historical volume information. The cash out-flows for landfill post closure are expected to occur between 2004 and 2040. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated, taking into account technology, and is discounted using forward rates of 1.9%-4.7% (2015: forward rates of 2.81%-5.50%) as provided by the New Zealand Treasury.

19. Employment benefit liabilities

| | Actual 2016 \$000 | Actual 2015 \$000 |
|---|----------------------------------|----------------------------------|
| Accrued pay | 128 | 73 |
| Annual Leave | 734 | 731 |
| Long service leave | 59 | 66 |
| Retirement gratuities | 180 | 220 |
| Sick leave | 27 | 28 |
| Total employee benefit liabilities | 1,128 | 1,118 |
| Comprising | | |
| Current | 992 | 981 |
| Non-current | 136 | 137 |
| Total employee benefit liabilities | 1,128 | 1,118 |

20. Borrowing

| | Actual 2016 \$000 | Actual 2015 \$000 |
|--------------------------------|-------------------------|-------------------------|
| Current portion | 880 | 816 |
| Non-current portion | 12,296 | 12,776 |
| Total borrowings | 13,176 | 13,592 |
| <i>Made up of:</i> | | |
| Pensioner housing | 304 | 280 |
| CBD Infrastructure loan | 441 | 536 |
| Landfill site development loan | 428 | 237 |
| Putaruru service centre | 447 | 472 |
| Tokoroa landfill site access | - | 215 |
| Putaruru landfill closure | 226 | 238 |
| Putaruru transfer station | 197 | 206 |
| Roading | 2,790 | 2,670 |
| Timber museum | 339 | 354 |
| Fibre optic cable connection | 184 | 194 |
| Toilets | 1,498 | 1,579 |
| Swimming pools | 815 | 857 |
| Sportsgrounds | 375 | 408 |
| Warm homes | 674 | 751 |
| Ground Truthing | - | 155 |
| District plan | 661 | 575 |
| Heat swap | 583 | 652 |
| Airport | 86 | 88 |
| Recycling centre facility | 778 | 795 |
| Wastewater | 668 | 717 |
| Property | 113 | 292 |
| Public halls | - | 52 |
| Cemeteries | 169 | 14 |
| Parks and reserves | 1,149 | 1,112 |
| Christmas/LED lights | 43 | 19 |
| Other loans | 208 | 124 |
| Total borrowings | 13,176 | 13,592 |

Council's source of external borrowing at 30 June 2016 is a committed cash advance facility (CCAF) with a limit of \$4m (2015: \$4m), a customised average rate term loan (CARL) with a limit of \$6m (2015: \$6m), and a fixed rate funding agreement of \$5m (2015: \$5m). The total of the approved facilities is \$15m (2015: \$15m).

Security

Council loans are secured over targeted and general rates revenue of the district by Deed of Charge in favour of the Bank of New Zealand. Council manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management Policy. These policies have been adopted as part of council's Long Term Plan. There were no changes to the Liability Management Policy during the period.

