Financial statements and financial statement notes

Financial Statements

Statement of comprehensive revenue and expense for the year ended 30 June 2015

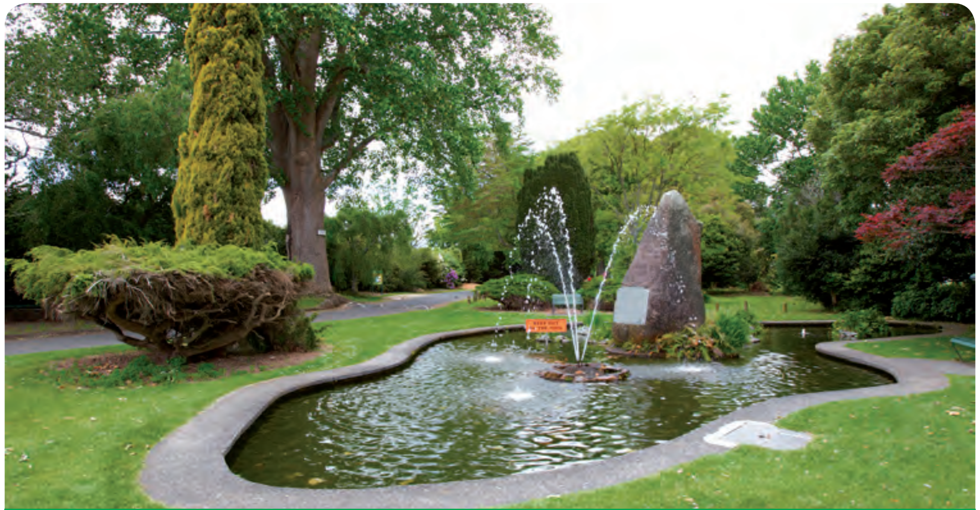
Actual 2013/14		Notes	Annual Plan Budget 2014/15	Actual 2014/15
$000			$000	$000
	Revenue			
18,836	General rates, uniform annual general charges, rates penalties	2	19,178	19,367
11,552	Targeted rates (other than a targeted rate for water supply)	2	11,564	11,629
101	Lump sum contributions		97	99
2,481	Subsidies and grants for operating purposes	3	2,409	2,589
3,088	Subsidies and grants for capital expenditure	3	2,822	2,888
7,683	Fees, charges and targeted rates for water supply	4	7,121	8,254
1,425	Interest and dividends from investments	5	440	567
261	Local authorities fuel tax, fines, infringement fees, and other receipts	6	259	255
367	Development and financial contributions		650	316
1,299	Vested and found assets	7	576	2,739
1,364	Other gains	8	-	-
48,457	**Total revenue**		**45,116**	**48,703**
	Expenses			
16,003	Payments to suppliers	9	15,298	15,878
12,208	Payments to staff	9	12,859	12,872
2,206	Finance costs	10	2,156	1,671
13,209	Depreciation and amortisation	19-21	14,243	12,729
999	Other losses	8	-	3,200
44,625	**Total expenses**		**44,556**	**46,350**
18	Share of joint venture surplus/(deficit)	11	-	5
3,850	**Surplus/(deficit)**		**560**	**2,358**
	Other comprehensive revenue and expense			
11,443	Gains/(losses) on property, plant and equipment revaluations	26	-	-
11,443	**Total other comprehensive revenue and expense**		**-**	**-**
15,293	**Total comprehensive revenue and expense**		**560**	**2,358**

Explanations of major variances against budget are provided in note 36.
The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2015

Actual 2013/14		Notes	Annual Plan Budget 2014/15	Actual 2014/15
$000			$000	$000
537,625	**Balance at 1 July**		**567,838**	**552,918**
15,293	Total comprehensive revenue and expense		560	2,358
552,918	**Balance at 30 June**		**568,398**	**555,276**
	Equity represented by:			
419,559	Retained earnings	26	420,336	411,542
133,359	Other reserves	26	148,062	143,734
552,918	**Total equity**		**568,398**	**555,276**

Explanations of major variances against budget are provided in note 36.
The accompanying notes form part of these financial statements.
Refer to note 26 for reserves movements.



Centennial Drive water feature, Matamata.

Financial Statements

Financial Statements

Statement of financial position as at 30 June 2015

Actual 2013/14		Notes	Annual Plan Budget 2014/15	Actual 2014/15
$000			$000	$000
	Current assets			
1,499	Cash and cash equivalents	12	1,792	4,538
4,187	Receivables	13	2,996	3,365
171	Derivative financial instruments	14	-	-
1,012	Other financial assets	16	1,238	8,126
435	Inventory	17	531	398
1,115	Assets held for sale	18	317	-
8,419	**Total current assets**		**6,874**	**16,427**
	Less current liabilities			
-	Derivative financial instruments	14	-	15
5,630	Payables	22	4,427	5,630
1,341	Employee entitlements	23	1,390	1,458
5,976	Borrowings	24	1,060	1,148
67	Provisions	25	117	79
13,014	**Total current liabilities**		**6,994**	**8,330**
(4,595)	**Working capital**		**(120)**	**8,097**
	Non-current assets			
747	Derivative financial instruments	14	-	-
3,279	Investments in Council controlled organisations and other entities	15	3,062	3,266
12,380	Other financial assets	16	13,005	1,516
567,498	Property, plant and equipment	19	593,304	568,639
1,082	Intangible assets	20	971	951
584,986	**Total non-current assets**		**610,342**	**574,372**
	Non-current liabilities			
-	Derivative financial instruments	14	-	975
568	Employee entitlements	23	580	585
26,138	Borrowings	24	40,498	24,989
767	Provisions	25	746	644
27,473	**Total non-current liabilities**		**41,824**	**27,193**
552,918	**Net assets**		**568,398**	**555,276**
	Equity represented by:			
419,559	Retained earnings	26	420,336	411,542
133,359	Other reserves	26	148,062	143,734
552,918	**Total equity**		**568,398**	**555,276**

Explanations of major variances against budget are provided in note 36.
The accompanying notes form part of these financial statements.

Statement of cashflows for the year ended 30 June 2015

Actual 2013/14		Notes	Annual Plan Budget 2014/15	Actual 2014/15
$000			$000	$000
	Cashflows from operating activities			
30,510	General and targeted rates and rates penalties		30,742	31,070
101	Lump sum contributions		97	99
5,809	Subsidies and grants		5,231	4,978
7,835	Fees, charges and targeted rates for water supply		7,121	8,338
186	Interest from investments		50	526
264	Local authorities fuel tax, fines, infringement fees and other receipts		259	98
367	Development and financial contributions		650	316
(200)	Net GST		-	109
(27,506)	Payments to staff and suppliers		(28,157)	(28,603)
(2,244)	Finance costs		(2,156)	(1,656)
15,122	**Net cashflow from operating activities**	27	**13,837**	**15,275**
	Cashflows from investing activities			
(34)	Repayment of loans and advances		170	163
190	Sale of assets		-	1,526
1,369	Proceeds from sale/maturity of investments and dividends received		390	4,250
(12,334)	Purchase of property, plant and equipment		(14,694)	(12,304)
(313)	Purchase of intangible assets		(111)	(74)
-	Acquisition of investments		-	-
221	Forward foreign exchange contracts		-	171
-	Repurchase of own your own properties		-	-
(10,901)	**Net cashflow from investing activities**		**(14,245)**	**(6,268)**
	Cashflows from financing activities			
-	Proceeds from borrowings		7,476	-
(3,346)	Repayment of borrowings		(5,970)	(5,968)
(3,346)	**Net cashflow from financing activities**		**1,506**	**(5,968)**
875	Net increase/(decrease) in cash and cash equivalents		1,098	3,039
624	Opening cash and cash equivalents		694	1,499
1,499	**Closing cash and cash equivalents**	12	**1,792**	**4,538**

Explanations of major variances against budget are provided in note 36.

The accompanying notes form part of these financial statements.

Financial Statement Notes

1. Statement of accounting policies

Reporting entity

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

Council has a 34% interest in a jointly controlled entity, Thames Valley Combined Civil Defence Committee, together with Hauraki District Council and Thames-Coromandel District Council. Each Council has equal representation on the committee. Thames-Coromandel District Council is the administering authority.

The Council provides local infrastructure, local public services, and performs regulatory functions to the community. Council has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

The financial statements of the Council are for the year ended 30 June 2015. The financial statements were authorised for issue by Council on 14 October 2015.

Basis of preparation

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

Statement of compliance

The financial statements of the Council have been prepared in accordance with the requirements of the LGA, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements have been prepared in accordance with Tier 1 PBE accounting standards. These financial statements comply with PBE Standards. These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. There are no material adjustments arising on transition to the new PBE accounting standards.

Presentation currency and rounding

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

Changes in accounting policies

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

Standards issued and not yet effective and not early adopted

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The Council has applied these standards in preparing the 30 June 2015 financial statements.

In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These updated standards aply to PBEs with reporting periods beginning on or after 1 April 2015. The Council will apply these updated standards in preparing its 30 June 2016 financial statements. The Council expects that there will be minimal or no change in applying these updated accounting standards.

Summary of significant accounting policies

Joint venture

We recognise our interest in our jointly controlled entity, Thames Valley Combined Civil Defence Committee, using the equity method. This investment is initially recognised at cost and the carrying amount is increased or decreased to recognise our share of the profit or loss of the jointly controlled entity after the date of acquisition. Our share of the profit or loss of the jointly controlled entity is recognised in our statement of comprehensive revenue and expense. The carrying amount of the investment is shown as shares in the statement of financial position.

Revenue

Revenue is measured at fair value. Revenue is recognised to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Rates - General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue. Rates arising from late payment penalties are recognised as revenue when rates become overdue. Revenue from water-by-meter rates is recognised as it is invoiced. Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.
- Private works - The revenue from private works is recognised as revenue by reference to the stage of completion of the work at balance date.
- New Zealand Transport Agency roading subsidies - The Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.
- Other grants received - Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.
- Fees and charges - Fees and charges are recognised as revenue when the obligation to pay arises or, in the case of licence fees, upon renewal of the licence.

- Interest - Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.
- Dividends - Revenue is recognised when the shareholders' right to receive the payment is established.
- Rental revenue - Rental revenue arising on property owned by us is accounted for on a straight line basis over the lease term.
- Development and financial contributions - Development and financial contributions are recognised as revenue when we provide, or are able to provide, the service for which the contribution was charged. Otherwise development and financial contributions are recognised as liabilities until such time we provide, or are able to provide, the service.
- Building and resource consent revenue - Fees and charges for building and resource consent services are recognised when received or invoiced.
- Infringement fees and fines - Infringement fees and fines related to animal control are recognised when the payment of the fee or fine is received.
- Vested or donated physical assets – For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset. The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer. An exception to this is land under roads which is valued using the average land values for the urban and rural areas of the whole district as at 1 July 2001. For long-lived assets that must be used for a specific use (e.g. land that must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if the Council expects that it will need to return or pass the asset to another party.
- Found assets - Found asset revenue recognises the value of assets that we own, or where we have full control and management of the asset (and that asset is not recorded as such by any other entity), and these assets have not been previously accounted for. These assets are recognised at their fair value from the time that they are identified.
- Donated and bequeathed financial assets - Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met (e.g. as the funds are spent for the nominated purpose).

Borrowing costs

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

Grant expenditure

Non-discretionary grants are 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 we have no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

Leases

- Finance leases - A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.
- At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position of the lower of the fair value of the leased item or the present value of the minimum lease payments.
- The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.
- The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.
- Operating leases - An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.
- Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.
- Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting for the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Receivables

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

Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from investing activities, and interest rate risks arising from financing activities. In accordance with our treasury policies, we do not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date. The associated gains or losses are recognised in the surplus or deficit in the statement of comprehensive revenue and expense. The fair value of the derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise derivatives are classified as non-current.

Other financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit. Purchases and sales of financial assets are recognised on trade-date, the date on which we commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and we have transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit
- loans and receivables
- held-to-maturity investments, and
- fair value through other comprehensive revenue and expense.

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

Fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit taking. Derivatives are also categorised as held for trading.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above. After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit. Gains and losses do not take into account any interest or dividend income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets. After initial recognition they are measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit in other gains and losses.

Loans to community organisations made at nil or below market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the surplus or deficit in other gains or losses.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets. After initial recognition they are measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Fair value through other comprehensive revenue and expense

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

The Council includes in this category:

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

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Impairment of financial assets

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

Loans and other receivables, and held to maturity investments

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

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

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment. For debt instruments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

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

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

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

Inventory

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the first in first out (FIFO) method), adjusted when applicable, for any loss of service potential. Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventory held for use in the production of goods and services on a commercial basis is valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the FIFO method. The amount of any write down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write down. When land held for development and future resale is transferred from property, plant and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost. Costs directly attributable to the developed land are capitalised to inventory (work in progress), with the exception of infrastructural asset costs, which are capitalised to property, plant and equipment.

All other inventory is recognised at the lower of cost and net realisable value.

Assets held for sale

Assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment losses for write downs of assets held for sale are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Property, plant and equipment

- Operational assets - land, buildings, restricted assets, plant and machinery, furniture and equipment, computer equipment, and library collections.
- Restricted assets - parks and reserves owned by Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- Infrastructure assets - fixed utility systems owned by Council. Each asset class includes all items that are required for the network to function, for example, wastewater reticulation includes reticulation piping and wastewater pump stations.

Land (operational and restricted) is measured at fair value, and buildings (operational and restricted), and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other classes are measured at cost less accumulated depreciation and impairment losses.

Revaluations

Land and buildings (both operational and restricted), are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. We assess the carrying values of our land and building assets annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. Infrastructural assets (except land under roads) are revalued annually. All other asset classes are carried at depreciated historical cost.

