FINANCIALS

FINANCIAL STATEMENTS

FORECAST STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

A forecast for the 10 years ending 30 June 2028

	Annual Plan 2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)
Revenue											
Rates	34,177	34,927	36,113	37,752	39,310	41,452	42,910	43,742	44,746	45,302	46,830
Subsidies and grants	6,151	6,694	6,000	6,087	6,995	6,341	6,486	6,643	6,810	6,984	7,168
Fees and Charges	5,647	7,279	7,586	7,908	8,082	8,273	8,483	8,711	8,931	9,160	9,401
Interest revenue	257	254	267	303	349	386	416	439	457	469	477
Development and financial contributions	405	1,370	1,397	1,425	1,410	1,438	1,467	1,497	1,311	1,045	1,028
Other revenue	466	461	470	485	505	532	568	614	677	759	872
Total revenue	**47,103**	**50,985**	**51,833**	**53,960**	**56,651**	**58,422**	**60,330**	**61,646**	**62,932**	**63,719**	**65,776**
Expenses											
Personnel costs	14,638	15,869	16,205	16,556	16,923	17,320	17,717	18,145	18,603	19,076	19,580
Depreciation and amortisation expense	13,953	14,207	14,786	15,476	16,086	17,080	17,751	18,207	18,695	19,369	19,924
Finance costs	1,766	1,373	1,637	2,058	2,466	2,993	3,321	3,193	3,100	3,036	3,415
Other expenses	16,050	17,180	17,666	18,284	18,776	19,350	19,789	20,233	20,762	21,348	21,874
Total expenses	**46,407**	**48,629**	**50,294**	**52,374**	**54,251**	**56,743**	**58,578**	**59,778**	**61,160**	**62,829**	**64,793**
Share of joint venture surplus/(deficit	-	-	-	-	-	-	-	-	-	-	-
Surplus/(deficit)	**696**	**2,356**	**1,539**	**1,586**	**2,400**	**1,679**	**1,752**	**1,868**	**1,772**	**890**	**983**
Other comprehensive revenue and expense											
Property, plant and equipment revaluations	12,929	10,415	10,842	15,779	12,675	14,062	21,607	14,984	16,201	25,425	18,313
Total other comprehensive revenue and expense	**12,929**	**10,415**	**10,842**	**15,779**	**12,675**	**14,062**	**21,607**	**14,984**	**16,201**	**25,425**	**18,313**
Total comprehensive revenue and expense	**13,625**	**12,771**	**12,381**	**17,365**	**15,075**	**15,741**	**23,359**	**16,852**	**17,973**	**26,315**	**19,296**

FORECAST STATEMENT OF FINANCIAL POSITION

A forecast as at 30 June for the 10 years to 2028

	Annual Plan 2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)
Current assets											
Cash and cash equivalents	835	1,061	1,054	1,045	1,035	1,024	1,010	994	978	962	944
Receivables	3,000	2,824	2,882	2,627	2,596	2,285	1,790	1,890	1,930	2,572	2,748
Prepayments	-	-	-	-	-	-	-	-	-	-	-
Inventory	174	650	664	678	693	709	726	743	762	781	802
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	4,837	9,513	9,636	9,835	10,024	10,285	10,460	10,557	10,674	10,736	10,918
Total current assets	**8,846**	**14,048**	**14,236**	**14,185**	**14,348**	**14,303**	**13,986**	**14,184**	**14,344**	**15,051**	**15,412**
Non-current assets											
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
Investments in CCOs and other similar entities	3,062	13,447	13,447	13,447	13,447	13,447	13,447	13,447	13,447	13,447	13,447
Other financial assets	2,112	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	632,848	620,622	644,966	671,495	693,204	714,766	733,377	747,151	760,762	794,173	819,212
Intangible assets	918	889	930	793	3,876	3,950	3,639	3,371	3,453	3,125	2,847
Total non-current assets	**638,940**	**634,958**	**659,343**	**685,735**	**710,527**	**732,163**	**750,463**	**763,969**	**777,662**	**810,745**	**835,506**
Total assets	**647,786**	**649,006**	**673,579**	**699,920**	**724,875**	**746,466**	**764,449**	**778,153**	**792,006**	**825,796**	**850,918**
Liabilities											
Current liabilities											
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
Payables and deferred revenue	4,184	2,451	2,651	2,616	2,756	2,671	2,294	2,420	2,434	2,927	2,958
Employee entitlements	1,300	1,500	1,532	1,565	1,600	1,637	1,675	1,715	1,758	1,803	1,851
Borrowings	5,192	-	7,000	-	4,000	2,000	3,000	-	-	-	-
Provisions	89	84	88	56	55	54	78	51	50	35	35
Total current liabilities	**10,765**	**4,035**	**11,271**	**4,237**	**8,411**	**6,362**	**7,047**	**4,186**	**4,242**	**4,765**	**4,844**
Non-current liabilities											
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
Employee entitlements	613	450	460	469	480	491	502	515	528	541	555
Borrowings	35,284	39,115	44,112	60,136	65,856	73,770	67,750	67,477	63,317	70,273	76,023
Provisions	611	484	433	410	385	359	307	280	251	234	217
Total non-current liabilities	**36,508**	**40,049**	**45,005**	**61,015**	**66,721**	**74,620**	**68,559**	**68,272**	**64,096**	**71,048**	**76,795**
Net assets	**600,513**	**604,922**	**617,303**	**634,668**	**649,743**	**665,484**	**688,843**	**705,695**	**723,668**	**749,983**	**769,279**
Equity											
Accumulated funds	405,026	425,371	425,933	425,520	429,897	430,065	425,630	422,849	418,904	414,518	409,894
Other reserves	195,485	179,551	191,370	209,148	219,846	235,419	263,213	282,846	304,764	335,465	359,385
Total equity	**600,511**	**604,922**	**617,303**	**634,668**	**649,743**	**665,484**	**688,843**	**705,695**	**723,668**	**749,983**	**769,279**