21. Equity

| | Actual 2016 \$000 | Actual 2015 \$000 |
|--|-------------------------|-------------------------|
| Retained earnings | | |
| Opening Balance | 144,119 | 146,056 |
| Net surplus/(deficit) for the year | (169) | (2,951) |
| <i>Transfers (to)/from:</i> | - | |
| Property Revaluation Reserves | 539 | 2,457 |
| Restricted Reserves | (733) | (4,400) |
| Council Created Reserves | 1,628 | 2,957 |
| Closing balance | 145,384 | 144,119 |
| Other Reserves | | |
| Asset Replacement and Restricted Reserves | | |
| Opening Balance | 15,107 | 10,707 |
| Transfers to General Equity | 5,061 | 7,631 |
| Transfers from General Equity | (4,328) | (3,231) |
| Closing balance | 15,840 | 15,107 |
| Council Created Reserves | | |
| Opening Balance | 5,084 | 8,041 |
| Transfers to General Equity | 697 | 560 |
| Transfers from General Equity | (2,325) | (3,517) |
| Closing balance | 3,456 | 5,084 |
| Property Revaluation Reserves | | |
| Opening Balance as previously reported | 219,546 | 215,730 |
| Increase/(decrease) in revaluation | 3,890 | 6,273 |
| Transfers to retained earnings on disposal | (539) | (646) |
| Transfer of vegetation assets to retained earnings on disposal | - | (1,811) |
| Closing balance | 222,897 | 219,546 |
| <i>Represented by:</i> | | |
| Land (Restricted) | 22,223 | 22,224 |
| Land (Operational) | 1,869 | 2,455 |
| Buildings (Infrastructural) | 383 | 383 |
| Buildings (Operational) | 3,320 | 3,320 |
| Building (Restricted) | 518 | 545 |
| Parks and Reserves | 1,098 | 1,101 |
| Roading | 158,097 | 158,390 |
| Sewerage | 11,552 | 10,496 |
| Stormwater | 8,928 | 7,102 |
| Water | 14,909 | 13,530 |
| | 222,897 | 219,546 |
| Investment Revaluation Reserve | | |
| Opening Balance | 828 | 290 |
| Valuation gains/(losses) taken to equity | 239 | 538 |
| Closing balance | 1,067 | 828 |
| Total other reserves | 243,260 | 240,565 |

Movement of Council created, restricted and depreciation reserves

| | Actual 1 July 2015 \$000 | Transfers in \$000 | Transfers out \$000 | Actual 30 June 2016 \$000 |
|---|-----------------------------------|--------------------------|---------------------------|------------------------------------|
| Council Created Reserves | | | | |
| Pensioner Housing | 8 | 305 | (123) | 190 |
| SWDC asset purchase | 208 | 48 | (350) | (94) |
| South Waikato Economic Development | 4,240 | 250 | (1,759) | 2,731 |
| State Highway 1 | 30 | - | (30) | - |
| Riverside access | 400 | 7 | - | 407 |
| Financial contributions - reserves | 14 | - | - | 14 |
| Financial contributions - roading | 43 | - | (22) | 21 |
| National waste levy | 128 | 87 | (41) | 174 |
| Financial contributions - stormwater | 3 | - | - | 3 |
| Financial contributions - water | 5 | - | - | 5 |
| Financial contributions - wastewater | 5 | - | - | 5 |
| Total Council Created Reserves | 5,084 | 697 | (2,325) | 3,456 |
| Restricted Reserves | | | | |
| Water | 814 | 31 | (484) | 361 |
| Wastewater | 365 | 55 | (366) | 54 |
| Stormwater | (128) | 15 | - | (113) |
| Refuse collection | (76) | - | (17) | (93) |
| Upper Atiamuri Hall | (9) | 2 | - | (7) |
| Puketurua Hall | 11 | - | (1) | 10 |
| Waotu Hall | 15 | - | (10) | 5 |
| Lichfield Hall | (6) | 1 | (1) | (6) |
| Arapuni Hall | 25 | 2 | (4) | 23 |
| Tapapa Hall | 44 | - | (4) | 40 |
| Piarere Hall | - | - | - | - |
| Tirau Community Board | 3 | - | (1) | 2 |
| Tokoroa CBD | - | 16 | - | 16 |
| Putāruru CBD | 48 | - | (47) | 1 |
| District Recycling | (274) | 19 | - | (255) |
| Total Restricted Reserves | 832 | 141 | (935) | 38 |
| Asset Replacement Reserves | | | | |
| General | 1,610 | - | (393) | 1,217 |
| Water | 1,949 | 952 | (606) | 2,295 |
| Wastewater | 4,105 | 990 | (313) | 4,782 |
| Stormwater | 4,021 | 486 | (96) | 4,411 |
| Refuse disposal | 702 | 455 | (17) | 1,140 |
| Pensioner housing | 224 | - | (224) | - |
| Vehicles | 200 | 352 | (242) | 310 |
| Toilets | 110 | 67 | - | 177 |
| Sport and events centre | 311 | 436 | (349) | 398 |
| Sportsgrounds | 13 | 301 | (352) | (38) |
| Parks and reserves | 329 | 527 | (346) | 510 |
| Cemeteries | 59 | 45 | (60) | 44 |
| Libraries | 131 | 4 | (188) | (53) |
| Pools | 210 | 43 | (101) | 152 |
| Bridges | 301 | 78 | (64) | 315 |
| General properties | - | 14 | (42) | (28) |
| Trade training centre | - | 49 | - | 49 |
| Putāruru CCTV | - | 65 | - | 65 |
| Tokoroa CCTV | - | 56 | - | 56 |
| Total Asset Replacement Reserves | 14,275 | 4,920 | (3,393) | 15,802 |
| Total Reserves | 15,107 | 5,061 | (4,328) | 15,840 |