Revaluations of property, plant and equipment are accounted for on a class of asset basis. The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

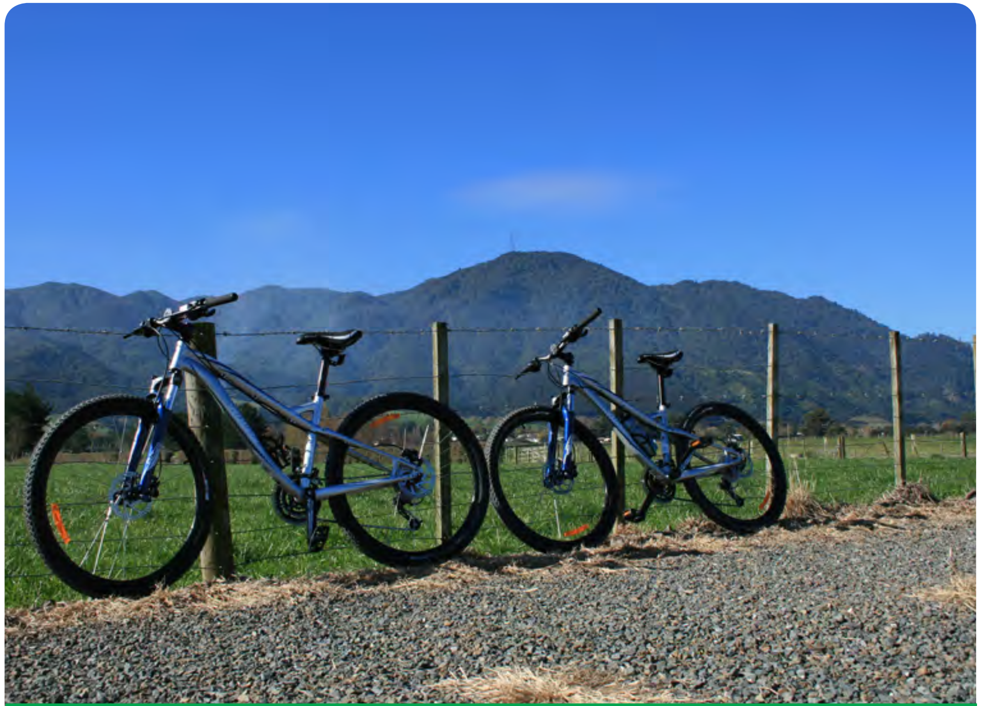
Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to us and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. Property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

Financial Statement Notes

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 reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

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



Hauraki Rail Trail.

Operational assets	Useful life	Depreciation rate
Buildings	2 to 100 years	1% - 50%
Restricted assets (buildings)	2 to 100 years	1% - 50%
Plant and machinery	2 to 10 years	10% - 50%
Furniture and equipment	2 to 20 years	5% - 50%
Computer equipment	3 to 5 years	20% - 33%
Server hard drives	1 year	100%
Library collection	2 to 9 years	11% - 50%
Infrastructural assets	**Useful life**	**Depreciation rate**
Roading network		
Street lighting	25 years	4%
Formation carriageway	100 years	1%
Pavement surfacing	7 to 50 years	2% - 14%
Pavement structure	39 to 47 years	3% - 4%
Footpaths	5 to 50 years	2% - 20%
Drainage	60 to 90 years	1% - 2%
Bridges	75-90 years	1% to 2%
All other	1 to 57 years	2% - 50%
Utility assets		
Buildings	50 to 80 years	1% - 2%
Wastewater mains	50 to 100 years	1% - 2%
Wastewater other	80 to 100 years	1% - 2%
Wastewater pump station equipment	5 to 100 years	1% - 20%
Wastewater service lines	50 to 88 years	1% - 2%
Water mains	30 to 95 years	1% - 3%
Water valves	80 to 88 years	1% - 2%
Water hydrants	80 to 84 years	1% to 2%
Water nodes	80 years	1%
Water pump station equipment	10 to 100 years	1% - 10%
Water service lines	30 to 88 years	1% - 3%
Stormwater mains	51 to 100 years	1% - 2%
Stormwater manholes	95 to 100 years	1% - 2%
Stormwater pumps	15 years	7%
Stormwater service lines	60 to 100 years	1% - 2%
Swale drains	Indefinite	0%

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

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to us and the cost of the item can be measured reliably. The costs of day to day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Intangible assets

Computer software

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

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit. Computer software is estimated to have a useful life of 1 to 15 years and is amortised at a rate of 6.67% to 100%.

Impairment of property, plant and equipment and intangible assets

Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, and goodwill, are not subject to amortisation and are tested annually for impairment.

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

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.

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

Value in use for non-cash-generating assets

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

For non-cash-generating assets, value in use is determinded using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach.

The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets is the present value of expected future cash-flows.

Payables

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

Borrowings

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Employee entitlements

Short term employee entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on the accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

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

Long term employee entitlements

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

The calculations are based on:

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

Presentation of employee entitlements

Sick leave, annual leave, vested long service leave, 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.

Defined contribution superannuation scheme
Obligations for contributions to defined contribution superannuation schemes (such as KiwiSaver) are recognised as an expense in the surplus or deficit when incurred.

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

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

Provisions for landfill aftercare and Tui Mine site monitoring
Council, as owner of three closed landfills and the former site of the Tui mine, has a legal obligation under its resource consents to provide ongoing maintenance and/or monitoring services at the sites. Provisions for post closure and monitoring costs have been recognised as a liability. The provisions are 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 provisions include all reliably known costs. The discount rate used is a rate that reflects current market assessments of the time value of money and the risks specific to Council.

Equity
Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- retained earnings
- other reserves:
  - Council created reserves
  - restricted reserves
  - asset revaluation reserves.

Reserves
Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council. Restricted reserves - those reserves subject to specific conditions accepted as binding by us and which may not be revised without reference to the Courts or third party. Transfers from these reserves may be made only for certain specified purposes or when certain conditions are met.

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

Asset revaluation reserves - represent unrealised gains on assets owned by us. The gains are held in the reserve until such time as the gain is realised and a transfer can be made to retained earnings.

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 Department (IRD) is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the IRD, including GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cashflows. Commitments and contingencies are disclosed exclusive of GST.

Budget figures
The budget figures are those approved by the Council in its 2014/15 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these adopted in preparing these financial statements.

Cost allocation
The cost of service for each of our significant activities has been derived using the cost allocation system outlined below. Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity. Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area. The allocation of indirect costs to the activities of Council has also been benchmarked against neighbouring local authorities for moderation.

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

Infrastructural assets
Note 19 provides information about the estimates and assumptions applied in determining the fair value of infrastructural assets.

Provisions
Note 25 provides information about the estimates and assumptions surrounding Council's provisions.

Critical judgements in applying accounting policies
Management has exercised the following critical judgement in applying accounting policies for the year ended 30 June 2015:

Classification of property
The Council owns a number of properties held to provide housing to elderly persons. The receipt of rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of the Council's social housing policy. The properties are therefore accounted for as property, plant and equipment.

2. Rates

Actual 2013/14		Actual 2014/15
$000		**$000**
	General rates, uniform annual general charges, rate penalties	
18,657	General rates and uniform annual general charges	19,211
179	Rates penalties	156
18,836	**Total**	**19,367**
	Targeted rates (other than a targeted rate for water supply)	
2,658	- Water	2,786
6,545	- Wastewater	6,572
867	- Stormwater	955
101	- Community Development	-
1,292	- Refuse	1,218
89	- Halls	98
11,552	**Total**	**11,629**
30,388	**Total revenue from rates**	**30,996**

Rates remissions

Actual 2013/14		Actual 2014/15
31,048	Total gross rates (excluding targeted water supply rates)	31,511
	Rates remissions:	
(2)	Land used for sport	(14)
(4)	Land protected for historical or cultural purposes	(8)
(654)	Pan charges	(489)
-	Land protected for conservation purposes	(4)
(660)	**Total remissions**	**(515)**
30,388	**Rates net of remissions (excluding targeted water supply rates)**	**30,996**

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

Local Government Funding Agency
We are required by the Local Government Funding Agency (LGFA) Guarantee and Indemnity Deed to disclose in our financial statements (or notes), our annual rates income. That Deed defines annual rates income as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received by the Council from other local authorities for services provided by that Council for which those other Local Authorities rate. The annual rates income of the Council for the year ended 30 June 2015 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

Actual 2013/14		Actual 2014/15
$000		**$000**
30,388	Rates, excluding targeted water supply rates	30,996
1,982	Targeted rates for water supply (note 4)	2,225
101	Lump sum contributions	99
32,471	**Total annual rates revenue**	**33,320**

3. Subsidies and grants

Actual 2013/14		Actual 2014/15
$000		$000
	Subsidies and grants for operating purposes	
2,378	New Zealand Transport Agency roading subsidies	2,467
103	Other government subsidies	122
2,481	**Total subsidies and grants for operating purposes**	**2,589**
	Subsidies and grants for capital expenditure	
2,804	New Zealand Transport Agency roading subsidies	2,799
284	Other government subsidies	89
3,088	**Total subsidies and grants for capital expenditure**	**2,888**
5,569	**Total subsidies and grants**	**5,477**

There are no unfulfilled conditions or other contingencies attached to government subsidies recognised (2014: nil)

4. Fees, charges and targeted rates for water supply

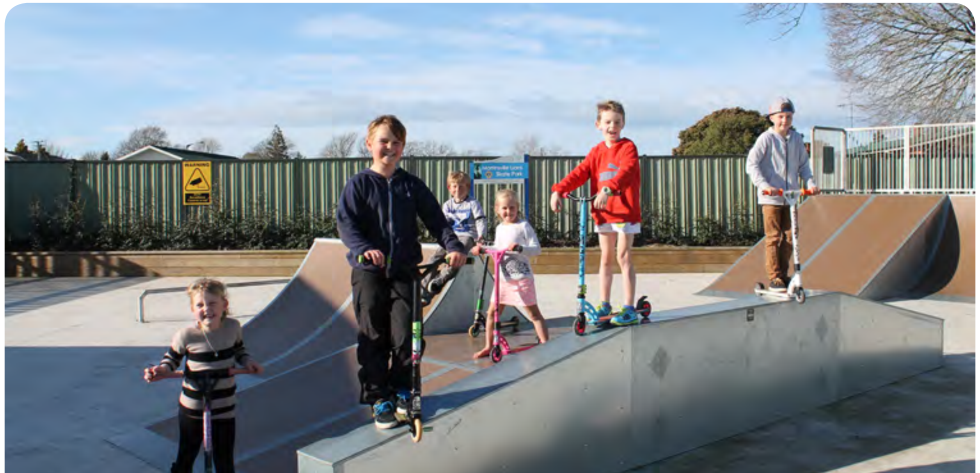
Actual 2013/14		Actual 2014/15
$000		$000
546	Lease revenue	545
1,982	Targeted rates for water supply (metered water)	2,225
788	Trade waste charges	784
4,367	Other user charges	4,700
7,683	**Total fees, charges and targeted rates for water supply**	**8,254**

5. Interest and dividends from investments

Actual 2013/14		Actual 2014/15
$000		$000
177	Interest	567
1,248	Dividends	-
1,425	**Total interest and dividends from investments**	**567**

6. Local authorities fuel tax, fines, infringement fees, and other receipts

Actual 2013/14		Actual 2014/15
$000		$000
224	Local authorities fuel tax	208
37	Fines and infringement fees	47
-	Other receipts	-
261	**Total local authorities fuel tax, fines, infringement fees and other receipts**	**255**



Morrinsville Skate Park

Financial Statement Notes

7. Vested and found assets

Actual 2013/14		Actual 2014/15
$000		$000
	Vested assets	
815	Roading	320
70	Water	49
60	Stormwater	21
95	Wastewater	60
22	Restricted land	51
	Found assets	
47	Restricted land	-
171	Restricted buildings	2,238
19	Infrastructural buildings	-
1,299	**Total vested and found assets**	**2,739**

8. Other gains and losses

Actual 2013/14		Actual 2014/15
$000		$000
	Other gains	
429	Unrealised gain on financial assets at fair value through surplus or deficit	-
405	Net gain on forward foreign exchange contracts	-
530	Unrealised gain on interest rate swaps	-
1,364	**Total other gains**	**-**
	Other losses	
681	Net loss on disposal of property, plant and equipment	891
272	Impairment of assets	-
17	Impairment of investments in Council Controlled Organisations and other entities	17
29	Unrealised loss on loans and receivables	12
-	Net loss on financial assets at fair value through surplus or deficit	310
-	Unrealised loss on interest rate swaps	1,737
-	Net loss on forward foreign exchange contracts	233
999	**Total other losses**	**3,200**

9. Payments to suppliers and staff

Actual 2013/14		Actual 2014/15
$000		$000
	Payments to suppliers	
	Fees paid to the principal auditor:	
117	Financial statement audit fee	119
3	Debenture trust deed audit fee	3
-	Long Term Plan audit fee	74
	Other payments:	
33	Review of provisions (note 25)	-
38	Operating lease payments	49
524	Donations and grants	344
1	Impairment of receivables (note 13)	80
-	Receivables written-off during the period	98
358	Councillors remuneration	377
14,929	Other operating expenses	14,734
16,003	**Total payments to suppliers**	**15,878**
	Payments to staff:	
12,326	Salaries and wages	12,502
198	Defined contribution plan employer contributions	236
(316)	Increase/(decrease) in employee entitlements	134
12,208	**Total payments to staff**	**12,872**

10. Finance costs

Actual 2013/14		Actual 2014/15
$000		$000
	Interest expense:	
2,024	- Interest on borrowings	1,573
28	- Discount unwind on provisions (note 25)	29
	Interest derivatives (presented net):	
154	- Held for trading interest rate swaps	69
2,206	**Total finance costs**	**1,671**

11. Joint venture

Council has a 34% interest in a jointly controlled entity, Thames Valley Combined Civil Defence Committee, together with the Thames-Coromandel and Hauraki District Councils. The joint venture's balance date is 30 June, but its accounts have not been audited. Council's share of the deficit has been included in 'share of joint venture surplus/(deficit)' in the statement of comprehensive revenue and expense. Council's share of equity has been recorded as shares in the statement of financial position.

Movements in the carrying amount of investment in the joint venture:

Actual 2012/13		Actual 2014/15
$000		$000
57	Balance at 1 July	75
18	Share of surplus/(deficit)	5
75	**Balance at 30 June**	**80**

The Council's interest in the joint venture is disclosed in the financial statements under the classifications shown below:

Actual 2013/14		Actual 2014/15
$000		$000
111	Current assets	76
24	Non-current assets	28
60	Current liabilities	24
75	Net assets	80
(248)	Share of expenses	(231)
266	Share of income	236
18	Share of surplus/(deficit)	5

The joint venture has no capital commitments, contingent liabilities or contingent assets at 30 June 2015 (2014:Nil)

12. Cash and cash equivalents

Actual 2013/14		Actual 2014/15
$000		$000
1,499	Cash at bank and on hand	538
-	Term deposits with maturities less than three months at aquisition	4,000
1,499	**Total cash and cash equivalents**	**4,538**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements. The carrying value of cash at bank, term deposits and investments with maturity dates of three months or less approximates their fair value.

Financial assets recognised in a non-exchange transaction that are subject to restrictions
The Council hold unspent funds, included in cash at bank and investments, of $635,000 (2014: $862,000) that are subject to restrictions. These unspent funds relate to endowment land sales, reserves development and bequests and trust funds (see note 26), where the spending of funds is separately monitored. The restrictions generally specify how the funds are required to be spent.