FORECAST STATEMENT OF CHANGES IN EQUITY

A forecast for the 10 years ending 30 June 2028

	Annual Plan 2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)
Balance at 1 July	586,886	592,151	604,922	617,303	634,668	649,743	665,484	688,843	705,695	723,668	749,983
Total comprehensive revenue and expense for the year	13,625	12,771	12,381	17,365	15,075	15,741	23,359	16,852	17,973	26,315	19,296
Balance at 1 July	**600,511**	**604,922**	**617,303**	**634,668**	**649,743**	**665,484**	**688,843**	**705,695**	**723,668**	**749,983**	**769,279**

FORECAST STATEMENT OF CASHFLOW

A forecast for the 10 years ending 30 June 2028

	Annual Plan 2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)
Cashflow from operating activities											
Rates revenue received	34,177	34,927	36,113	37,752	39,310	41,452	42,910	43,742	44,746	45,302	46,830
Subsidies and grants received	6,151	6,694	6,000	6,087	6,995	6,341	6,486	6,643	6,810	6,984	7,168
Fees and Charges received	5,647	7,279	7,586	7,908	8,082	8,273	8,483	8,711	8,931	9,160	9,401
Interest received	257	254	267	303	349	386	416	439	457	469	477
Development and financial contributions received	405	1,370	1,397	1,425	1,410	1,438	1,467	1,497	1,311	1,045	1,028
Other revenue received	266	261	266	272	278	284	291	297	306	313	321
GST (net)	-	-	-	-	-	-	-	-	-	-	-
Payments to suppliers	(16,049)	(17,180)	(17,666)	(18,284)	(18,776)	(19,350)	(19,789)	(20,233)	(20,762)	(21,348)	(21,874)
Payments to employees	(14,638)	(15,869)	(16,205)	(16,556)	(16,923)	(17,320)	(17,717)	(18,145)	(18,603)	(19,076)	(19,580)
Interest paid	(1,765)	(1,373)	(1,637)	(2,058)	(2,466)	(2,993)	(3,321)	(3,193)	(3,100)	(3,036)	(3,415)
Net cashflow from operating activities	**14,451**	**16,363**	**16,121**	**16,849**	**18,259**	**18,511**	**19,226**	**19,758**	**20,096**	**19,813**	**20,356**
Cashflow from Investing activities											
Repayment of loans and advances	216	230	-	-	-	-	-	-	-	-	-
Sale of assets	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale/ maturity of investments	573	-	-	-	-	-	-	-	-	-	-
Purchase of property, plant and equipment	(22,316)	(24,305)	(27,890)	(25,785)	(24,690)	(23,978)	(14,058)	(16,335)	(15,460)	(26,611)	(25,946)
Purchase of intangible assets	(97)	(93)	(235)	(97)	(3,298)	(458)	(162)	(166)	(492)	(174)	(179)
Acquisition of investments	-	-	-	-	-	-	-	-	-	-	-
Net cashflows from investing activities	**(21,624)**	**(24,168)**	**(28,125)**	**(25,882)**	**(27,988)**	**(24,436)**	**(14,220)**	**(16,501)**	**(15,952)**	**(26,785)**	**(26,125)**
Cashflow from financing activities											
Proceeds from borrowings	7,389	16,531	11,997	16,024	9,719	9,914	2,000	3,000	-	6,956	5,751
Repayment of borrowings	-	(8,500)	-	(7,000)	-	(4,000)	(7,020)	(6,273)	(4,160)	-	-
Net cashflow from financing activities	**7,389**	**8,031**	**11,997**	**9,024**	**9,719**	**5,914**	**(5,020)**	**(3,273)**	**(4,160)**	**6,956**	**5,751**
Net increase/(decrease) in cash and cash equivalents	**216**	**226**	**(7)**	**(9)**	**(10)**	**(11)**	**(14)**	**(16)**	**(16)**	**(16)**	**(18)**
Opening cash and cash equivalents	619	835	1,061	1,054	1,045	1,035	1,024	1,010	994	978	962
Closing cash and cash equivalents	**835**	**1,061**	**1,054**	**1,045**	**1,035**	**1,024**	**1,010**	**994**	**978**	**962**	**944**

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. The Council does not operate to make a financial return. The Council has designated itself as a Public Benefit Entity (PBE) for the purpose of complying with generally accepted accounting practice.

The financial information contained within these documents is prospective financial information in terms of Financial Reporting Standard 42 Prospective Financial Statements (PBE). The purpose for which this has been prepared is to enable the public to participate in decision making processes as to the services to be provided by the Council over the next 10 financial years, and to provide a broad accountability mechanism of the Council to the community. The financial information in the Long Term Plan may not be appropriate for purposes other than those described.

The forecast financial statements of the Council are for the 10 years ended 30 June 2028. The forecast financial statements were authorised for issue as part of the Long Term Plan by Council on 27 June 2018. Council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

BASIS OF PREPARATION

The forecast financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently to all periods presented in these forecast financial statements.

STATEMENT OF COMPLIANCE

The forecast financial statements have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). These forecast financial statements have been prepared in accordance with and comply with PBE standards.