Purpose of reserve

Pensioner housing: Manage the surpluses and deficits from the pensioner housing activity, when more or less rental is collected than is required to fund the annual expenditure of the pensioner houses.

SWDC asset purchase: Hold the proceeds from the sale of assets until they are applied to purchase other assets.

South Waikato Economic Development Fund: Council expressed in its Long Term Plan 2006-2016 that Council would take a leadership decision to establish a South Waikato Development Fund of \$4.5 million. The fund would support developments that the community considered are needed across the district. It was specifically established to develop facilities and amenities of strategic value to the district that would otherwise require financing through rate funding; enhance local employment opportunities and economic growth; and attract and retain residents by making the district a more desirable place to live.

Riverside access: Manage sale of proceeds from certain stopped roads. This is to be used for opening up areas to public access in the South Waikato district.

Financial contributions: To manage financial contributions levied from the development of subdivisions until this funding is used for the development of related activities.

National waste levy: Manage the funds received from government relating to the national waste levy.

Restricted (targeted rate) reserves: Targeted rate reserves are used to manage the surpluses and deficits of specific targeted activities such as water, stormwater, wastewater and halls, that arise when more or less rates revenue is collected to fund the annual expenditure of that activity. This ensures that rates collected from a certain group of targeted rate payers can only be used for the benefit of that group.

Asset replacement reserves: These accumulate funds from rates and are used for the future capital funding for the replacement of assets. Each major activity group e.g. water, roading, waste water, storm water, solid waste, has their own depreciation reserve so that the funds from each can be applied to the appropriate activity's capital expenditure.

22. Reconciliation of net cash flow to operating surplus/(deficit)

| | Actual 2016 \$000 | Actual 2015 \$000 |
|--|-------------------------|-------------------------|
| Net deficit before tax | (169) | (2,951) |
| <i>Add /(deduct) non-cash items</i> | | |
| Depreciation and amortisation of plant, property and equipment | 6,853 | 7,141 |
| Assets vested in Council | (22) | (123) |
| Loss on sale of property, plant and equipment | 1,115 | 3,014 |
| <i>Add /(deduct) movements in working capital items</i> | | |
| Trade and other receivables | 958 | (803) |
| Trade and other payables | 71 | (263) |
| Inventories | (21) | 6 |
| Trust accounts | (11) | (131) |
| Employee benefits | 10 | (415) |
| Net cash inflow/(outflow) from operating activities | 8,784 | 5,475 |

23. Capital commitments and contingencies

Capital commitments represent capital expenditure contracted for at balance date but not yet earned:

| | Actual 2016 \$000 | Actual 2015 \$000 |
|--|----------------------------------|----------------------------------|
| Lake Moananui fitness Equipment | - | 69 |
| Glenshea Park Fitness Equipment | - | 46 |
| Tokoroa Rail Terminal - Kiwi Rail | - | 529 |
| Tokoroa Rail Terminal - Downer | - | 353 |
| Arapuni Water Treatment Plant | - | 111 |
| Tokoroa Office Vehicle Compound Security Fence | 13 | - |
| CCTV Upgrades | 24 | - |
| Tirau Hall Ceiling repaint | 38 | - |
| Total | 75 | 1,108 |

Contingent Liabilities

Guarantees

As at 30 June 2016 the South Waikato District Council was acting as a guarantor for a loan of \$17,039 advanced by ANZ National Bank Limited to the Tokoroa Kart Club Incorporated (2015: \$ 21,120)

Responsibility for shortfall for mutual liability

Up until 30 June 2012, the South Waikato District Council was a member of the New Zealand Mutual Liability RiskPool.