13. Receivables

Actual 2013/14		Actual 2014/15
$000		$000
1,073	Rates receivables	1,096
328	Water receivables	326
419	New Zealand Transport Agency subsidy receivable	889
404	GST receivables	286
847	Other general receivables	807
1,438	Accrued income	265
4,509	**Receivables prior to impairment**	**3,669**
(322)	Less provision for impairment	(304)
4,187	**Total receivables**	**3,365**
	Total receivables comprise:	
2,343	Receivables from non-exchange transactions - this includes outstanding amounts for rates, grants, infringements, and fees and charges that are partly subisdised by rates	2,469
1,844	Receivables from exchange transactions - this includes out-standing amounts for commercial sales and fees and charges that have not been subisdised by rates	1,200
	Provision for impairment comprises:	
(317)	Impairment of receivables from non-exchange transactions	(282)
(5)	Impairment of receivables from exchange transactions	(22)

Fair value
Receivables are non-interest bearing and receipt is normally on 30 day terms. Therefore the carrying value of debtors and other receivables approximates their fair value.

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

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

2014/15	Gross	Impairment	Net
	$000	$000	$000
Not past due	3,313	-	3,313
Past due 1 - 60 days	30	-	30
Past due 61 - 90 days	17	(1)	16
Past due > 90 days	313	(303)	10
Total	**3,673**	**(304)**	**3,369**

2013/14	Gross	Impairment	Net
	$000	$000	$000
Not past due	4,011	-	4,011
Past due 1 - 60 days	12	-	12
Past due 61 - 90 days	51	(1)	50
Past due > 90 days	435	(321)	114
Total	**4,509**	**(322)**	**4,187**

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

The impairment provision has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

Actual 2013/14		Actual 2014/15
$000		$000
297	Individual impairment	226
25	Collective impairment	78
322	**Total provision for impairment**	**304**

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors is as follows:

Actual 2013/14		Actual 2014/15
$000		$000
-	Past due 1- 60 days	-
-	Past due 61 - 90 days	-
297	Past due > 90 days	226
297	**Total individual impairment**	**226**

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

Actual 2013/14		Actual 2014/15
$000		$000
321	Balance at 1 July	322
1	Additional provisions made during the year	80
-	Receivables written off during the period	(98)
322	**Balance at 30 June**	**304**

The Council hold no collateral as security or other credit enhancements over receivables that are either past due or impaired.

14. Derivative financial instruments

Actual 2013/14		Actual 2014/15
$000		$000
	Current assets	
171	Forward foreign exchange contracts – held for trading	-
171	**Total current assets**	**-**
	Non-current assets	
747	Interest rate swaps - held for trading	-
747	**Total non-current assets**	**-**
918	**Total derivative financial instrument assets**	**-**
	Current liabilities	
-	Interest rate swaps - held for trading	15
-	**Total current liabilities**	**15**
	Non-current liabilities	
-	Interest rate swaps – held for trading	975
-	**Total non-current liabilities**	**975**
-	**Total derivative financial instrument liabilities**	**990**

Fair value

Forward foreign exchange contracts

The fair values of forward foreign exchange contracts have been determined using a discounted cash flows valuation technique based on quoted market prices. The inputs into the valuation model are from independently sourced market parameters such as currency rates. Most market parameters are implied from instrument prices.

Interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

Forward foreign exchange contracts

The notional principal amounts of outstanding forward foreign exchange contracts at 30 June were nil (2014: $6,536,952).

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts were $34,500,000 (2014: $33,500,000).

15. Investments in Council Controlled Organisations and other entities

Actual 2013/14		Actual 2014/15
$000		$000
2,623	Waikato Regional Airport	2,623
116	New Zealand Local Government Insurance Corporation	116
75	Thames Valley Combined Civil Defence Committee	80
53	Local Authority Shared Services Limited	35
392	Local Government Funding Agency	392
20	Hauraki Rail Trail Charitable Trust	20
3,279	**Total investments in Council Controlled Organisations and other entities**	**3,266**

Unlisted shares

The fair value of unlisted shares is measured at cost because there is no active market for these assets. These investments are held for strategic purposes, and there are no plans to dispose of these investments.

Borrower notes

At 30 June 2015, Council has $392,000 in borrowing notes invested with the Local Government Funding Agency at floating rates of interest (2014: $392,000). These will mature between December 2017 and April 2023.

Thames Valley Combined Civil Defence Committee

Council initially recognised the value of Thames Valley Combined Civil Defence Committee at cost, and the carrying amount is increased or decreased to recognise Council's share of the surplus or deficit of the Committee after the initial recognition.

16. Other financial assets

Actual 2013/14 $000		Actual 2014/15 $000
	Current	
-	Term deposits with maturities of 3 -12 months	7,900
10	Community loans	12
178	Industry loan	190
824	Local authority and other stock	24
1,012	**Total current**	**8,126**
	Non-current	
-	Term deposits with maturities > 12 months	-
145	Community loans	145
802	Industry loan	629
324	Banks Road development loan	332
10,699	Power New Zealand fund	-
410	Local authority and other stock	410
12,380	**Total non-current**	**1,516**

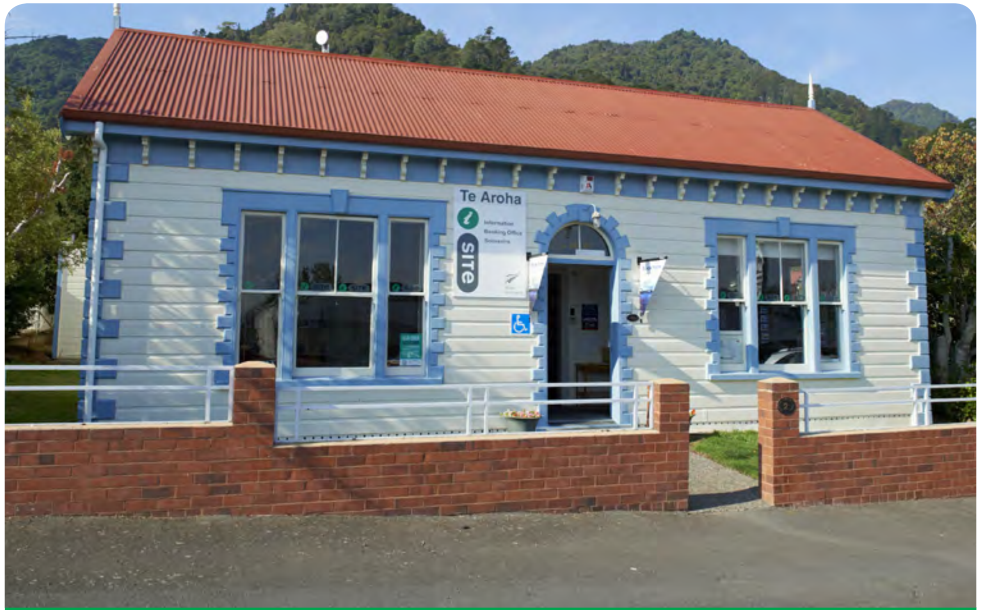
Term deposits
The carrying amount of term deposits approximates their fair value.

Industry loan
The industry loan is recognised at fair value, determined using cashflows discounted at a rate based on the five year swap rate of 3.40% (2014: 4.61%).

Local authority and other stock
The fair value of local authority and other stock is $464,194 (2014: $1,255,981). Fair value has been determined by discounting cash flows from the stocks using a discount rate derived from relevant market inputs.

Power New Zealand fund
The Power New Zealand Fund was established in 1998 using the proceeds from sale of the Power New Zealand Shares. Council had an investment policy for the fund that provided for the placement in overseas and New Zealand equities by investment advisor, Michael Chamberlain and Associates New Zealand Limited. The overseas equities were vested with State Street Global Advisors. The fund was recognised at fair value determined by reference to published current bid price quotations in an active market. In October 2014, Council realised the shares at a value of $10.4 million and returned the funds to New Zealand. $5 million of this was used to repay borrowings that matured during the period. The balance of the funds are now invested as term deposits, with the interest on these budgeted to be utilised to subsidise rates.

Impairment
There were no impairment expenses or provisions for other financial assets. At balance date, none of these financial assets are either past due or impaired.



i-SITE building, Te Aroha.

17. Inventory

Actual 2013/14		Actual 2014/15
$000		$000
174	Inventory held for distribution	137
261	Land developed for sale	261
435	**Total inventory**	**398**

The carrying amount of inventory held for distribution is measured at the lower of cost and current replacement cost. There was no write down of inventory held for distribution (2014: nil).

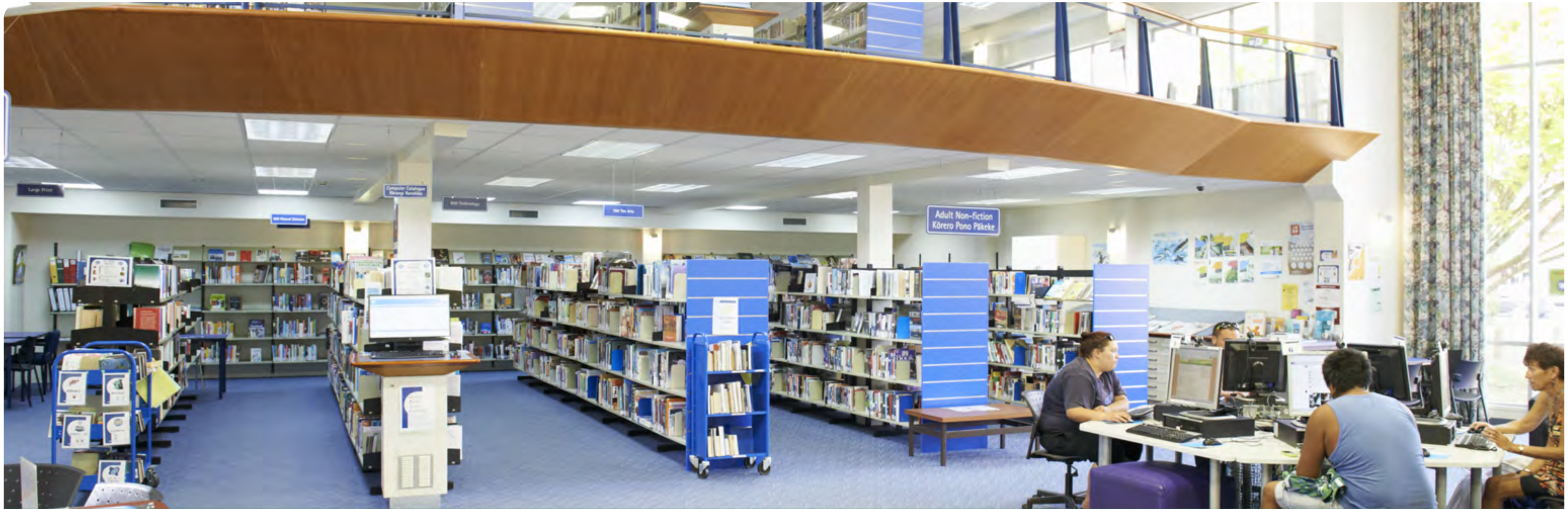
Council has developed land for future sale and the costs capitalised to date (including the value of the land at the date of transfer to inventory) are expected to be recovered within the next financial year.

No inventories are pledged as security for liabilities (2014: nil).

18. Assets held for sale

Actual 2013/14		Actual 2014/15
$000		$000
345	Own your own buildings	-
624	Surplus land	-
146	Surplus buildings	-
1,115	**Total assets held for sale**	**-**

At 30 June 2014, Council owned three 'own your own' properties in Morrinsville and Te Aroha, and a 9.4ha property in Morrinsville that was surplus to requirements. These properties were sold during 2015.



Morrinsville Library.

Financial Statement Notes

19. Property, plant and equipment

	Cost/ valuation 1 July 2014	Accumulated depreciation and impairment charges 1 July 2014	Carrying value 1 July 2014	Current year additions	Current year vested and found assets	Current year disposals	Work in progress transferred into assets	Current year impairment charges	Current year depreciation	Revaluation surplus/ (deficit)	Cost/ valuation 30 June 2015	Accumulated depreciation and impairment charges 30 June 2015	Carrying value 30 June 2015
2014/15	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Operational assets													
Land	16,991	-	16,991	-	-	-	74	-	-	-	17,065	-	17,065
Buildings	18,901	-	18,901	197	2,238	(184)	33	-	(951)	-	21,185	(951)	20,234
Restricted													
- Land	14,702	-	14,702	72	51	-	9	-	-	-	14,834	-	14,834
- Buildings	12,484	-	12,484	223	-	-	165	-	(722)	-	12,872	(722)	12,150
Plant and machinery	5,650	(3,634)	2,016	524	-	(62)	-	-	(381)	-	6,112	(4,015)	2,097
Furniture and equipment	2,066	(1,453)	613	126	-	-	17	-	(86)	-	2,209	(1,539)	670
Computer equipment	3,787	(3,016)	771	316	-	-	155	-	(404)	-	4,258	(3,420)	838
Library collections	3,235	(2,692)	543	161	-	-	-	-	(170)	-	3,396	(2,862)	534
Assets under construction	1,111	-	1,111	604	-	-	(453)	-	-	-	1,262	-	1,262
Total operational assets	**78,927**	**(10,795)**	**68,132**	**2,223**	**2,289**	**(246)**	**-**	**-**	**(2,714)**	**-**	**83,193**	**(13,509)**	**69,684**

Note that disposals in these tables are reported net of accumulated depreciation and include property, plant and equipment classified as held for sale during the year.

No items of property, plant and equipment are pledged as security for liabilities.