PRESENTATION CURRENCY AND ROUNDING

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

OPENING BALANCES

The forecast financial statements have been prepared based on expected opening balances for the year ended 30 June 2018. Estimates have been restated accordingly if required.

A CAUTIONARY NOTE

The information in the forecast financial statements is uncertain and the preparation requires the exercising of judgement. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material. Events and circumstances may not occur as expected or may not have been predicted or we may subsequently take actions that differ from the proposed courses of action on which the forecast financial statements are based. The information contained within these forecast financial statements may not be suitable for use in another capacity.

SIGNIFICANT ACCOUNTING POLICIES

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 license fees, upon renewal of the license.

- **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.

- **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 financial year 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 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 start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item and 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 reasonable 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 subject to forward foreign exchange contracts) are translated into $NZ (the functional currency) using the spot exchange rate 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

Short-term receivables are recorded at the amount due, less any provision for uncollectability. A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used to manage 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.

The fair value of the interest rate swap is determined by calculating the expected future cashflows 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.

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.

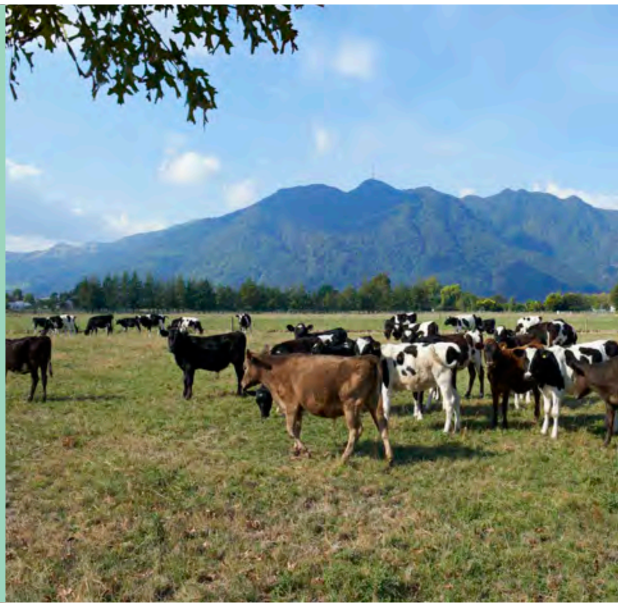
Term deposits and community, industry and developer agreement loans (loans and receivables)

Loans made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flow, discounted at the current market rate of return for a similar financial instrument. For loans to community and other organisations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense.

After initial recognition, term deposits and community and other loans are measured at amortised cost using the effective interest method. Where applicable, interest accrued is added to the investment balance. At year-end, the assets are assessed for indicators of impairment. Impairment is established when there is evidence that the Council will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default payments are indicators that the asset is impaired. If assets are impaired, the amount not expected to be collected is recognised in the surplus or deficit.

Local Authority and other stock (held to maturity)

After initial recognition, Local Authority and other stock (designated as held to maturity) are measured at amortised cost using the effective interest method. At year-end, they are assessed for indicators of impairment. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default in payments is considered to be objective evidence of impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.



Investments in Council Controlled Organisations (CCO's) and other entities (fair value through other comprehensive revenue and expense)

Investments in CCO's and other entities are designated at fair value through other comprehensive revenue and expense. After initial recognition, investments in CCO's and other entities 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. When sold, the cumulative gain or loss.

For Investments in CCO's and other entities, a significant or prolonged decline in the fair value of the shares below their cost is considered to be objective evidence of impairment. If impairment evidence exists, the cumulative loss recognised in other comprehensive revenue and expense is transferred to the surplus or deficit. Impairment losses on investments in CCO's and other entities recognised in the surplus or deficit are not reversed through surplus or deficit.

INVESTMENT IN 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 surplus or deficit of the jointly controlled entity after the date of acquisition. Our share of the surplus or deficit 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.

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 are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They 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

Property, plant and equipment consist of:

- Operational assets - land, buildings, 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), library books, 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 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. 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.

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.

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 accumulated funds.

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:

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		
Road 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 to 90 years	1% - 2%
All other	1 to 57 years	2%- 100%
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	1 to 120 years	1% - 100%
Wastewater service lines	50 to 100 years	1% - 2%
Water mains	40 to 88 years	1% - 3%
Water valves	35 to 80 years	1% - 3%
Water hydrants	80 years	1%
Water nodes	80 years	1%
Water pump station equipment	3 to 100 years	1% - 33%
Water service lines	40 to 88 years	1% - 3%
Stormwater mains	51 to 100 years	1% - 2%
Stormwater manholes	100 years	1%
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.

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.

Staff training costs and costs associated with the development and maintenance of Councils website are recongnised 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 financial year 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 NON-FINANCIAL ASSETS

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets 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 impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

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

PAYABLES AND DEFERRED REVENUE

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

BORROWINGS

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance. 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 that are due to be settled within 12 months after the end of the year in which the employee provides 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.

Long term employee entitlements
Employee benefits that are due to be settled beyond 12 months after the end of the year in which the employee provides the related service, such as retirement and long service leave, 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:

- accumulated funds
- other reserves:
    - Council created reserves
    - Restricted reserves
    - Asset revaluation reserves.
    - Fair value through other comprehensive revenue and expense reserve.

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 include those 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 are 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 accumulated funds. Fair value through other comprehensive revenue and expense reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

GOODS AND SERVICE 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.