The New Zealand Mutual Liability RiskPool had been the key mechanism for the sector to protect itself against public liability and professional indemnity claims over the past fifteen years.

In 2012 Council received advice from RiskPool that payments of weather tightness claims on behalf of members were at a level that had resulted in deficits for the fund. These deficits would require calls on members under the mutual fund rules to meet the funding shortfalls. The mutual fund's rules also require the South Waikato District Council to share in the funding of shortfalls, for those years the Council has been a member of Riskpool (even after it has exited the mutual fund).

There remains the potential for further currently unquantified obligations/calls on Council. There is considerable uncertainty about any future claims and Council is uncertain if there will be additional obligations.

24. Related party transactions

Disclosure of Related Party Transactions

"In respect of transactions between related parties, the reporting entity shall disclose:

- a) The nature of the related party relationship;
- b) The types of transactions that have occurred; and
- c) The elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes.

This is for transactions other than that which would occur within a normal supplier or client/ recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances."

Previously a number of transactions were disclosed as related parties. These were not required under legislation or accounting standards and have been removed for this Annual Report.

| | Actual 2016 \$000 | Actual 2015 \$000 |
|--|-------------------------|-------------------------|
| Service provided to Waikato Regional Council | - | 19 |
| Total related party receivables (Note 11) | - | 19 |
| Account payable to Waikato Regional Council | - | 10 |
| Account payable to Timber Museum Trust | - | 29 |
| Account payable to the Achievement Centre | - | 9 |
| Total related party payables (Note 17) | - | 48 |

25. Remuneration

Chief Executive

During the year ended 30 June 2016 the Council's Chief Executive was remunerated as follows:

| | Actual 2016 \$000 | Actual 2015 \$000 |
|-----------------------------------|-------------------------|-------------------------|
| Craig Hobbs | | |
| Base Salary | 231 | 224 |
| Vehicle (market value plus FBT) | 19 | 19 |
| Kiwisaver Employer's Contribution | 7 | 7 |
| Total | 257 | 250 |

For the year ended 30 June 2016, the total annual cost including fringe benefit tax to the South Waikato District Council of the remuneration package being received by the Chief Executive is calculated at \$257,000 (2015:\$250,000).

Key Management Personnel

Key management personnel includes the Mayor, Councillors, the Chief Executive and other senior management of Council.

| | Actual 2016 \$000 | Actual 2015 \$000 |
|---|-------------------------|-------------------------|
| Salaries and other short term employee benefits | 1,507 | 1,522 |
| Post employment benefits | - | - |
| Other long term benefits | - | - |
| Termination benefits | - | - |
| | 1,507 | 1,522 |

The full time equivalent numbers of senior management of Council (including the Chief Executive) is 7(2015: 7).

Council employees

The total annual remuneration by band for employees as at 30 June is:

| | Actual 2016 \$000 | Actual 2015 \$000 |
|------------------------|-------------------------|-------------------------|
| < \$60,000 | 71 | 104 |
| \$60,000 - \$79,000 | 31 | 31 |
| \$80,000 - \$99,000 | 12 | 11 |
| \$100,000 - \$119,000 | 7 | 5 |
| \$120,000 - \$259,000 | 5 | 5 |
| Total employees | 126 | 156 |

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 104 full-time employees (2015: 87), with the balance of staff representing 12.5 (2015: 19.08) full-time equivalent employees. A full-time employee is determined on the basis of a 37.5-hour working week.

In the 2014-15 Annual Report, there were 30 casual staff included in the under \$60,000 band. These have not been included in the 2015-16 year in the note above.