2014/15	Cost/ valuation 1 July 2014	Accumulated depreciation and impairment charges 1 July 2014	Carrying value 1 July 2014	Current year additions	Current year vested and found assets	Current year disposals	Work in progress transferred into assets	Current year impairment charges	Current year depreciation	Revaluation surplus/ (deficit)	Cost/ valuation 30 June 2015	Accumulated depreciation and impairment charges 30 June 2015	Carrying value 30 June 2015
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Infrastructural assets													
Roading	283,402	-	283,402	5,832	192	(608)	74	-	(5,662)	-	288,622	(5,392)	283,230
Land under roads	66,089	-	66,089	48	128	-	-	-	-	-	66,265	-	66,265
Water supply - treatment plants and facilities	9,738	-	9,738	517	-	(9)	-	-	(545)	-	10,246	(545)	9,701
Water supply - other assets (including reticulation systems)	32,614	-	32,614	348	49	(93)	412	-	(735)	-	33,330	(735)	32,595
Stormwater system	38,966	-	38,966	125	21	(86)	58	-	(528)	-	39,084	(528)	38,556
Wastewater - treatment plants and facilities	30,741	-	30,741	522	-	(19)	288	-	(1,586)	-	31,532	(1,586)	29,946
Wastewater - other assets (including reticulation systems)	30,838	-	30,838	542	60	(51)	257	-	(686)	-	31,646	(686)	30,960
Land	2,868	-	2,868	-	-	(125)	-	-		-	2,743	-	2,743
Buildings	1,855	-	1,855	-	-	-	-	-	(68)	-	1,855	(68)	1,787
Assets under construction	2,281	(26)	2,255	2,006	-	-	(1,089)	-		-	3,198	(26)	3,172
Total infrastructural assets	**499,392**	**(26)**	**499,366**	**9,940**	**450**	**(991)**	**-**	**-**	**(9,810)**	**-**	**508,521**	**(9,566)**	**498,955**
Total property, plant and equipment	**578,319**	**(10,821)**	**567,498**	**12,163**	**2,739**	**(1,237)**	**-**	**-**	**(12,524)**	**-**	**591,714**	**(23,075)**	**568,639**

2013/14	Cost/ valuation 1 July 2013 $000	Accumulated depreciation and impairment charges 1 July 2013 $000	Carrying value 1 July 2013 $000	Current year additions $000	Current year vested and found assets $000	Current year disposals $000	Work in progress transferred into assets $000	Current year impairment charges $000	Current year depreciation $000	Revaluation surplus/ (deficit) $000	Cost/ valuation 30 June 2014 $000	Accumulated depreciation and impairment charges 30 June 2014 $000	Carrying value 30 June 2014 $000
Operational assets													
Land	15,921	-	15,921	3	-	(790)	2	-	-	1,855	16,991	-	16,991
Buildings	20,304	(1,860)	18,444	183	170	(217)	34	-	(1,000)	1,287	18,901	-	18,901
Restricted													
- Land	14,540	-	14,540	111	70	-	137	-	-	(156)	14,702	-	14,702
- Buildings	14,545	(2,667)	11,878	8	-	(150)	10	-	(700)	1,438	12,484	-	12,484
Plant and machinery	4,714	(3,263)	1,451	1,104	-	(168)	-	-	(371)	-	5,650	(3,634)	2,016
Furniture and equipment	1,874	(1,376)	498	125	-	-	67	-	(77)	-	2,066	(1,453)	613
Computer equipment	3,421	(2,693)	728	366	-	-	-	-	(323)	-	3,787	(3,016)	771
Library collections	3,065	(2,527)	538	170	-	-	-	-	(165)	-	3,235	(2,692)	543
Assets under construction	456	-	456	905	-	-	(250)	-	-	-	1,111	-	1,111
Total operational assets	**78,840**	**(14,386)**	**64,454**	**2,975**	**240**	**(1,325)**	**-**	**-**	**(2,636)**	**4,424**	**78,927**	**(10,795)**	**68,132**

Financial Statement Notes

	Cost/ valuation 1 July 2013	Accumulated depreciation and impairment charges 1 July 2013	Carrying value 1 July 2013	Current year additions	Current year vested and found assets	Current year disposals	Work in progress transferred into assets	Current year impairment charges	Current year depreciation	Revaluation surplus/ (deficit)	Cost/ valuation 30 June 2014	Accumulated depreciation and impairment charges 30 June 2014	Carrying value 30 June 2014
2013/14	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Infrastructural assets													
Roading	287,649	(11,173)	276,476	6,201	386	(163)	63	-	(5,815)	6,253	283,402	-	283,402
Land under roads	65,548	-	65,548	112	429	-	-	-	-	-	66,089	-	66,089
Water supply - treatment plants and facilities	11,731	(1,024)	10,707	515	-	(272)	-	-	(487)	(725)	9,738	-	9,738
Water supply - other assets (including reticulation systems)	33,495	(1,800)	31,695	743	70	(42)	511	-	(848)	485	32,614	-	32,614
Stormwater system	35,153	(1,324)	33,829	-	60	(12)	-	-	(635)	5,724	38,966	-	38,966
Wastewater - treatment plants and facilities	39,334	(3,292)	36,042	735	-	(173)	-	-	(1,809)	(4,054)	30,741	-	30,741
Wastewater - other assets (including reticulation systems)	32,644	(1,464)	31,180	304	95	(38)	537	-	(729)	(511)	30,838	-	30,838
Land	2,956	-	2,956	14	-	-	-	(15)	-	(87)	2,868	-	2,868
Buildings	2,134	(98)	2,036	-	19	-	-	-	(48)	(152)	1,855	-	1,855
Assets under construction	2,491	(26)	2,465	901	-	-	(1,111)	-	-	-	2,281	(26)	2,255
Total infrastructural assets	**513,135**	**(20,201)**	**492,934**	**9,525**	**1,059**	**(700)**	**-**	**(15)**	**(10,371)**	**6,933**	**499,392**	**(26)**	**499,366**
Total property, plant and equipment	**591,975**	**(34,587)**	**557,388**	**12,500**	**1,299**	**(2,025)**	**-**	**(15)**	**(13,007)**	**11,357**	**578,319**	**(10,821)**	**567,498**

Assets under construction

2014/15	Opening balance	Expenditure this year	Work in progress capitalised	Other transfers	Closing balance
	$000	$000	$000	$000	$000
Operational assets	1,111	604	(453)	-	1,262
Roading	101	381	(74)	-	408
Water supply	811	969	(412)	-	1,368
Stormwater system	58	-	(58)	-	-
Wastewater	1,131	621	(545)	-	1,207
Infrastructural buildings	154	35	-	-	189
Total assets under construction	**3,366**	**2,610**	**(1,542)**	**-**	**4,434**

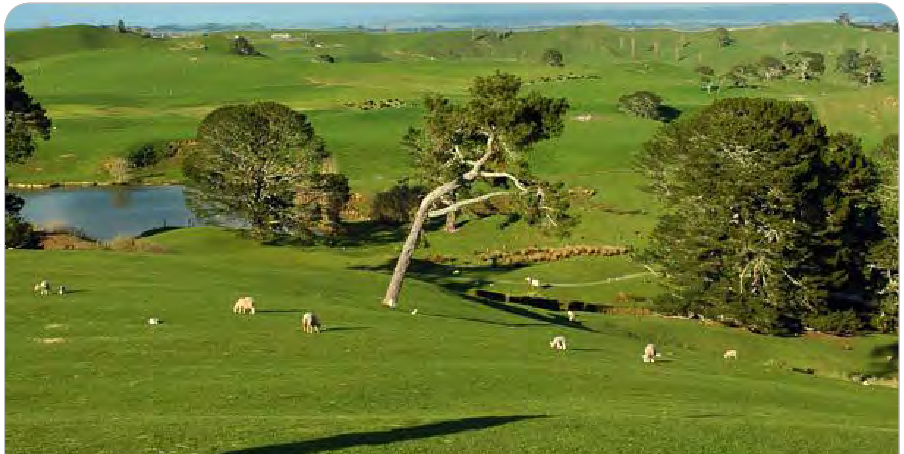
2013/14	Opening balance	Expenditure this year	Work in progress capitalised	Other transfers	Closing balance
	$000	$000	$000	$000	$000
Operational assets	456	838	(183)	-	1,111
Roading	64	101	(63)	-	101
Water supply	672	675	(511)	-	837
Stormwater system	20	28	-	-	48
Wastewater	1,646	222	(537)	(216)	1,115
Infrastructural buildings	63	91	-	-	154
Total assets under construction	**2,921**	**1,955**	**(1,294)**	**(216)**	**3,366**

Insurance

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

June 2014		July 2015
$000		$000
157,780	The total value of all Council assets covered by insurance contracts	187,300
	The maximum amount to which insured assets are insured:	
125,000	- Fire	125,000
150,000	- Other natural disasters	150,000
157,780	The total value of all Council assets covered by financial risk sharing arrangements	187,300
157,780	Maximum amount available to the Council under financial risk sharing arrangements	187,300

In the event of natural disaster, central government may contribute up to 60% towards the restoration of water, stormwater and wastewater assets, and provide a subsidy towards the restoration of roads.



Farm land, Matamata-Piako.

Valuation

Land (operational, restricted and infrastructural)
Land is valued at fair value using market based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the 'unencumbered' land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensely.

The most recent valuation for land was performed by independent registered valuers, Curnow Tizard Limited. The valuation was effective as at 30 June 2014.

Buildings (operational, restricted and infrastructural)
Non-specialised buildings (for example residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value.

Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings. Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- the replacement cost is based on the replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity
- the replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information
- the remaining useful life of assets is estimated
- straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

The most recent valuation for operational and non specialised buildings was performed by independent registered valuers, Curnow Tizard Limited. The valuation was effective as at 30 June 2014.

The most recent valuation for operational, infrastructural and specialised buildings was performed by SPM Consultants Limited. The valuation was effective as at 30 June 2014.

Infrastructural asset classes: roading, water, wastewater and stormwater networks
Roading, water, wastewater, and stormwater infrastructural assets are valued using the depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method.

These include:

- estimating any obsolescence or surplus capacity of the asset
- estimating the replacement cost of the asset. The replacement cost is derived from recent construction contracts in the region for similar assets
- estimates of the remaining useful life over which the assets will be depreciated. These estimates can be affected by the local conditions for example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council could be over or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income. To minimise this risk, infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration, and condition-modelling are also carried out regularly as part of asset management planning activities, which provides further assurance over useful life estimates.

The most recent valuation of roading infrastructural assets was performed by Opus International Limited and the valuation was effective as at 30 June 2014.

The most recent valuation for water, wastewater and stormwater infrastructural assets was performed in house by experienced staff as there is an active market and readily available price indicies that establish the fair value of these assets with reasonable reliability. The valuation was then peer reviewed by PJ and Associates. The valuation was effective as at 30 June 2014.

Replacement cost

The most recent estimate of the replacement cost of Council's core infrastructural assets undertaken as part of the valuations as at 30 June 2014 (compared to the 1 July 2011 valuation estimate of replacement cost), is as follows:

	July 2011	June 2014
	$000	$000
Roading	434,938	451,610
Water supply - treatment plants and facilities	19,039	18,316
Water supply - other assets (including reticulation systems)	63,100	61,378
Stormwater system	50,770	52,463
Wastewater - treatment plants and facilities	25,498	38,496
Wastewater - other assets (including reticulation systems)	53,210	55,463

Land under roads

Land under the roads has been valued using the average land values for the urban and rural areas of the whole district as at 1 July 2001. This is considered to be the fair value of the land. On transition to NZ IFRS Council elected to use the fair value of land under roads as at 1 July 2001 as deemed cost. Subsequent additions are recorded at cost or fair value where cost does not equate to fair value. Land under roads is no longer revalued.

Disposals

The net loss on disposal of property, plant and equipment ($837,000) has been recognised in the statement of comprehensive income under 'other losses' (2014: $681,000).

Impairment

There was no impairment of property, plant and equipment in 2015. In 2014, impairment expenses were recognised in respect of; infrastructural land devalued below existing revaluation reserves $87,000, surplus land being written down to fair value less costs to sell $170,000, and impairment of an access road damaged by a slip $15,000.

Restrictions

Restricted land and buildings are subject to either restrictions in use, or disposal, or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land or buildings under a bequest or donation that restricts the purpose for which the asset can be used.

20. Intangible assets

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities. There were no assets considered to be impaired in 2015 (2014: nil). Included in computer software is Council's Authority software that encompasses Council's financial and regulatory systems. The carrying value of this software was $755,000 (2014: $831,000) and it will continue to be amortised over the next 11 years.

	Cost 1 July 2014	Accumulated amortisation and impairment charges 1 July 2014	Carrying value 1 July 2014	Current year additions	Current year disposals	Current year impairment charges	Current year amortisation	Cost 30 June 2015	Accumulated amortisation and impairment charges 30 June 2015	Carrying value 30 June 2015
2014/15	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Intangible assets										
Computer software	1,627	(545)	1,082	74	-	-	(205)	1,701	(750)	951

Note that disposals in these tables are reported net of accumulated depreciation.

	Cost 1 July 2013	Accumulated amortisation and impairment charges 1 July 2013	Carrying value 1 July 2013	Current year additions	Current year disposals	Current year impairment charges	Current year amortisation	Cost 30 June 2014	Accumulated amortisation and impairment charges 30 June 2014	Carrying value 30 June 2014
2013/14	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Intangible assets										
Computer software	3,194	(2,223)	971	313	-	-	(202)	1,627	(545)	1,082

21. Depreciation and amortisation expense by group of activity

Actual 2013/14		Actual 2014/15
$000		$000
	Directly attributable depreciation and amortisation expense by group of activity	
1,915	Community facilities	1,906
5,815	Roading	5,662
25	Rubbish and recycling	23
635	Stormwater	528
2,552	Wastewater	2,289
1,348	Water	1,310
1	Community Development	1
8	Environmental Care	9
12,299	**Total directly attributable depreciation and amortisation expense by group of activity**	**11,728**
910	Depreciation and amortisation not directly related to group of activities	1,001
13,209	**Total depreciation and amortisation expense**	**12,729**

22. Payables

Actual 2013/14		Actual 2014/15
$000		$000
3,319	Trade payables	3,285
768	Deposits and bonds	715
694	Accrued expenses	621
849	Revenue in advance	1,009
5,630	**Total Creditors and other payables**	**5,630**
	Total payables comprise:	
1,418	Payables from non-exchange transactions - this includes bonds and deposits for planning, rates and licences received in advance, and taxes and grants payable	1,478
4,212	Payables from exchange transactions - this includes amounts owing for commercial purchases of goods and services	4,152

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

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23. Employee entitlements

Actual 2013/14		Actual 2014/15
$000		$000
269	Accrued pay	324
991	Annual leave	1,013
48	Sick leave	44
235	Long service leave	247
366	Retirement gratuities	415
1,909	**Total employee entitlements**	**2,043**
	Comprising:	
1,341	Current	1,458
568	Non-current	585
1,909	**Total employee entitlements**	**2,043**

The present value of retirement and long service leave obligations depends on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rates and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary information patterns and independent forecasts. A weighted average discount rate of 6% (2014: 6%) and an inflation factor of 2.5% (2014: 2.5%) were used.

24. Borrowings

Actual 2013/14		Actual 2014/15
$000		$000
5,976	Current loans	1,148
26,138	Non-current loans	24,989
32,114	**Total borrowings**	**26,137**

Interest terms for secured loans
The Council's secured loans are mostly issued at floating rates of interest. For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a margin for credit risk.

Council have a multi-option credit line facility with Westpac Corporate Business. This provides Council with the ability to fund short term revolving requirements. The facility has a limit of $10 million, (2014: $14 million) and there is $10 million available to be drawn at 30 June (2014: $14 million).