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 neighboring local authorities for moderation.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these forecast 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 period of the Long Term Plan are discussed below:

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations on infrastructural assets. These include:

The physical deterioration and condition of an asset, for example we could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by us performing a combination of physical inspections and condition modelling assessments of underground assets; estimating any obsolescence or surplus capacity of an asset.

Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then we could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense.

To minimise this risk, our infrastructural assets 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 our asset management planning activities, which gives us further assurance over its useful life estimates. Experienced independent valuers perform or undertake a peer review of our infrastructural asset revaluations.

Provisions for landfill aftercare and Tui Mine site monitoring

The cash outflows for landfill after care and site monitoring costs are expected to occur over 25 years or more. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provisions have been estimated taking into account existing technology and discounted using a discount rate of 6%.

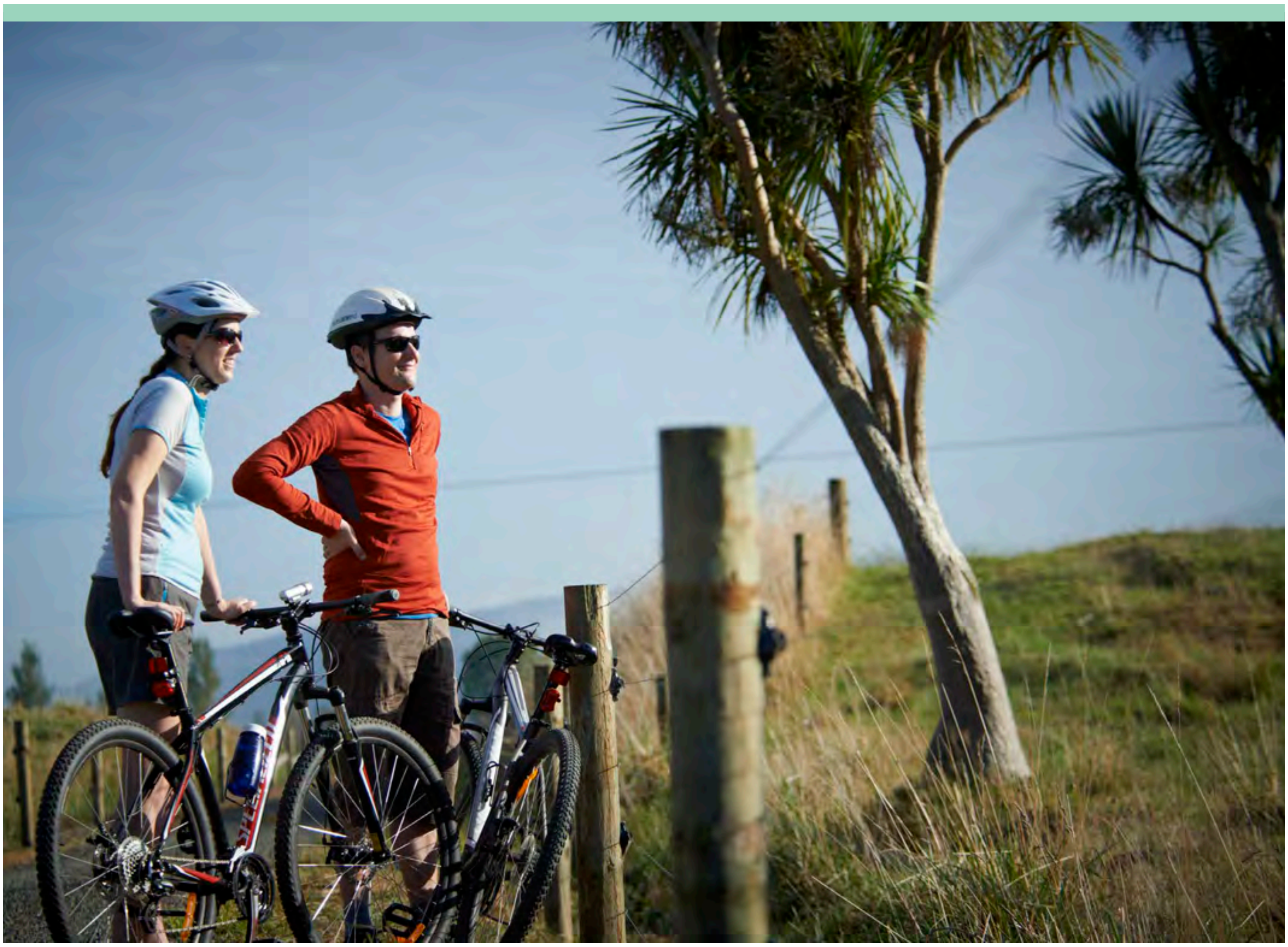
The following assumptions have been made in the calculation of the provisions: Obligations for the work are for the period of the resource consents for these sites Costs have been estimated based on best information and technology known at this point.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

Management has exercised the following critical judgment in applying accounting policies to these forecast financial statements:

Classification of property

We own 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 our social housing policy. The properties are therefore accounted for as property, plant and equipment.



OTHER LEGISLATIVE DISCLOSURES

BALANCING THE BUDGET

The statement of comprehensive revenue and expense indicates that there will be a surplus in each of the 10 years of the plan. The main reasons for these surpluses are:

- Assets that are vested to us from developers through the subdivision process, and external revenue received for capital projects.
- Interest earned on reserve funds that we allocate to these reserves to be used for a specified purpose in the future.
- We have used part of the Power New Zealand investment as a source of internal borrowing to activities. Some of the loans will be repaid during the 10 year period. As the loans are internal loans, the repayments are treated as reserve transfers.
- Development contributions which fund capital expenditure are shown in the statement of comprehensive revenue and expense but the capital expenditure is not.