26. Councillor Remuneration

Elected representatives

The following monetary and non-monetary remuneration was paid to Councillors and Community Board representatives during the year. Monetary remuneration excludes payment of non-taxable allowances which are considered reimbursement of actual expenses incurred.

| | Actual 2016 \$000 | Actual 2015 \$000 |
|--------------------------------------|----------------------------------|----------------------------------|
| Mayor and Councillors | | |
| Neil Sinclair (Mayor) | 86 | 79 |
| Jenny Shattock | 31 | 29 |
| Herman Van Rooijen | 28 | 26 |
| Anne Edmeades | 23 | 21 |
| Adrienne Bell | 27 | 25 |
| Jeff Gash | 27 | 25 |
| Bill Machen | 23 | 21 |
| Marin Glucina | 23 | 21 |
| Tua Numanga | 23 | 21 |
| Terry Magill | 23 | 25 |
| Thomas Lee | 23 | 21 |
| Total Councillors | 337 | 314 |
| Community Board Members | | |
| Nora Martelletti | 3 | 3 |
| Clive Collingwood | 3 | 3 |
| Cassandra Robinson | 6 | 3 |
| Derek Keesing | 3 | 3 |
| Total Community Board members | 15 | 12 |

27. Financial instruments

Financial instrument categories

| | Note | Actual 2016 \$000 | Actual 2015 \$000 |
|--|------|-------------------------|-------------------------|
| Financial assets | | | |
| Loans and receivables | | | |
| Cash and cash equivalents | 10 | 3,984 | 6,234 |
| Trade and other receivables | 11 | 2,739 | 3,698 |
| Other financial assets: | | | |
| Sundry loans | 13 | 719 | 622 |
| Total loans and receivables | | 7,442 | 10,554 |
| Available for sale financial assets | | | |
| Other financial assets: | | | |
| Bonds, deposits and other fixed interests | 13 | 8,886 | 6,082 |
| Unlisted shares | 13 | 87 | 87 |
| Listed shares | 13 | 4,756 | 3,580 |
| Total available for sale financial assets | | 13,729 | 9,749 |
| Financial liabilities | | | |
| Financial liabilities at amortised cost | | | |
| Trade and other payables | 17 | 3,655 | 3,584 |
| Trust Accounts | 17 | 4 | 15 |
| Secured loans | 20 | 13,176 | 13,592 |
| Total financial liabilities at amortised cost | | 16,835 | 17,191 |

Fair values hierarchy disclosures

For those instruments recognised at fair value in the balance sheet, fair values are determined according to the following hierarchy.

Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets.

Valuation technique using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in active markets and financial instruments valued using models where all significant inputs are observable.

Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observables.

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

| | Total \$000 | Quoted Market Price \$000 Level 1 | Observable inputs \$000 Level 2 | Significant non- observable inputs \$000 Level 3 |
|----------------------------------|-------------|--|---------------------------------------|--|
| 30 June 2016 | | | | |
| <i>Financial assets</i> | | | | |
| General Funds | | | | |
| Bank security bonds (AA-) | 2,625 | 2,625 | - | - |
| Corporate bonds (BBB+ to AA-) | 4,028 | 4,028 | - | - |
| Local Government bonds (A to AA) | 254 | 254 | - | - |
| NZ Government Bonds (AA+) | 212 | 212 | - | - |
| International bonds (not rated) | 1,424 | 1,424 | - | - |
| 30 June 2015 | | | | |
| <i>Financial assets</i> | | | | |
| General Funds | | | | |
| Bank security bonds (AA-) | 1,715 | 1,715 | - | - |
| Corporate bonds (BBB+ to AA-) | 1,494 | 1,494 | - | - |
| Local Government bonds (A to AA) | 569 | 569 | - | - |
| NZ Government Bonds (AA+) | 215 | 215 | - | - |
| International bonds (not rated) | 1,196 | 1,196 | - | - |

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

Financial instrument risks

Council has a series of policies to manage the risks associated with financial instruments. The South Waikato District Council is risk averse and seeks to minimise exposure from its treasury activities. Council has established approved Liability Management and Investment policies which have been adopted as part of Council's Long Term Plan 2015-25.

These policies do not allow any transactions that are speculative in nature to be entered into.