Security
Council has an unsecured overdraft. The maximum amount that can be drawn down against the facility is $500,000 (2014: $500,000). There are no restrictions on the use of this facility.

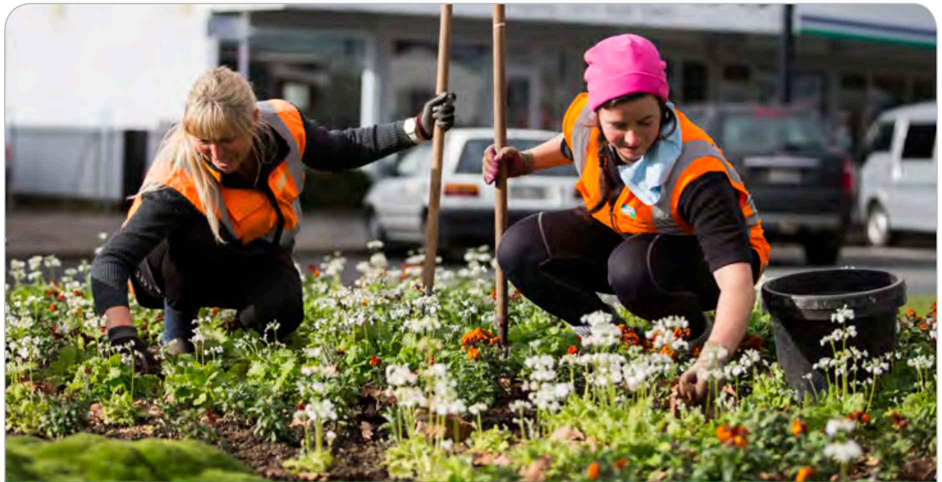
Council's loans are secured over either separate or general rates of the Council.

Internal borrowings
Information about internal borrowings is provided at the end of Part 2 of the Annual Report 2014/15. Internal borrowings are eliminated on consolidation of activities in the Council's financial statements.

Fair values
Due to interest rates on debt resetting to the market rate every three months, the carrying amounts of secured loans approximates their fair value.

25. Provisions

Actual 2013/14		Actual 2014/15
$000		$000
	Current	
41	Landfill aftercare	52
-	Tui Mine site monitoring	-
26	Hauraki Rail Trail maintenance	27
67	**Total current provisions**	**79**
	Non-current	
100	Weathertightness claims	50
498	Landfill aftercare	451
142	Tui Mine site monitoring	143
27	Hauraki Rail Trail maintenance	-
767	**Total non-current provisions**	**644**


Kaimai Valley Services gardening staff.

Movements for each class of provision are as follows:

	Landfill aftercare costs	Weather-tightness claims	Tui Mine site	Hauraki Rail Trail	Total
	$000	$000	$000	$000	$000
2014/15					
Balance at 1 July 2014	539	100	142	53	834
Additional provisions made	-	-	-	-	-
Amounts used	(22)	(50)	-	(26)	(98)
Unused amounts reversed	(37)	-	(5)	-	(42)
Discount unwind	23	-	6	-	29
Balance at 30 June 2015	**503**	**50**	**143**	**27**	**723**
2013/14					
Balance at 1 July 2013	553	67	164	79	863
Additional provisions made	-	33	-	-	33
Amounts used	(14)	-	(1)	(21)	(36)
Unused amounts reversed	(21)	-	(28)	(5)	(54)
Discount unwind	21	-	7	-	28
Balance at 30 June 2014	**539**	**100**	**142**	**53**	**834**

Landfill aftercare provision

Council gained resource consents for the following landfills, each of which are now closed:

- Morrinsville Landfill 31/5/2000
- Matamata Landfill 8/12/2001
- Te Aroha Landfill 9/12/1998

Council has responsibility under the resource consents to provide ongoing maintenance and monitoring of these landfills since the sites have been closed.

The cash outflows for landfill post closure costs are expected to occur in one to 20 years time (or between 2016 to 2036). 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 existing technology and known changes to legal requirements.

The following significant assumptions have been made in calculating the provision:

- obligations for the post closure work are for 30 years after landfill closure
- a discount rate of 4.31% (2014: 3.92%).

Weathertightness claims
One claim has been assessed as eligible to be lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2015 (2014: two). The liable parties to this claim have not been established at this point, however, based on recent case law and other information, Council has made provision for the estimated costs as assessed by a WHRS assessor up to the value of Council's insurance excess.

Tui Mine site monitoring
Resource consent monitoring conditions require detailed biological and chemical testing of the former Tui Mine site at five yearly intervals for the next 33 years (at an estimated cost of $25,000 each time). 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 existing technology and discounted using a discount rate of 4.31% (2014: 3.92%).

Hauraki Rail Trail maintenance
Council has agreed to underwrite the maintenance for the portion of the cycleway within the Matamata-Piako District for next year, to ensure that the cycleway can be maintained to a good standard if the Hauraki Rail Trail Charitable Trust (Trust) cannot generate enough income to do so. The Trust can only request funding under the underwriting agreement if certain conditions are met.

26. Equity

Retained earnings

Actual 2013/14		Actual 2014/15
$000		$000
420,689	**Balance at 1 July**	**419,559**
(18,009)	Transfers to Council created reserves	(22,116)
(38)	Transfers to restricted reserves	(111)
85	Transfers from restricted reserves	338
12,982	Transfers from Council created reserves	11,514
-	Transfers from asset revaluation reserves on disposal	-
3,850	Surplus/(deficit) for the year	2,358
419,559	**Balance at 30 June**	**411,542**

Other reserves

Actual 2013/14		Actual 2014/15
$000		$000
	Council created reserves	
32,364	Balance at 1 July	37,391
(12,982)	Transfers to retained earnings	(11,514)
18,009	Transfers from retained earnings	22,116
37,391	**Balance at 30 June**	**47,993**
	Restricted reserves	
909	Balance at 1 July	862
(85)	Transfers to retained earnings	(338)
38	Transfers from retained earnings	111
-	Transfers from asset revaluation reserves	-
862	**Balance at 30 June**	**635**
	Asset revaluation reserves	
83,663	Balance at 1 July	95,106
11,443	Net revaluation gains	-
-	Transfer to retained earnings/restricted reserves on disposal of assets	-
-	Impairment charges	-
95,106	**Balance at 30 June**	**95,106**
133,359	**Total other reserves**	**143,734**

Financial Statement Notes

Asset revaluation reserves for each asset class consist of:

Actual 2013/14		Actual 2014/15
$000		$000
	Operational assets:	
10,976	Land	10,976
5,330	Buildings	5,330
6,004	Restricted land	6,004
5,900	Restricted buldings	5,900
	Infrastructure assets:	
21,645	Roading	21,645
14,232	Water	14,232
19,744	Stormwater	19,744
10,887	Wastewater	10,887
-	Land	-
388	Buildings	388
95,106	**Total asset revaluation reserves**	**95,106**

Swim Zone, Te Aroha.

Financial Statement Notes

Information about reserve funds held for a specific purpose is provided below:

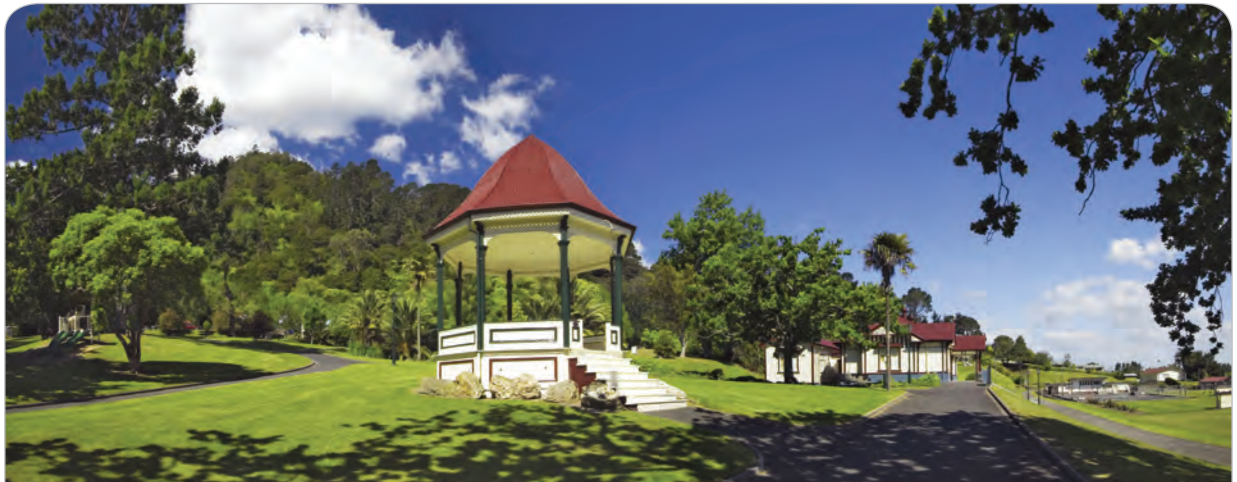
Balance 1 July 2013	Transfers in	Transfers out	Balance 30 June 2014	Reserve fund	Purpose	Activities related to	Balance 1 July 2014	Transfers in	Transfers out	Balance 30 June 201
$000	$000	$000	$000				$000	$000	$000	$000
Council created reserves										
2,082	278	(262)	2,098	Asset replacement reserves	Reserves for asset purchase, replacement or emergency purposes.	All Council activities	2,098	89	(167)	2,020
106	-	(17)	89	Community purposes and facilities reserves	Reserves held for use on community facilities or for community purposes e.g. grants.	Community facilities and Community development	89	-	-	89
1,936	-	(1)	1,935	Property sales reserves	Reserves developed from the proceeds of property sales. Available for general community use or property purchase.	All Council activities	1,935	-	-	1,935
162	1,276	(550)	888	Energy share proceeds	Fund developed from initial dividend received from Council's PNZ shareholding. Available for general purpose use.	All Council activities	888	479	(457)	910
77	-	-	77	General purpose reserves	Residual funds from former authority general reserves.	All Council activities	77	-	-	77
1,532	834	-	2,366	PNZ share reserve	Reserve to reflect the change in share value.	All Council activities	2,366	-	-	2,366
11,951	-	-	11,951	PNZ internal loans reserve	Reserve to record the balance of internal loans provided to activities from the PNZ share proceeds.	All Council activities	11,951	-	-	11,951
202	350	(290)	262	Wastewater capital contribution reserve	Capital contributions from industry used to offset future depreciation.	Wastewater	262	706	(593)	375
4,860	1,911	(866)	5,905	Other Internal Borrowing	Reserve to record the balance of other Internal Borrowing	All Council activities	5,905	6,598	(798)	11,705
-	-	-	-	Precinct F reserve	Accumulated operating balance for the development	All Council activities	-	-	-	-
9,456	13,360	(10,996)	11,820	Depreciation reserves	Reserves to fund the replacement of assets	All Council activities	11,820	14,244	(9,499)	16,565
32,364	**18,009**	**(12,982)**	**37,391**	**Total Council created reserves**			**37,391**	**22,116**	**(11,514)**	**47,993**

Financial Statements

Financial Statement Notes

Information about reserve funds held for a specific purpose is provided below:

Balance 1 July 2013	Transfers in	Transfers out	Balance 30 June 2014	Reserve fund	Purpose	Activities related to	Balance 1 July 2014	Transfers in	Transfers out	Balance 30 June 2015
$000	$000	$000	$000				$000	$000	$000	$000
Restricted reserves										
235	-	-	235	Endowment land sales reserve	Funds set aside in respect of the sale of endowment land in Te Aroha. The proceeds must be used for the provision of improvement of services and public amenities for the benefit of the inhabitants of Te Aroha.	Community Facilities	235	89	(324)	-
648	23	(67)	604	Reserves development	Residual funds from reserves contributions to be used on parks and reserves.	Developments of parks and reserves	604	7	(1)	610
26	15	(18)	23	Bequests and trust funds	Funds to be used for the purposes of the bequest of trust.	Nominated purposes	23	15	(13)	25
909	**38**	**(85)**	**862**	**Total restricted reserves**			**862**	**111**	**(338)**	**635**



Te Aroha Domain, Te Aroha

27. Reconciliation of surplus/(deficit) to net cash flow from operating activities

Actual 2013/14		Actual 2014/15
$000		$000
3,850	**Surplus/(deficit) for the year**	2,358
	Add/(less) non-cash items	
(18)	Share of joint venture surplus/(deficit)	(5)
13,209	Depreciation and amortisation expense	12,729
(1,299)	Vested and found assets	(2,739)
17	Impairment of investments in Council Controlled Organisations	17
87	Loss on revaluation of infrastructural land	-
(405)	Net (gain)/loss on forward foreign exchange contracts	233
(530)	Net (gain)/loss on interest rate swaps	1,737
299	Assets under construction reclassified as operating expenditure	-
(87)	Other non-cash operating items	44
	Add/(less) movements in working capital items	
(325)	(Increase)/decrease in receivables	(372)
(702)	(Increase)/decrease in inventory and asets held for sale	37
563	Increase/(decrease) in payables	-
(61)	Increase/(decrease) in employee entitlements	134
(29)	Increase/(decrease) in provisions	(111)
	Add/(less) items classified as investing or financing activities	
953	(Gain)/loss on disposal and impairment of property, plant and equipment	891
(429)	(Gain)/loss on financial assets at fair value through surplus or deficit	310
29	(Gain)/loss on fair value of loans and receivables	12
15,122	**Net cash inflow from operating activities**	**15,275**

28. Capital commitments and operating leases

Actual 2013/14		Actual 2014/15
$000		$000
	Capital commitments	
-	Restricted land	51
-	Restricted buildings	3,755
-	Roading	898
-	**Total capital commitments**	**4,704**

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred. There are no capital commitments in relation to the Council's interest in its joint venture.

Operating leases as lessor

Council leases its property under operating leases. The majority of these leases have cancellable terms of 36 months. Council also has two perpetual non-cancellable leases for endowment properties (2014: two). The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows.

Actual 2013/14		Actual 2014/15
$000		$000
	Non-cancellable operating leases as lessor	
8	Not later than one year	8
34	Later than one year and not later than five years	34
101	Later than five years	91
143	**Total non-cancellable operating leases**	**133**

No contingent rents have been recognised during the period.

29. Contingent liabilities

Uncalled capital

At 30 June, Council had a contingent liability of $1,500,000 for uncalled capital in respect of Council's 15.625% shareholding in the Waikato Regional Airport Limited (WRAL) (2014: $1,500,000). Subsequent to balance date Council has entered into a sale and purchase agreement with WRAL for the company to buy back Council's portion of the unpaid capital.