These surpluses are partially offset by our decisions to:

- Not fully fund depreciation on some activities.
- Ring-fence the financial performance for some activities (i.e. activities that are expected to be self-funding).

These activities are listed as follows:

SELF FUNDING ACTIVITIES - HOUSING AND RURAL HALLS

Council considers that elderly person housing, owner-occupier housing and rural halls should be ring-fenced operations. In other words the cost of the activities should be funded from income from those activities. In the case of rural halls this includes Targeted Rates over the hall rating areas.

Any surplus or deficit is held against the activities and recovered or used in future years.
We can reduce costs or increase charges to ensure the balance does not become unmanageable. For example, we review the financial position and rental/charges with elderly persons housing tenants and owner-occupier owners annually.

The projected annual deficit for self-funding activities is in the following tables:

Housing	2018/19 $000	2019/20 $000	2020/21 $000	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000
Annual deficit for self funding housing	124	131	142	121	111	122	102	90	118	106

NON-FUNDED DEPRECIATION

Halls

Rural halls operate on the basis that funding is provided from the local communities through Targeted Rates or hall hire revenue. The halls were built by these communities from locally raised funds. We are comfortable allowing those communities to decide if the halls are to be maintained and/or replaced in the future. For this reason we have decided that we will not fund depreciation for halls. The table below lists the annual deficit arising from non-funded depreciation on halls:

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Annual deficit from non-funded depreciation on halls	235	240	245	251	257	263	269	276	283	290

Community buildings

There are a number of situations where community groups have built or moved buildings on to our land. We are comfortable with the situation but we have decided we will not fund the depreciation on the assets and will leave the users of these facilities to determine how major upgrades or replacement may be funded in future.

We also own buildings that are considered to be redundant/non-essential to the delivery of agreed levels of service.
The table below lists the annual deficit arising from non-funded depreciation:

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Annual deficit from non-funded depreciation on community buildings	187	191	195	199	204	209	214	219	225	231

OTHER CONSIDERATIONS

We must give consideration to four areas when choosing not to set a balanced budget:

Levels of service

We believe that desired levels of service will be maintained over the 10 years.

Funding

We believe that the projected funding for these services is appropriate and prudent.

Intergenerational equity

Council believes that the intergenerational equity is achieved by ensuring that:

- The current generation does not fund replacement of assets that are not considered essential to the desired levels of service.
- That the groups using these assets will fund upgrades or replacement if and when they may consider it is necessary.

Consistency with revenue and financing policies

Our approach is consistent with the Revenue and Financing Policy.

FORECAST DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY

	Annual Plan 2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)
Directly attributable depreciation and amortisation expense by group of activity											
Community facilities	2,263	2,211	2,338	2,587	2,736	2,781	2,959	3,004	3,037	3,237	3,272
Roading	6,011	5,973	6,151	6,341	6,555	6,835	7,098	7,321	7,560	7,824	8,087
Rubbish and recycling	23	30	42	56	70	71	74	75	76	79	80
Stormwater	568	590	619	634	649	666	682	700	719	739	760
Wastewater	2,474	2,702	2,823	2,958	3,089	3,534	3,667	3,757	3,869	3,969	4,075
Water	1,670	1,722	1,812	1,878	1,942	2,010	2,064	2,115	2,171	2,228	2,326
Strategy and engagement	1	1	1	1	1	1	1	1	1	1	1
Consents and licensing	9	9	9	9	9	9	9	9	9	9	9
Total directly attributable depreciation and amortisation expense by groups of activities											
Depreciation and amortisation not directly related to groups of activities	934	969	991	1,012	1,035	1,173	1,197	1,225	1,253	1,283	1,314
Total depreciation and amortisation expense	**13,953**	**14,207**	**14,786**	**15,476**	**16,086**	**17,080**	**17,751**	**18,207**	**18,695**	**19,369**	**19,924**

RESERVE FUNDS

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 us. Restricted reserves are those reserves subject to conditions accepted as binding by us and which may not be revised by us 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 are established by Council decision. We may alter them without reference to any third party or the Courts or a third party. 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. Details of the specific reserve funds held by us are as follows:

Reserve funds	Purpose	Activities related to	Forecast balance 1 July 2018	Transfers in	Funds will come from	Transfers out	Funds will be applied to	Forecast balance 30 June 2028
Council created reserves								
Community purposes reserve	Funds received and set aside for use on community facilities or for community purposes eg grants.	All Council activities	5,754	-	No additional funding anticipated for the term of this Long Term Plan.	-	No expenditure anticipated for the term of the Long Term Plan.	5,754
Power New Zealand reserve fund	Funds received and set aside on behalf of the community from the dissolution of the local power board co-operative in 1998. The fund is utilised for internal borrowing or external investment, with returns used to subsidise rates.	All Council activities	23,902	9,560	External interest from the invested portion of the fund, and internal interest from the internally borrowed portion of the fund.	(9,560)	Subsidy of rates.	23,902
Wastewater capital contribution reserve	Capital contribution funds received from industry and set aside to offset future deprecation.	Wastewater	899	5,466	Annual targeted rates charged to Fonterra and Greenleas Morrinsville.	(3,337)	No expenditure anticipated for the term of this Long Term Plan.	3,028
Depreciation reserves	Funds set aside for the replacement of assets and used to fund internal borrowing.	All Council activities	15,069	167,881	Depreciation funding and interest.	(141,121)	Replacement of assets (renewals) and repayments of loans.	41,829
Stormwater improvement reserve	Funds set aside to fund stormwater projects.	Stormwater	150	500	Targeted rates funding.	-	No expenditure planned for the term of this Long Term Plan at this stage.	650
Te Aroha Wastewater de-sludging project	Funds set aside to pay for the Te Aroha desludging project.	Wastewater	415	-	Targeted rates funding.	-	Te Aroha wastewater de-sludging project.	415
Total Council created reserves			**46,189**	**183,407**	**-**	**(154,018)**	**-**	**75,578**
Restricted reserves								
Endowment land sales reserve	Funds set aside in respect of the sale of endownment land in Te Aroha. The proceeds must be used for the provision or improvement of services and public amenities for the benefit of the inhabitants of Te Aroha.	Community facilities	110	-	Sale of endowment land (if any).	-	No expenditure planned for the term of this Long Term Plan.	110
Reserves Development	Funds set aside from reserves contributions to be used for parks and reserves.	Development of parks and reserves	569	608	Financial contributions.	-	No expenditure planned for the term of this Long Term Plan	1,177
Bequests & trust funds	Funds set aside to be used for the nominated purpose of the bequest or trust fund.	Nominated purposes	26	-	No additional funding anticipated for the term of this Long Term Plan.	-	No expenditure planned for the term of this Long Term Plan.	26
Total restricted reserves			**705**	**608**	**-**	**-**	**-**	**1,313**
Asset revaluation reserves	Surpluses from the revaluation of property plant and equipment.	All Council activities	**112,017**	**160,303**	Assets revaluation.	-	-	**272,320**
Fair value through other comprehensive revenue and expense reserve	Net change in fair value of financial assets.	All Council activities	**10,174**	-	Financial asset revaluations.	-	-	**10,174**

RECONCILIATION BETWEEN THE FUNDING IMPACT STATEMENT AND STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

The funding impact statement is prepared in compliance with the requirements of clause 15, part 1, schedule 10 of the Local Government Act 2002. Unlike the statement of comprehensive revenue and expense, the funding impact statement is not compliant with generally accepted accounting standards (GAAP). The funding impact statement is intended to show in a transparent manner, how all sources of funding received by us are applied. It does not include "non-cash" that is classified as income on the statement of comprehensive revenue and expense (as required by GAAP) such as assets that are vested to us through the subdivision process, or unrealised gains on assets. The statement of comprehensive revenue and expense also requires "non-cash" expenses such as depreciation, amortisation, and unrealised losses of assets to be reflected, whereas these are excluded from the funding impact statement. The reconciliation below identifies the differences between these two statements.

	Annual Plan 2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)
Funding sources as shown in the overall Council funding impact statement											
Total operating funding	42,600	44,740	46,338	48,341	50,174	52,599	54,332	55,455	56,762	57,625	59,473
Total capital funding	11,256	13,419	16,617	13,744	15,268	10,771	(56)	1,805	821	11,766	10,642
Less capital movements											
Increase/(decrease) in debt	7,389	8,032	11,996	9,026	9,719	5,915	(5,019)	(3,273)	(4,161)	6,956	5,750
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Add non-funded income											
Vested assets	200	200	204	213	227	248	277	317	371	446	551
Other gains	-	-	-	-	-	-	-	-	-	-	-
Income from support activities	436	658	670	688	701	719	758	796	817	838	860
Total funding sources	**47,103**	**50,985**	**51,833**	**53,960**	**56,651**	**58,422**	**60,330**	**61,646**	**62,932**	**63,719**	**65,776**
Total income as shown in the statement of comprehensive revenue and expense	**47,103**	**50,985**	**51,833**	**53,960**	**56,651**	**58,422**	**60,330**	**61,646**	**62,932**	**63,719**	**65,776**
Application of funding as shown in the overall Council funding impact statement											
Total applications of operating funding	32,016	33,764	34,838	36,210	37,464	38,944	40,069	40,775	41,648	42,622	44,009
Total applications of capital funding	21,840	24,395	28,117	25,875	27,978	24,426	14,207	16,485	15,935	26,769	26,106
Less capital movements											
Capital expenditure	22,413	24,397	28,125	25,881	27,987	24,437	14,220	16,501	15,954	26,785	26,125
Increase (decrease) in reserves	(573)	(2)	(8)	(6)	(9)	(11)	(13)	(16)	(19)	(16)	(19)
Increase (decrease) in investments	-	-	-	-	-	-	-	-	-	-	-
Add non-funded expenditure											
Depreciation and amortisation	13,953	14,207	14,786	15,476	16,086	17,080	17,751	18,207	18,695	19,369	19,924
Other losses	-	-	-	-	-	-	-	-	-	-	-
Expenses from support activities	436	658	670	688	701	719	758	796	817	838	860
Total funding application	**46,407**	**48,629**	**50,294**	**52,374**	**54,251**	**56,743**	**58,578**	**59,778**	**61,160**	**62,829**	**64,793**
Total expenditure as shown in the statement of comprehensive revenue and expense	**46,407**	**48,629**	**50,294**	**52,374**	**54,251**	**56,743**	**58,578**	**59,778**	**61,160**	**62,829**	**64,793**