Market Risk

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Council is exposed to price risk on its equity and bond investments, which are classified as available for sale financial assets.

The price risk is managed by diversification of Council investment portfolio in accordance with the limits set out in Council Investment policy.

Currency Risk

Currency risk is the risk that cash flows relating to certain forecast transactions or firm commitments will fluctuate.

Council is managing this risk through forward foreign exchange contracts.

Interest Rate Risk

The interest rates on investments and borrowings are disclosed in Notes 13.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates. Borrowing and investment at fixed interest rates expose Council to fair value interest rate risk. Council manages its interest rate exposure by restricting the gross interest of all external borrowing to 10% of total revenues and to 15% of Council's operating revenue. Council can also use interest rate derivatives such as interest rate swaps and options to manage interest rate risks when the need arises. Interest rates on borrowings are subject to quarterly repricing.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in floating interest rates and borrowings. Council is exposed to cash flow interest rate risk on cash and cash equivalents.

Sensitivity analysis

The table below illustrates the potential profit or loss and equity (excluding retained earnings) impact for reasonably possible market movement, with all other variables held constant, based on Council's financial instruments exposures at the balance date. The particular sensitivities chosen for the analysis reflect the actual movements that occurred in the relevant, immediately preceding financial year.

| | Note | 2016 \$000 | | 2015 \$000 | |
|------------------------------------|------|---------------|--------------|---------------|--------------|
| Interest Rate Risk | | Profit | Other Equity | Profit | Other Equity |
| Financial assets | | | 0.5% | | -0.5% |
| NZ fixed interest bonds | a | - | 36 | - | (36) |
| | | | | | |
| Financial liabilities | | 0.25% | - | -0.25% | - |
| Borrowings | b | (33) | - | 33 | - |
| | | | | | |
| Foreign Exchange Risk | | Profit | Other Equity | Profit | Other Equity |
| Financial assets | | 0.5% | | -0.5% | |
| International fixed interest bonds | c | 7 | - | (7) | - |
| International equity | d | 9 | - | (9) | - |
| | | | | | |
| International Cash | | 10% | | -10% | |
| US dollar denominated cash | e | 1 | - | (1) | - |
| | | | | | |
| Equity Price Risk | | Profit | Other Equity | Profit | Other Equity |
| Financial assets | | | 5.0% | | -5.0% |
| NZ Equity investments | f | - | 93 | - | (93) |
| NZ Property investments | g | - | 55 | - | (55) |
| International Equity investments | h | - | 90 | - | (90) |

Explanation of sensitivity analysis**Financial assets****a - General funds fixed interest bonds**

A total of \$7,119,000 (2015: \$3,993,000) invested in local bonds is classified as available for sale financial assets. A movement in interest rates of plus or minus 0.5% in 2015-16 would have had an impact of +/- \$36,000 (2015: \$20,000) on the fair value of the asset and the investment revaluation reserve.

b - Borrowings

A total of \$13,176,000 (2015: \$13,592,000) is classified as long term borrowings. A movement of plus or minus 0.25% in interest rates in 2015-16 would have had an impact of +/- \$33,000 (2015: \$34,000) on the profit or loss.

c - International fixed interest bonds

A total of \$1,424,000 (2015: \$1,196,000) is classified as available for sale financial assets. A movement of plus or minus 0.5% in the US exchange in 2015-16 would have had an impact of \$7,000 (2015: \$7,000) on the fair value of the asset and the investment revaluation reserve.

d - International equity

A total of \$1,791,000 (2015: \$1,678,000) is classified as available for sale financial assets. A movement of plus or minus 0.5% in the US exchange rate in 2015-16 would have had an impact of \$9,000 (2015: \$10,000) on the fair value of the asset and the investment revaluation reserve.

e - International cash

A total of \$6,000 (2015: \$9,000) was cash held in US dollars, and classified as available for sale financial assets. A movement of plus or minus 10% in the US exchange rate in 2015-16 would have had an impact of \$1,000 (2015: 1,000) on the fair value of the asset and the investment revaluation reserve.