Council also has uncalled share capital in Local Authority Shared Services Limited, which amounts to $1,000 as at 30 June 2015 (2014: $1,000), and uncalled share capital in Waikato Regional Aerial Photography Service of $4,708 (2014: $4,708).

Local Government Funding Agency

The Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+ and a foreign currency rating of AA.

The LGFA has 30 local authority shareholders and this Council is one of 9 local authority guarantors of the LGFA. Together with the shareholders and other guarantors, Council is a guarantor of all of LGFA's lending. At 30 June 2015, LGFA lending totalled $4.955 billion (2014: $3.728 billion).

Financial reporting standards require Council to recognise the guarantee liability at fair value. However, the Council have been unable to determine a sufficiently reliable fair value for the guarantee, and therefore have not recognised a liability. The Council considers the risk of LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- we are not aware of any local authority debt default events in New Zealand; and
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

Local Authority Protection Programme Disaster Fund

Up to 30 June 2014, Council was a party to an agreement of the Local Authority Protection Programme Disaster Fund. This fund was built up by local authorities to provide mutual self-assurance. In previous years a contingent liability was disclosed in respect of the potential for additional contributions to be called for. From 1 July 2014, Council has withdrawn from the mutual fund, and as such, no contingent liability exists going forward.

Unquantified claims

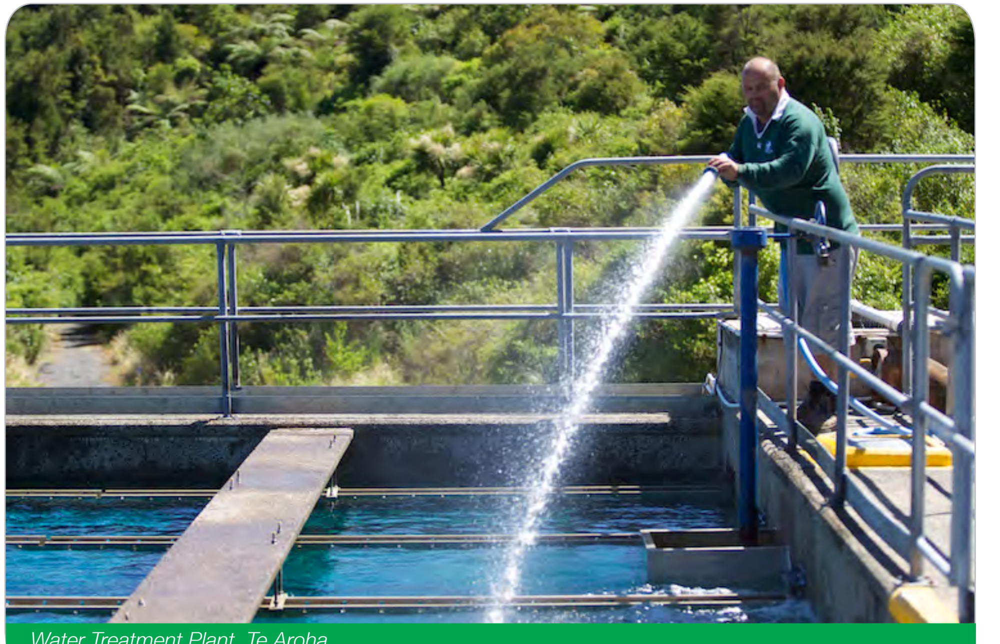
As disclosed in note 25, a provision of $50,000 (2014: $100,000) has been recognised for weathertightness claims whereby Council is aware of specific potential future claims. Council may also be exposed to potential future claims that have not yet been lodged, up until the statutory limitation period expires. The amount of potential future claims is not able to be reliably measured and is therefore unquantifiable. Claims must be made within 10 years of construction or alteration of the dwelling in order for the claim to be eligible under the Weathertight Homes Resolution Services Act 2006, but other statutory limitation periods could also affect claims.
The Supreme Court decision in October 2012 on a Council's liability for non-residential buildings may affect the liability of the Council for Weathertightness claims for non-residential buildings. The impact of the decision is yet to be quantified by the Council. The Council is yet to receive any claims as a result of this ruling.

Council is also aware of two further potential claims against Council that have been advised to our insurers (2014: Nil). Council's potential liability in both cases is limited to the insurance excess payable on any successful claim of $10,000

Te Aroha wastewater resource consent

Under the new resource consent issued by Waikato Regional Council for the Te Aroha Wastewater Treatment Plant during 2015, if Council fail to meet annual nitrate discharge conditions as per the consent, then an annual sum of $15,000 will be payable to the local Wetlands Trust.

There are no contingent liabilities associated with Council's joint venture, Thames Valley Combined Civil Defence Committee (2014: nil).



Water Treatment Plant, Te Aroha.

Financial Statement Notes

30. Related party transactions

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

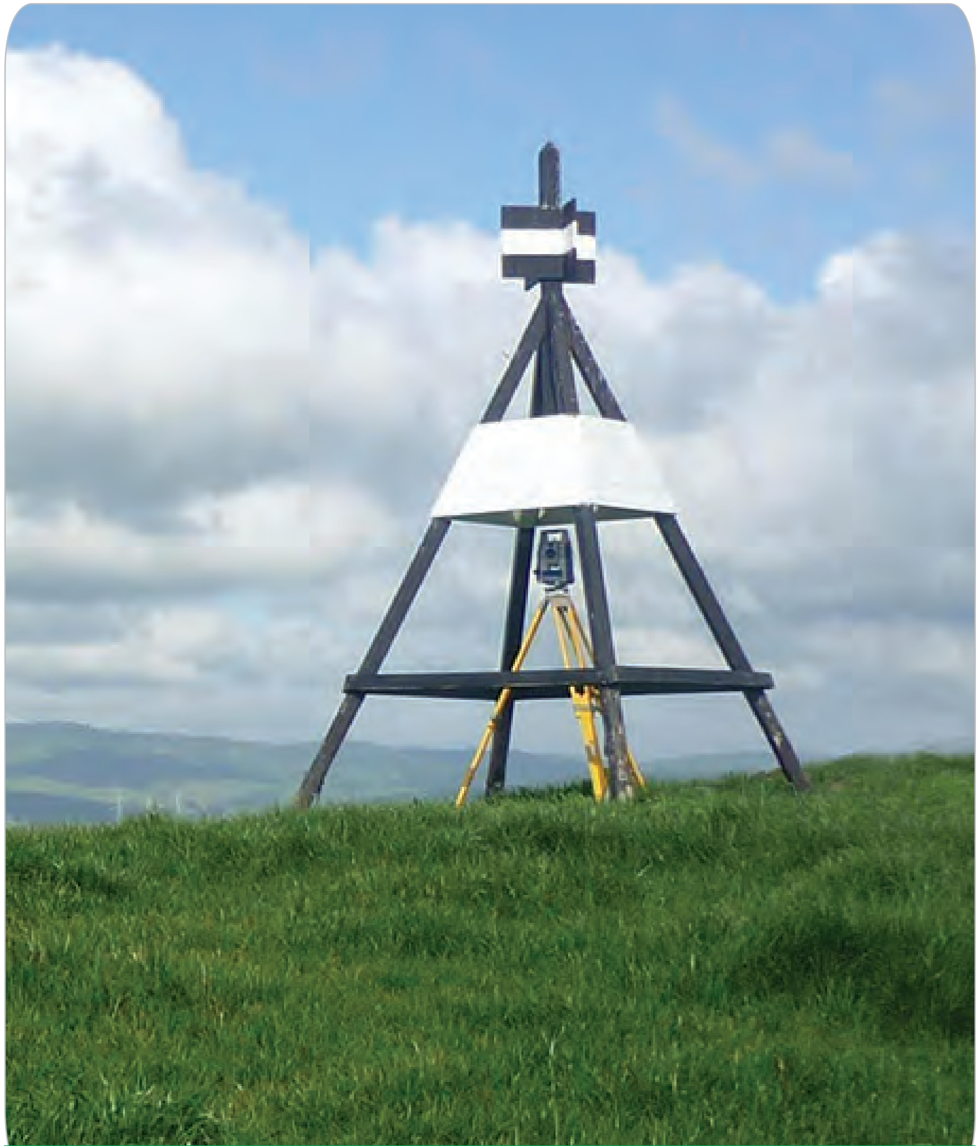
Related party disclosures have also not been made for transactions with joint ventures and associated entities (such as funding and financing flows), where transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such transactions.

Related party transactions required to be disclosed
In its agreement with the Hauraki Rail Trail Charitable Trust, Council has agreed to underwrite the maintenance for the portion of the cycleway within our district to the end of 2016/17. This is to ensure that standards are maintained should the Trust not be able to generate enough revenue to do so. The Trust can only request funding under the underwriting agreement if certain conditions are met. An amount of $29,665 (2014: $25,103) was paid to the Trust during the year under the terms of the agreement. Councillor Teena Cornes was Council's appointed Trustee and Chair of the Trust, up until July 2015.

Key management personnel compensation

Actual 2013/14		Actual 2014/15
$000		$000
	Councillors	
358	Remuneration	377
12	Full-time equivalent members	12
	Executive Management Team, including the Chief Executive	
930	Remuneration	946
4	Full-time equivalent members	4
1,288	**Total key management personnel remuneration**	**1,323**
16	**Total full-time equivalent personnel**	**16**

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


Mount Misery trig station, Morrinsville.

31. Remuneration

Elected representatives

Elected representatives received the following remuneration:

Actual 2013/14		Actual 2014/15
$		$
	Mayor	
72,107	Barnes, Jan	102,470
27,059	Vercoe, Hugh	-
	Councillors	
6,925	Barnes, Janet	-
23,654	Cornes, Teena	25,857
22,840	Goodger, Neil	24,000
6,925	Greenville, Carole	-
6,022	Gribble, Michael	-
19,041	Hunter, Brian	27,600
22,840	Jager, Peter	24,000
22,840	McGrail, Robert	24,000
16,818	Robb, Nicki	24,000
22,840	Stanley, Garry	24,000
22,840	Steffert, Maurice	24,000
22,840	Tanner, Ashley	24,000
19,041	Thomas, James	27,600
23,518	Tisch, Leonie	25,440
358,150	**Total elected representatives' remuneration**	**376,967**

The amounts shown include Fringe Benefit Tax paid directly to the Inland Revenue Department and the value of non-cash benefits provided to elected representatives.

Chief Executive

The Chief Executive appointed under section 42 of the Local Government Act 2002 received the following remuneration:

Actual 2013/14		Actual 2014/15
$		$
247,922	Salary	244,332
10,135	Vehicle (market value plus Fringe Benefit Tax)	9,700
5,350	Medical insurance (market value plus Fringe Benefit Tax)	6,016
42,437	Superannuation contribution	51,116
-	Other Fringe Benefit Tax	5
305,844	**Total Chief Executive's remuneration**	**311,169**

During the year the Chief Executive settled/cashed up an excess balance of annual leave owing for payment of $10,880.40 (2014: nil) and reduced his ongoing annual leave entitlement by one week.

Council Employees

Total annual remuneration by band for employees (including the Chief Executive) as at 30 June:

	Actual 2014/15
Salary band	**Number of employees**
<$60,000	172
$60,000 - $79,999	46
$80,000 - $99,999	19
$100,000 - $119,999	6
$120,000 - $159,999	6
$160,000 - $319,999	4
Total employees (including full-time, part-time and casual employees)	253

Total remuneration includes non financial benefits provided to employees. At balance date, the Council employed 149 (2014: 148) full-time employees (a full-time employee is determined on the basis of a 40 hour week). With the balance of staff representing 47 (2014: 41) full-time equivalent employees (including part-time and casual employees). Note: casual employees are normally not included in FTE figures due to the varying nature of their role - therefore the hours for casual staff have been estimated for this report.

	Actual 2013/14
Salary band	Number of employees
<$60,000	177
$60,000 - $79,999	37
$80,000 - $99,999	17
$100,000 - $139,999	10
$140,000 - $319,999	4
Total employees (including full-time, part-time and casual employees)	**245**

At 30 June 2014 there were 5 or fewer employees in the bands $100,000 - $119,999 and $120,000 - $139,999. Therefore the numbers for those bands have been combined as required by legislation.

32. Severance payments

Council made one severance payment of $29,060 for the year ended 30 June 2015 (2014: one of $5,000).

33. Events after balance date

At 30 June Council had a contingency liability of $1,500,00 for uncalled capital in respect of Council's 15.625% shareholding in the Waikato Regional Airport Limited (WRAL). Subsequent to balance date Council has entered into a sale and purchase agreement with WRAL for the company to buy back Council's portion of the uncalled capital.

34. Financial instruments

34A Financial Instruments Categories
The accounting policies for financial instruments have been applied to the line items as follows:

Actual 2013/14		Actual 2014/15
$000		$000
	Financial assets	
	Fair value through surplus or deficit - held for trading	
918	Derivative financial instrument assets	-
10,699	Power New Zealand fund	-
11,617	**Total fair value through surplus or deficit – held for trading**	**-**
	Loans and receivables	
1,499	Cash and cash equivalents	4,538
3,543	Receivables	2,841
	Other financial assets:	
155	- Community loans	157
980	- Industry loan	819
324	- Banks Road development loan	332
6,501	**Total loans and receivables**	**8,687**
	Held to maturity	
	Other financial assets:	
-	- Term deposits	7,900
1,210	- Local authority and other stock	410
1,210	**Total held to maturity**	**8,310**
	Fair value through other comprehensive revenue and expenses	
24	- Local authority and other stock	24
3,279	- Investments in Council Controlled Organisations and other entities	3,266
3,303	**Total fair value through other comprehensive revenue and expense**	**3,290**
	Financial liabilities	
	Fair value through surplus or deficit – held for trading	
-	Derivative financial instrument liabilities	990
-	**Total fair value through surplus or deficit – held for trading**	**990**
	Financial liabilities at amortised cost	
4,781	Payables	4,621
32,114	Borrowings	26,137
36,895	**Total financial liabilities at amortised cost**	**30,758**

34B Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- 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 inactive 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 observable.