FUNDING IMPACT STATEMENT

Funding impact statement for 1 July 2018 to 30 June 2028 for whole of Council

	Annual Plan 2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)
Sources of operating funding											
General Rates, uniform annual general charges, rates penalties	21,146	22,530	23,282	24,140	25,030	26,234	27,165	27,794	28,505	29,439	30,074
Targeted Rates	13,031	12,397	12,831	13,612	14,280	15,218	15,745	15,948	16,241	15,863	16,756
Subsidies and grants for operating purposes	2,689	2,677	2,776	2,794	2,856	2,923	2,990	3,062	3,139	3,219	3,304
Fees and Charges	5,211	6,621	6,916	7,220	7,381	7,554	7,725	7,915	8,114	8,322	8,541
interest and dividends from investments	257	254	267	303	349	386	416	439	457	469	477
Local authorities fuel tax, fines, infringement fees, and other receipts	266	261	266	272	278	284	291	297	306	313	321
Total operating funding (A)	**42,600**	**44,740**	**46,338**	**48,341**	**50,174**	**52,599**	**54,332**	**55,455**	**56,762**	**57,625**	**59,473**
Applications of operating funding											
Payments to staff and suppliers	30,250	32,391	33,201	34,152	34,998	35,951	36,748	37,582	38,548	39,586	40,594
Finance costs	1,763	1,373	1,637	2,058	2,466	2,993	3,321	3,193	3,100	3,036	3,415
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**32,013**	**33,764**	**34,838**	**36,210**	**37,464**	**38,944**	**40,069**	**40,775**	**41,648**	**42,622**	**44,009**
Surplus (deficit) of operating funding (A – B)	**10,587**	**10,976**	**11,500**	**12,131**	**12,710**	**13,655**	**14,263**	**14,680**	**15,114**	**15,003**	**15,464**
Sources of capital funding											
Subsidies and grants for capital expenditure	3,462	4,017	3,224	3,293	4,139	3,418	3,496	3,581	3,671	3,765	3,864
Development and financial contributions	405	1,370	1,397	1,425	1,410	1,438	1,467	1,497	1,311	1,045	1,028
Increase (decrease) in debt	7,390	8,032	11,996	9,026	9,719	5,915	(5,019)	(3,273)	(4,161)	6,956	5,750
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**11,257**	**13,419**	**16,617**	**13,744**	**15,268**	**10,771**	**(56)**	**1,805**	**821**	**11,766**	**10,642**
Applications of capital funding											
Capital expenditure											
—to meet additional demand	282	687	677	392	722	5,201	320	356	716	2,147	572
—to improve the level of service	11,734	9,486	13,550	11,906	9,075	3,631	2,279	2,506	2,153	11,109	11,806
—to replace existing assets	10,400	14,224	13,898	13,583	18,190	15,605	11,621	13,639	13,085	13,529	13,747
Increase (decrease) in reserves	(572)	(2)	(8)	(6)	(9)	(11)	(13)	(16)	(19)	(16)	(19)
Increase (decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**21,844**	**24,395**	**28,117**	**25,875**	**27,978**	**24,426**	**14,207**	**16,485**	**15,935**	**26,769**	**26,106**
Surplus (deficit) of capital funding (C – D)	**(10,587)**	**(10,976)**	**(11,500)**	**(12,131)**	**(12,710)**	**(13,655)**	**(14,263)**	**(14,680)**	**(15,114)**	**(15,003)**	**(15,464)**
Funding balance ((A – B) + (C – D))	-	-	-	-	-	-	-	-	-	-	-

CALCULATION OF RATES

For 1 July 2018 to 30 June 2028
(These rates shown are inclusive of GST)

		GENERAL RATES		TARGETED RATES	
Source		**General Rate**	**Uniform annual general charge**	**Stormwater**	**Waste management**
Category		All rateable land in the Matamata-Piako District		Rating units within serviced areas	Rating units within serviced areas
How the rate will be calculated		Per dollar of capital value	Uniform charge per rating unit	Uniform charge per rating unit within the townships of Matamata, Morrinsville, Te Aroha and Waharoa	Uniform charge per separately used or inhabited part of a rating unit to which the service is available
Annual Plan 2017/18	$	0.00129741	599.92	102.89	153.08
2018/19	$	0.00129420	694.47	94.05	29.10
2019/20	$	0.00133403	714.53	97.27	29.67
2020/21	$	0.00136902	746.78	96.80	30.27
2021/22	$	0.00140875	777.11	96.03	30.90
2022/23	$	0.00146260	819.69	95.62	31.58
2023/24	$	0.00150750	847.70	94.04	32.26
2024/25	$	0.00154090	861.47	92.98	32.99
2025/26	$	0.00157831	877.90	93.29	33.78
2026/27	$	0.00164599	885.34	92.32	34.59
2027/28	$	0.00166215	913.44	91.47	35.45

TARGETED RATES									
Source		Wastewater (sewerage disposal)							
Category		Connected single residential house	Connected non-single residential, and non-residential properties						Serviceable properties within 30 metres of Council's Wastewater reticulation network
How the rate will be calculated		Uniform charge per connected rating unit	Uniform charge per rating unit for the first pan on all connected properties, and	Additional uniform charge per pan (excluding the first pan) for properties with up to 4 pans	Or additional uniform charge per pan (excluding the first pan) for properties with up to 10 pans	Or additional uniform charge per pan (excluding the first pan) for properties with up to 15 pans	Or additional uniform charge per pan (excluding the first pan) for properties with up to 20 pans	Or additional uniform charge per pan (excluding the first pan) for properties with more than 20 pans	Uniform charge per rating unit to which the service is available (but not connected)
Annual Plan 2017/18	$	636.86	636.86	636.86	541.33	509.48	477.64	445.80	318.43
2018/19		670.40	670.40	670.40	569.84	536.32	502.80	469.28	335.20
2019/20		675.76	675.76	675.76	574.40	540.61	506.82	473.03	337.88
2020/21		713.38	713.38	713.38	606.38	570.71	535.04	499.37	356.69
2021/22		756.96	756.96	756.96	643.42	605.57	567.72	529.87	378.48
2022/23		824.79	824.79	824.79	701.07	659.83	618.59	577.35	412.39
2023/24		855.18	855.18	855.18	726.90	684.14	641.39	598.63	427.59
2024/25		859.23	859.23	859.23	730.35	687.39	644.43	601.46	429.62
2025/26		870.66	870.66	870.66	740.06	696.53	652.99	609.46	435.33
2026/27		882.14	882.14	882.14	749.82	705.71	661.60	617.50	441.07
2027/28		940.41	940.41	940.41	799.35	752.33	705.31	658.29	470.20