f - NZ equity investments

A total of \$1,864,000 (2015: \$1,585,000) invested in listed local shares classified as available for sale financial assets. A movement of plus or minus 5% in share prices in 2015-16 would have had an impact of \$93,000 (2015: \$79,000) on the fair value of the asset and the investment revaluation reserve.

g - NZ property investments

A total of \$1,101,000 (2015: \$890,000) invested in the New Zealand property equity market is classified as available for sale financial assets. A movement of plus or minus 5% in the New Zealand property share prices in 2015-16 would have had an impact of \$55,000 (2015: \$44,000) on the fair value of the asset and the investment revaluation reserve.

h - International equity investments

A total of \$1,791,000 (2015: \$1,678,000) invested in overseas shares is classified as available for sale financial assets. A movement of plus or minus 5% in share prices in 2015-16 would have had an impact of \$90,000 (2015: \$84,000) on the fair value of the asset and the investment revaluation reserve.

Credit risk

Credit risk is the risk that a third party will default on its obligations to Council, causing Council to incur a loss. Council has no significant concentration of credit risk, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers. Investments are also well diversified across a wide range of companies and industries. Accordingly, Council does not require any collateral or security to support these financial instruments. The maximum exposure to credit risk is equal to the carrying amount of all financial assets.

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired are assessed by reference to Standard and Poor's or other recognised credit ratings, or historical information about counterparty default rates:

| | Actual 2016 \$000 | Actual 2015 \$000 |
|--|----------------------|----------------------|
| Cash and cash equivalents: | | |
| Cash and short term deposits (AA to BBB) | 3,984 | 6,234 |
| Total cash and cash equivalents | <u>3,984</u> | <u>6,234</u> |
| General Funds: | | |
| Sundry corporate and government securities (AA- to AA) | 2,625 | 1,494 |
| Bank security bonds (AA+ to AAA) | 4,028 | 1,715 |
| Local Government Bonds (A to AA) | 254 | 569 |
| NZ Government Bonds (AA+) | 212 | 215 |
| International Bonds (Not rated) | 1,424 | 1,196 |
| Total general fund bonds | <u>8,543</u> | <u>5,189</u> |

Trade and other receivables mainly arise from Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of trade and other receivables with reference to internal or external credit ratings.

Council has no significant concentration of credit risk in relation to trade and other receivables, as it has a large number of credit customers (mainly ratepayers) and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that Council will encounter difficulty raising funds to meet commitments as they fall due. Prudent liquidity management implies maintaining sufficient cash in the form of bank current accounts and demand deposits. In meeting its liquidity requirements, Council avoids concentration of debt maturity dates with the maximum level of debt repayable in any one year to no more than 3% of total public equity. The maturity analysis of the Council's interest bearing investments is disclosed in Note 13.

Liquidity and market risk

Interest rates ranged from 3.57% to 4.95% (3.35% to 3.61% for 2015). Council policy restricts loan principal outstanding to the value of the district's annual rate revenue and the interest cost to 15% of the annual rates revenue. Loan principal outstanding was 64% of the annual rates revenue (2015: 67%). Total interest costs represented 4% of the annual rates revenue (2015: 4%).

Fair Value

Contractual maturity analysis of financial liabilities:

| | Weighted average interest rate | Carrying amount \$000 | Contractual cash flows \$000 | Less than 1 year \$000 | 2-5 years \$000 | >5 years \$000 |
|--------------------------|--------------------------------------|-----------------------------|------------------------------------|------------------------------|-----------------------|----------------------|
| 30 June 2016 | | | | | | |
| Trade and other payables | | 3,509 | 3,509 | 3,509 | - | - |
| Borrowings | 6.15% | 13,176 | 20,686 | 1,522 | 5,895 | 13,269 |
| Trust Accounts | | 4 | 4 | 4 | - | - |
| Financial guarantees | 3.50% | 33 | 33 | 33 | - | - |
| Total | | 16,722 | 24,232 | 5,068 | 5,895 | 13,269 |
| 30 June 2015 | | | | | | |
| Trade and other payables | | 3,299 | 3,299 | 3,299 | - | - |
| Borrowings | 5.35% | 13,592 | 18,287 | 1,434 | 5,763 | 11,090 |
| Trust Accounts | | 15 | 15 | 15 | - | - |
| Financial guarantees | 3.50% | 33 | 33 | 33 | - | - |
| Total | | 16,939 | 21,634 | 4,781 | 5,763 | 11,090 |

Trade and other payables do not have a weighted average interest rate due to them being settled on the 20th of each month.