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

2014/15				
Valuation techniques				
	Total	Quoted market price	Observable inputs	Significant non-observable inputs
	$000	$000	$000	$000
Financial assets				
Local authority and other stock	434	434	-	-
Investments in Council Controlled Organisations and other entities	3,266	-	-	3,266
Financial liabilities				
Derivative financial instrument liabilities	990	-	990	-

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

2013/14				
Valuation techniques				
	Total	Quoted market price	Observable inputs	Significant non-observable inputs
	$000	$000	$000	$000
Financial assets				
Derivative financial instrument assets	918	-	918	-
Power New Zealand fund	10,699	10,699	-	-
Local authority and other stock	1,234	1,234	-	-
Investments in Council Controlled Organisations and other entities	3,279	-	-	3,279
Financial liabilities				
Derivative financial instrument liabilities	-	-	-	-

Valuation techniques with significant non-observable inputs (level 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements:

Actual 2013/14		Actual 2014/15
$000		$000
3,062	**Balance at 1 July**	**3,279**
1	Gain/(loss) recognised in the surplus or deficit	(13)
216	Purchases	-
-	Sales	-
3,279	**Balance at 30 June**	**3,266**

34C Financial instrument risks

Council's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. Council has a series of policies to manage the risks associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. Council has established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Council was exposed to equity securities price risk on its Power New Zealand fund investment (up until it was realised in October 2014), which was classified as financial assets held at fair value through surplus or deficit. This price risk arises due to market movements in investments. This price risk was managed by diversification of Council's investment portfolio and the regular review and monitoring of the investment against the long term objectives for the fund, as set out in Council's Investment Policy.

Currency risk

Currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate due to changes in foreign exchange rates. Prior to 2015 when the investment was sold, Council's Power New Zealand fund was invested in overseas equities and was therefore exposed to currency risk. Council minimised the impact of exchange rate movements by utilising hedging, which was set at a level of 50%.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest expose Council to fair value interest rate risk. Council's Liability Management Policy is to maintain not less than 30% of total borrowings in fixed rate instruments. Fixed to floating interest rate swaps are entered into to hedge the fair value interest rate risk arising where the Council has borrowed at fixed rates outside of the 30% target.

Cashflow interest rate risk

Cashflow interest rate risk is the risk that the cashflows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose Council to cash flow interest rate risk.

Generally, the Council raises long term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if the Council borrowed at fixed rates directly. Under the interest rate swaps, the Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Council, causing Council to incur a loss. Due to the timing of its cash inflows and outflows the Council invests surplus cash into term deposits and local authority stock, which gives rise to credit risk.

Council invests funds only in deposits with registered banks and local authority stock and Council's Investment Policy limits the amount of credit exposure to any one institution or organisation. Investments in other local authorities are secured by charges over rates. Other than other local authorities, Council invests funds only with entities that have a Standard and Poor's credit rating of at least A1 for short term and A for long term investments. Council employed State Street Global to manage the Power New Zealand fund to minimise credit risk to this fund.

Council holds no collateral or credit enhancements for financial instruments that give rise to credit risk.

Maximum exposure to credit risk

Council's maximum credit risk exposure for each class of financial instrument is as follows:

Actual 2013/14		Actual 2014/15
$000		$000
1,499	Cash and cash equivalents	4,538
3,543	Debtors and other receivables	2,841
	Other financial assets:	
155	- Community loans	157
980	- Industry loan	819
324	- Banks Road development loan	332
-	- Term deposits	7,900
1,234	- Local authority and other stock	410
918	Derivative financial instrument assets	-
10,699	Power New Zealand fund	-
19,352	**Total credit risk**	**16,997**

The Council is exposed to credit risk as a guarantor of all of the LGFA's borrowings. Information about this exposure is explained in note 29.

Financial Statement Notes

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

2014/15						
Credit Ratings						
	AAA	AA-	A+	A	Not Rated	Total
	$000	$000	$000	$000	$000	$000
Cash and cash equivalents	-	4,538	-	-	-	4,538
Term deposits	-	5,900	2,000	-	-	7,900
Local authority and other stock	-	110	300	24	-	434
Derivative financial instrument assets	-	-	-	-	-	-
Community loans	-	-	-	-	157	157
Industry loan	-	-	-	-	819	819
Banks Road development loan	-	-	-	-	332	332

Old Hill Road, Tahuna.

2013/14						
Credit Ratings						
	AAA	AA	AA-	A+	Not Rated	Total
	$000	$000	$000	$000	$000	$000
Cash and cash equivalents	-	1,499	-	-	-	1,499
Term deposits	-	-	-	-	-	-
Local authority and other stock	-	410	24	-	800	1,234
Derivative financial instrument assets	-	918	-	-	-	918
Community loans	-	-	-	-	155	155
Industry loan	-	-	-	-	980	980
Banks Road development loan	-	-	-	-	324	324

The counterparties that are not rated for credit quality (as shown in the tables on the left) have no history of defaults in the past. Receivables mainly arise from Council statutory functions, therefore there are no procedures in place to monitor or report the credit quality of receivables with reference to internal or external credit ratings. Council has no significant concentrations of credit risk in relation to receivables, as it has a large number of credit customers, mainly ratepayers, and 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 liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Council aims to maintain flexibility in funding by keeping committed credit lines available.

Council manages its liquidity by:

- appropriate cash flow management to ensure that sufficient funds are available to meet all of its obligations as and when they fall due
- maintaining appropriate short-term borrowing facilities
- maintaining a prudent debt maturity profile.

Contractual maturity analysis of financial liabilities

The following table analyses Council's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cashflows and include interest payments.

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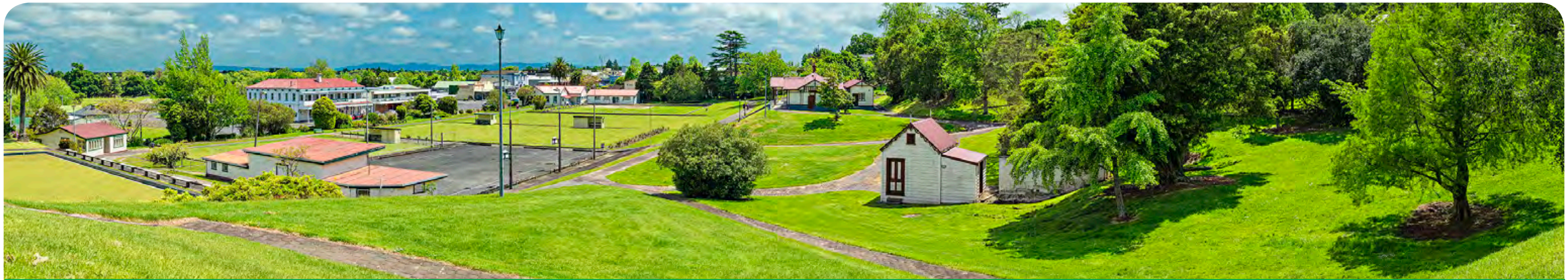
	Carrying amount	Contractual cashflows	Less than 1 year	1-5 years	More than 5 years
	$000	$000	$000	$000	$000
2014/15					
Payables	4,621	4,621	4,621	-	-
Net settled derivative liabilities	990	25	25	-	-
Borrowings	26,137	26,500	1,472	14,028	11,000
Total	**31,748**	**31,146**	**6,118**	**14,028**	**11,000**
2013/14					
Payables	4,781	4,781	4,781	-	-
Net settled derivative liabilities	-	-	-	-	-
Borrowings	32,114	32,880	6,628	9,252	17,000
Total	**36,895**	**37,661**	**11,409**	**9,252**	**17,000**

The Council is exposed to liquidity risk as a guarantor of all of the LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note 29.

Contractual maturity analysis of financial assets

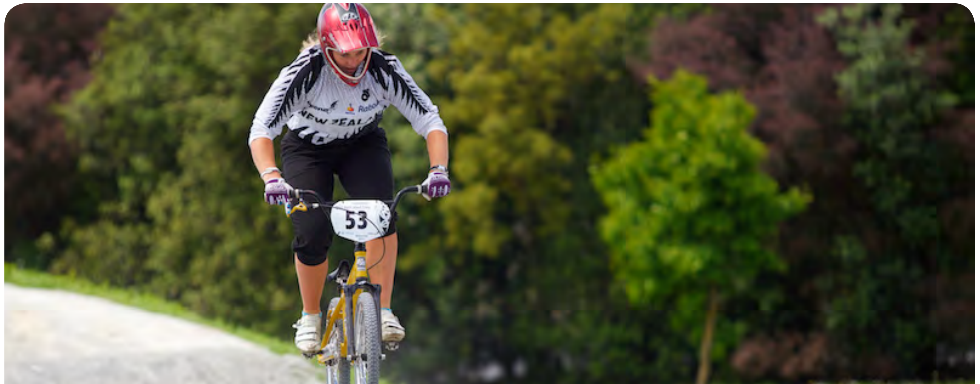
The table below analyses Council's financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

	Carrying amount	Contractual cashflows	Less than 1 year	1-5 years	More than 5 years
	$000	$000	$000	$000	$000
2014/15					
Cash and cash equivalents	4,538	4,561	4,561	-	-
Receivables	2,841	2,841	2,841	-	-
Net settled derivative assets	-	-	-	-	-
Other financial assets:					
- Community loans	157	191	17	174	-
- Industry loan	819	950	238	712	-
- Banks Road development loan	332	332	-	332	-
- Term deposits	7,900	8,064	8,064	-	-
- Local authority and other stock	434	481	44	437	-
Total	**17,021**	**17,420**	**15,765**	**1,655**	**-**



View from Domain House, Te Aroha.

	Carrying amount	Contractual cashflows	Less than 1 year	1-5 years	More than 5 years
	$000	$000	$000	$000	$000
2013/14					
Cash and cash equivalents	1,499	1,499	1,499	-	-
Receivables	3,543	3,543	3,543	-	-
Net settled derivative assets	918	(39)	(39)	-	-
Other financial assets:					
- Community loans	155	190	7	183	-
- Industry loan	980	1,187	237	950	-
- Banks Road development loan	324	324	-	324	-
- Term deposits	-	-	-	-	-
- Local authority and other stock	1,234	1,352	880	472	-
Total	**8,653**	**8,056**	**6,127**	**1,929**	**-**



BMX Track, Matamata.

Sensitivity analysis

The following table illustrates the potential effect on the surplus or deficit and equity (excluding retained earnings) for reasonably possible market movements, with all other variables held constant, based on Council's financial instrument exposures at balance date.

2014/15	$000			
	-100bps*		+100bps	
	Surplus	Other equity	Surplus	Other equity
Interest rate risk				
Financial assets				
Cash and cash equivalents	(5)	-	5	-
Financial liabilities				
Borrowings	60	-	(60)	-
Total sensitivity	**55**	**-**	**(55)**	**-**

2013/14	$000			
	-100bps		+100bps	
	Surplus	Other equity	Surplus	Other equity
Interest rate risk				
Financial assets				
Cash and cash equivalents	(15)	-	15	-
Financial liabilities				
Borrowings	110	-	(110)	-
Total sensitivity	**95**	**-**	**(95)**	**-**
	-10%		+10%	
Foreign exchange risk				
Financial assets				
Power New Zealand fund	997	-	(997)	-
Derivative financial instrument assets	364	-	(922)	-
Total sensitivity	**1,361**	**-**	**(1,919)**	**-**

*bps = basis points. Decrease by 100 basis point = 1% interest rate decrease.

Explanation of interest rate risk sensitivity
The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 100 bps is equivalent to a decrease in interest rates of 1%.

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of -100bps/+100bps.

Explanation of foreign exchange risk sensitivity
At 30 June 2015, Council no longer have exposure to foreign exchange risk, as the Power New Zealand funds previously invested in overseas shares have been sold, and the associated hedging contracts have been cancelled.

35. Capital management

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 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. Ratepayers' funds are largely managed as a by product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

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

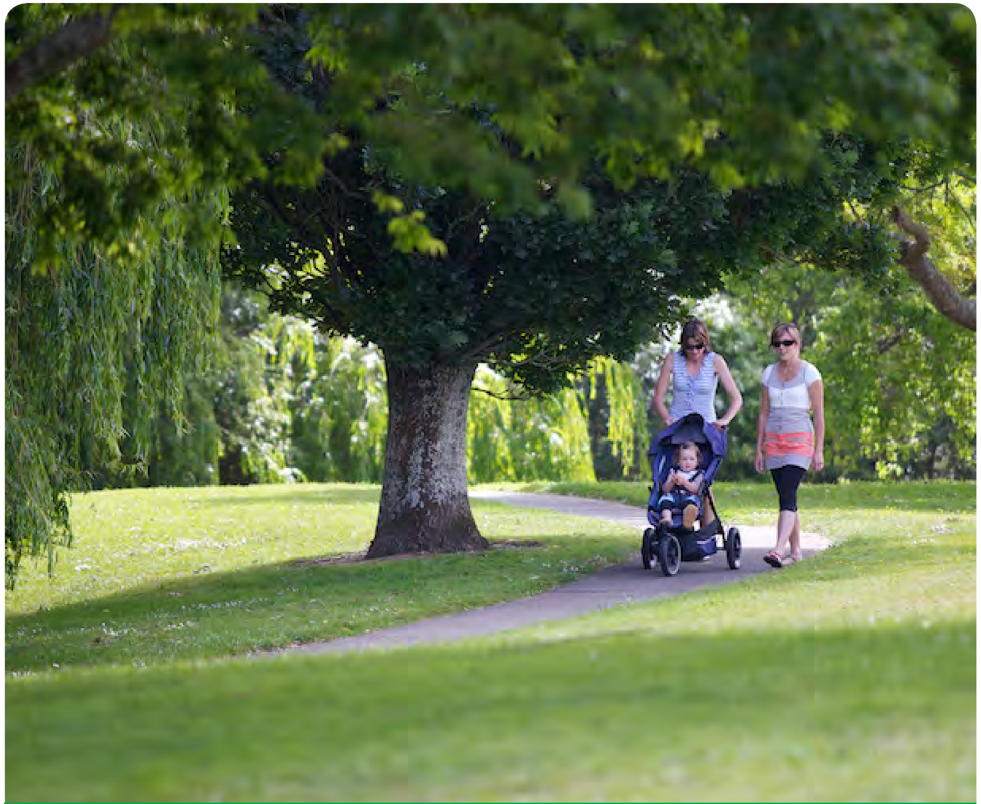
The Act requires the Council to make adequate and effective provision in its Long Term Plan and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act further sets out the factors that the Council is required to consider when determining the most appropriate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

Council has the following Council created reserves:

- reserves for different areas of benefit
- trust and bequest reserves.

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

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



Thomas Park, Morrinsville.

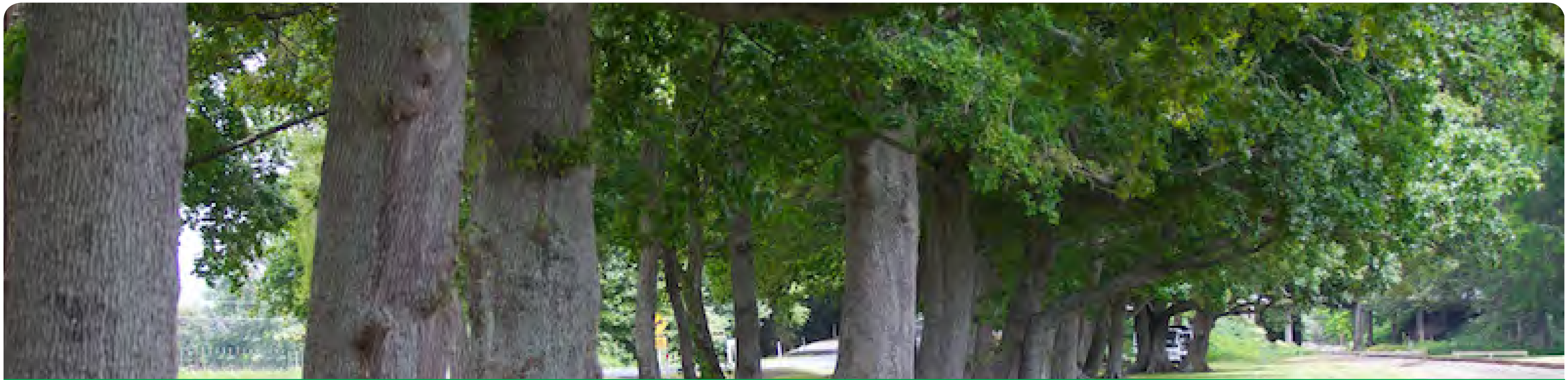
36. Explanations of major variances against budget

Explanations for major variations from the Council's 2014/15 budget figures in the 2014/15 Annual Plan are as follows:

Major Variations	Budget 2014/15	Actual 2014/15	Explanation for major variations to budget
	$000	$000	
Statement of comprehensive revenue and expense			
General rates, uniform annual general charges, rates penalties	19,178	19,367	General rates received were slightly higher than budgeted due to a small growth in the rating base and rates penalties received.
Subsidies and grants for operating purposes	2,409	2,589	The adminstration income on NZTA subsidised work was not budgeted for.
Fees, charges and targeted rates for water supply	7,121	8,254	A significant increase in revenue from metered water was due to increases in consumption by major industrial users, particularly Silver Fern Farms and Inghams. Trade waste charges for industrial users (particularly Fonterra) also increased in line with their production.
Interest and dividends from investments	440	567	Interest earned on investments was higher than budgeted as the delay in capital spending resulted in more availability for investing funds.
Development and financial contributions	650	316	Revenue received from development contributions was lower than budgeted as a result of the economic conditions.
Vested and found assets	576	2,739	During the year it was identified that the value of Council's swimming pool tanks had not previously been recorded in our books. Accounting standards require the value of these identified assets to be shown as revenue. The assets are valued at $2.2 million. The value of assets vested to Council through the subdivision process is difficult to budget with any accuracy in an annual basis. A large portion of the vested assets this year came from the subdivision activity in Young Street, Morrinsville.
Payments to suppliers	15,298	15,878	Across all Council activities, there were a number of minor ups and downs in costs against budget. The most significant of these was Wastewater, where costs were higher than budget by $196,000 particularly due to issues at the Matamata treatment plant with odour control and plant. Council's works division, Kaimai Valley Services experienced an increase in external work (stock underpasses etc), compared to budget, increasing their income, but also their costs by $160,000.
Finance costs	2,156	1,671	Finance costs were lower than budgeted because the delay in the capital programme meant that debt was significantly less than the level budgeted. In addition, $5 million of debt that was budgeted to be refinanced in April was paid off, funded by the proceeds of the Power New Zealand overseas share investments that were sold in October 2014.
Depreciation and amortisation	14,243	12,729	Depreciation was lower the level budgeted as the revaluation of property, plant and equipment for June 2014 was concluded after the budget for this year was already set.
Other losses	-	3,200	Other losses this year included significant non-cash losses, particularly the loss in the value at 30 June 2015 of Council's interest rate swap portfolio of $1.737 million (due to the steep decline in interest rates), a loss on disposal of property, plant and equipment $837,000, and a loss on the value of the overseas investment of the Power New Zealand fund and the related foreign exchange hedging contracts of $553,000.

Financial Statement Notes

Major Variations	Budget 2014/15	Actual 2014/15	Explanation for major variations to budget
	$000	$000	
Statement of financial position			
Current assets	6,874	16,427	In October 2014, the Power New Zealand overseas share investments were sold and the funds returned to New Zealand. This resulted in the reclassification of this investment from a non-current asset, to a current asset, as the remaining balance of the funds are now held as term deposits. In addition, the balance of cash and cash equivalents held at balance date is higher than budgeted due to the delay in the capital programme.
Current liabilities	6,994	8,330	The level of rates and metered water revenue already received by 30 June 2015 for the 2015/16 financial year was more than anticipated.
Non-current assets	610,342	574,372	The balance of property, plant and equipment was significantly lower than budgeted due to the delay in the capital programme. In addition, as above, the overseas invested funds from the Power New Zealand fund were sold during the period, with the balance now being held a current assets (in term deposits).
Non-current liabilities	41,824	27,193	Debt is significantly lower than budgeted due to the delay in the capital programme. In addition, a liability is recognised at year end for the unfavourable valuation of Council's interest rate swap portfolio at 30 June 2015.
Statement of cashflow			
Operating activities	13,837	15,275	The main contributors to the increase in operating cashflows compared to budget were the increase in metered water and trade waste revenue from industrial users, increased interest from investments, and a reduction in interest costs.
Investing activities	(14,245)	(6,268)	Net cashflows from investing activities were lower than budgeted. This was due to unbudgeted proceeds from the sale of assets, proceeds from the sale/maturity of investments, and a reduction in the capital spend compared to budget.
Financing activities	1,506	(5,968)	Budgeted debt requirements were not required due to the delay in the capital programme.



Murray Oaks Reserve, Morrinsville.

Involvement in Council controlled organisations and Council organisations

Waikato Regional Airport Limited (WRAL)

WRAL was established in 1989 to operate the airport situated at Rukuhia within Waipa District. The local authority part owners negotiated the purchase of the Crown's former share holding to secure the retention of the airport as a major infrastructural facility, important to the economy of the Waikato.

WRAL is jointly owned by five local authorities: Hamilton City, Waikato District, Waipa District, Otorohanga District and Matamata-Piako District Councils. Matamata-Piako's shareholding is 15.625%.

Group	Actual 2014/15	Target 2014/15 Statement of Corporate Intent
Net surplus/(deficit) after tax (total comprehensive revenue and expense)	$169,000	$111,000
Net profit/(loss) after tax to average shareholder funds	0.28%	0.0%
Net profit/(loss) after tax to total assets	0.22%	0.0%
Percentage of non-landing charges revenue	81.03%	64.4%
Earnings before interest, taxation and depreciation	$3,294,000	$2,880,000
Net cash flow (operating and investing)	$2,225,000	($375,000)
Total liabilities/shareholders' funds: debt/equity ratio	24:76	26:74
Interest cover (parent only and calculated on basis of interest from Titanium Park Limited and revaluations being excluded)	3.38	2.91

Performance measure	Actual outcome
To achieve the Airport Certification Standards as required by the Civil Aviation Authority.	No audits were undertaken by the Civil Aviation Authority of New Zealand (CAA) during the year and the airport continues to meet the Airport Certification Standards.
Collect, document and act (where viable) on customer feedback forms to continuously monitor and improve the customer experience. Maintain a database to ensure recurring negative feedback is promptly acted upon.	Customer feedback cards are positioned in the terminal. From 1 July 2014 to 30 June 2015 there were 32 customer feedback cards collected and documented. All items considered by the management team and addressed where appropiate. Personal complaints are responded to.

Local Authority Shared Services Limited (LASS)

Local authorities of the Waikato Region have established Local Authority Shared Services Limited as a council controlled organisation by way of a company, in which each local authority in the Waikato Region has a single share.

Matamata-Piako's shareholding is 8.33%.

LASS has twelve Directors with each director representing a shareholder council. Unless otherwise agreed by the appointing councils each director is the Chief Executive of a local authority. In addition the board may appoint up to three professional directors to supplement the directors' expertise.

Performance measure	Actual outcome
The Statement of Intent is informed by the annual survey and independent benefits review.	Achieved. A draft Statement of Intent (SOI) for 2015/16 was distributed to all shareholding councils for comment and feedback on 26 February 2015. The annual survey of shareholders was completed and presented to the board at their meeting on 22 May. The draft benefits review was presented to the board at their meeting on 22 May. The final SOI was adopted by the board on 26 June 2015 and distributed to all shareholders on 29 June.
Cost Control: Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the directors.	Achieved, actual expenditure was $16,439 favourable to budget.
Cashflow: The company maintains an overall positive cashflow position.	Not achieved this year as cashflow was intentionally operated at a negative level in order to use up surpluses. The bompany still maintains a safe cash position with the cash, cash equivalents and bank accounts balances at the end of June 2015 being $693,617.
Reporting: The board will provide a written report on the business operations and financial position of the LASS on a six monthly basis.	Achieved. The 2013/14 Annual Report was sent to all shareholders on 22 September 2014. A six month report was sent to all shareholders on 26 February 2015.
Statutory Adherence: There will be an annual report to directors that all statutory requirements of the LASS are being adhered to.	Achieved. All parties have confirmed that there were no legislative breaches during the year, and this will be reported to the LASS board at their August meeting when the Annual Report is presented.
SVDS Availability: That SVDS is available to users at least 99% of normal working hours.	Achieved. SVDS was available to users 99.8% of normal working hours.
SVDS Sales Data Delivery: That at least 98% of agreed timelines are met for sale and property files that have been delivered to the FTP server for access to customers.	Achieved. 100% of agreed timelines were met.

Involvement in Council controlled organisations and Council organisations

Performance measure	Actual outcome
SVDS Major Enhancement Development Hours: All capital enhancement development work is supported by a business case approved by the Advisory Group.	Not applicable this year, as only minor work items of $5,000 or less have been undertaken as per the road map approved by the SVDS Advisory Group.
WRTM: That all required modelling reports are actioned within the required timeframe.	Achieved. All modelling services were delivered within the required timeframe, or time extensions were agreed with the model partner/3rd party concerned.
WRTM: That the base model adheres to “Screenline Validation Standards” as set out in the NZTA Economic Evaluation Manual (EEM) as indicated by an external independent peer review	Achieved. The WRTM is going through an update process to bring it up to the 2013 census base. The peer reviewer has reviewed all technical notes and has advised that the revised base model meets the EEM standards. This has been documented in the peer reviewer’s report. The modelling services undertaken were all done using WRTM version 7, which was last peer reviewed in 2013. No changes have been made to the model since that time.
WRTM: That a full report on progress of the model be provided to the LASS Board twice each year.	Achieved. The WRTM Contract Manager reported to the LASS board in September 2014, October 2014 December 2014 and May 2015.
Insurance: The key performance indicators from appendix 4 of the brokerage contract are met.	Achieved. The KPIs in the brokerage contract are as follows: 1. Failure to undertake Gap Analysis and Risk profiling for each of the Councils. Achieved. The Gap Analysis was completed. 2. Not Achieving at least an overall saving of 15% based on like for like coverage in non-property areas of the insurance profiles of LASS. Achieved. 3. Failure to give appropriate strategic advice on programme structure and improve coverage for the Councils in LASS. Achieved. A number of discussions and amendments have been made to and around the programme since the appointment of Aon. An example would be the Infrastructure Insurance programme that has been put in place and the current work being done on the JLT/ Riskpool offering. 4. Failure to provide adequate and reasonable day to day service to the councils in the LASS group. Achieved. Most of the time, all Councils receive this level of service. Occasionally there are times when the response to queries may be slightly delayed. To address this, more resource has been appiled to the Aon team handling the LASS account. Regular advice is provided on specific areas, e.g. Contract Terms and Conditions, policy responses to specific scenarios put forward claims.

Performance measure	Actual outcome
Joint Procurement: That any joint procurement projects deliver as per project approved objectives.	Achieved. A joint procurement initiative was completed as per the project’s objectives for a Professional Services Panel for four of the shareholding councils.
Advice to the Waikato Mayoral Forum: In response to requests from shareholders, the Company will provide regular reports and updates to the Waikato Mayoral Forum regarding progress with shared service initiatives.	Achieved. Written and verbal update reports were provided to the Mayoral Forum at their meetings on 30 July, 15 September and 4 November 2014, 23 February, 20 April, and 15 June 2015.
Independent Benefit Review Plan update: The independent benefit review plan will be reviewed, updated and signed off by the LASS Board by 31 May of the year immediately preceding the year the plan relates to.	Acheived. As part of preparing the 2015/16 Statement of Intent, a new performance measure to assess the benefits being achieved by LASS was developed and included in the SOI’s revised set of performance measures.
Independent Benefit Reviews: Those reviews timetabled in the plan for the current year be completed by the end of the year.	Achieved. The draft benefits review was presented to the Board at their meeting on 22 May. A copy of the final benefits report will be sent to shareholders with this Annual Report.


Robert Utting, Senior Advisor - Engineer

Financial Statements

Involvement in Council controlled organisations and Council organisations

Hauraki Rail Trail Charitable Trust

In 2012 Council consulted on whether it should contribute $500,000 to Hauraki District Council to construct a cycleway from Paeroa to Te Aroha and to underwrite the maintenance of our portion of the cycleway. The community overwhelmingly supported the project and in May 2012 the cycleway (known as the Hauraki Rail Trail) was completed.

The Hauraki Rail Trail Charitable Trust is a charitable trust formed to manage the cycleway. The Trust has been created by Hauraki, Thames-Coromandel and Matamata-Piako District Councils, who can each appoint three trustees. Iwi in the three districts can also appoint one trustee to the Trust. The Trust falls within the definition of a council controlled organisation, however on 14 December 2011 we exempted the Trust from council controlled organisation reporting requirements under the Local Government Act 2002. The exemption must be reviewed every three years and was last reviewed on 14 December 2014.

The Trust's purpose is generally to operate and facilitate the use and enjoyment of the Hauraki Rail Trail. The defined purposes of the Trust include the specific objectives of expanding the Hauraki Rail Trail where possible and maintaining the Hauraki Rail Trail to appropriate standards. The Trust will oversee the operation and maintenance of the Hauraki Rail Trail by a commercial operator. It will also seek funding from charitable organisations (such as gambling trusts) to fund the extension of the Hauraki Rail Trail.

Other companies and organisations

New Zealand Local Government Insurance Corporation

This company's prime objective is to ensure the long term provision of stable and cost effective risk financing products for local government in New Zealand. Council holds 1.1% of the shares in the company with the remaining shares being held by other councils in New Zealand.

Hauraki Rail Trail, Te Aroha.