28. Operating lease as lessor

Council leases its operational properties under operating leases. The majority of these leases have a non-cancellable term that ranges between one and thirty years. The future aggregate minimum lease payments to be collected under non-cancellable leases are as follows:

| | Actual 2016 \$000 | Actual 2015 \$000 |
|---|-------------------------|-------------------------|
| Not later than one year | 135 | 122 |
| Later than one year and not later than five years | 279 | 155 |
| Later than five years | 434 | 377 |
| Total non-cancellable operating leases | 848 | 654 |

No contingent rents have been recognised in the profit and loss during the period (2015: \$nil).

29. Insurance contracts

South Waikato District Council is part of a Regional collective of local authorities for insurance purposes. Through the collective economies of scale Council has access to the best process and cover.

As at the end of the financial year, Council had the following insurance cover in place:

Material damage excluding fire - \$150,000,000

Material damage fire only - \$30,000,000

Council's Material Damage cover is based on a Maximum Probable Loss model (MPL) which means that its assets are insured for the value of the largest probable loss that could result from a disaster in the South Waikato. Council is insured within a \$150 million primary layer which is shared between the Regional

collective. A separate policy is in place which is shared by the Regional collective which provides cover of up to \$125 million for damage that is caused by fire, or fire following a natural disaster.

Commercial motor vehicles \$915,000

Motor insurance up to the market value of each individual vehicle.

Infrastructure \$99,263,000

Based on risk engineering and loss modelling for the Waikato hazardscape a \$95.9 million shared loss limit is in place with the Regional collective. Insurance is to the level of 40% in anticipation of 60% contribution from central government in the event of a disaster.

Business interruption

A shared \$10 million Additional Increased Cost of Working limit with the Regional collective provides cover for consequential loss through the physical damage to any property used by Council. There is also an additional \$2.5 million claim preparation costs cover associated with this contract.

Forest and rural fire cover \$100,000

Council is designated as a Rural Fire Authority. This covers for costs associated with fire-fighting.

Professional indemnity \$50,000,000

Public liability \$50,000,000

30. Major budget variations

Statement of comprehensive revenue and expense

Other expenses are more than budgeted by \$2.2m due to \$1.1m loss on disposal of assets and \$0.66m spent on the Tokoroa Rail Terminal which was not budgeted, but funded from the South Waikato Development Fund reserve.

Statement of Financial Position

The net of cash and other financial assets is \$8.0m higher than expected due to an increase in the Private Bank investments which was not budgeted.

Property Plant and Equipment is \$15.5m less than expected due to the revaluation in water assets being lower than budgeted and an optimistic forecast for additions

External borrowing was \$1m more than expected due internal loans being \$1m less than budgeted.

Total equity was \$8.9m lower than expected due to property plant and equipment being \$15.5m less than expected, cash and financial assets being \$8m higher than budgeted and external borrowing being \$1m more than budgeted.

Statement of Cashflows

Payments to suppliers and employees was under budgeted in year one of the LTP. Cash applied to purchase of investments was lower than the budgeted amount due to the increase in Private Bank investments not being budgeted for.

31. Capital management

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

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently, and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's rate payers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

The South Waikato District Council has the following reserves:

- reserves for different areas of benefit
- self-insurance reserves
- trust reserves
- other reserves.

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

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

Other reserves are created to set aside funding from general rates for future expenditure on specific projects or activities as approved by Council.

Council categorises self-insurance reserves and other reserves as 'Council Created Reserves', while the others are categorised as 'Restricted Reserves' (refer Note 21).

32. Events after balance date

No significant events have occurred between balance date and the signing of the financial statements