TARGETED RATES										
Source		**Industry contributions to the Morrinsville wastewater treatment plant upgrade**		**Water supply**		**Water supply (metered) ***				
Category		18 Allen Street, Morrinsville	38 Pickett Place Morrinsville	Connected properties	Serviceable properties within 100 metres of Council's water reticulation network	Metered supply (general)	Metered supply raw water Te Aroha West	Metered supply Braeside Aquaria 1981	Inghams Enterprises (NZ) Pty Ltd supply**	Matamata farm properties***
How the rate will be calculated		Uniform charge per specified rating unit		Uniform charge per separately used or inhabited part of a rating unit to which the service is connected and provided	Uniform charge per separately used or inhabited part of a rating unit to which the service is available (but not connected)	Charge per cubic metre of water consumed (as measured by meter) over and above the first 82 cubic metres of water consumed per quarter or the first 27 cubic metres consumed per month	Charge per cubic metre of water consumed (as measured by meter) over and above the first 82 cubic metres of water consumed per quarter or the first 27 cubic metres consumed per month in the Te Aroha West supply area	Charge per cubic metre of water consumed (as measured by meter) over and above the first 82 cubic metres of water consumed per quarter or the first 27 cubic metres consumed per month for Braeside Aquaria	Charge per cubic metre of water consumed (as measured by meter) over and above the first 82 cubic metres of water consumed per quarter or the first 27 cubic metres consumed per month for Inghams Factory, Waitoa	Charge per cubic metre of water consumed (as measured by meter) over and above the first 82 cubic metres of water consumed per quarter or the first 27 cubic metres consumed per month for Matamata farm properties that contain the Matamata trunk main from Tills Road
Annual Plan 2017/18	$	606,641.72	192,577.46	273.92	136.96	1.28	0.92	0.66	0.60	1.28
2018/19		596,651.16	189,406.28	306.22	153.11	1.28	0.92	0.66	0.60	1.28
2019/20		596,651.16	189,406.28	316.70	158.35	1.31	0.94	0.67	-	1.31
2020/21		596,651.16	189,406.28	353.48	176.74	1.34	0.96	0.69	-	1.34
2021/22		596,651.16	189,406.28	370.96	185.48	1.37	0.98	0.70	-	1.37
2022/23		596,651.16	189,406.28	392.56	196.28	1.40	1.00	0.72	-	1.40
2023/24		596,651.16	189,406.28	406.30	203.15	1.43	1.03	0.74	-	1.43
2024/25		596,651.16	189,406.28	409.35	204.68	1.46	1.05	0.75	-	1.46
2025/26		596,651.16	189,406.28	413.32	206.66	1.50	1.08	0.77	-	1.50
2026/27		-	-	418.83	209.42	1.54	1.11	0.79	-	1.54
2027/28		-	-	439.97	219.99	1.58	1.14	0.81	-	1.58

*Targeted Rates for a metered water supply are charged in addition to a uniform charge per separately used or inhabited part of a rating unit to which the service is connected and provided.
** The balance (cost) is invoiced as per a separate contract with Inghams Enterprises (NZ) Pty. The current contract expires in 2018/19.
*** A 50% discount will be applied to this rate if the invoice is paid by the due date.

TARGETED RATES							
Source		**Targeted rural hall rates will apply to all land within the hall rating area as listed**					
Category		Tauhei	Hoe-O-Tainui	Springdale	Kiwitahi	Patetonga	Wardville
How the rate will be calculated		Per dollar of land value					
Annual Plan 2017/18	$	0.00009487	0.00002682	0.00001481	0.00001951	0.00003045	0.00001934
2018/19		0.00009781	0.00002682	0.00001481	0.00001951	0.00003045	0.00001934
2019/20		0.00009988	0.00002739	0.00001512	0.00001992	0.00003109	0.00001975
2020/21		0.00010205	0.00002798	0.00001545	0.00002035	0.00003177	0.00002018
2021/22		0.00010431	0.00002860	0.00001579	0.00002081	0.00003247	0.00002062
2022/23		0.00010675	0.00002927	0.00001616	0.00002129	0.00003323	0.00002111
2023/24		0.00010920	0.00002994	0.00001653	0.00002178	0.00003400	0.00002159
2024/25		0.00011184	0.00003067	0.00001693	0.00002231	0.00003482	0.00002211
2025/26		0.00011466	0.00003144	0.00001736	0.00002287	0.00003570	0.00002267
2026/27		0.00011758	0.00003224	0.00001780	0.00002345	0.00003660	0.00002325
2027/28		0.00012069	0.00003309	0.00001827	0.00002407	0.00003757	0.00002386

TARGETED RATES										
Source		**Targeted rural hall rates will apply to all land within the hall rating area as listed**								
Category		Tahuna	Mangateparu	Kereone	Tatuanui	Walton	Okauia	Hinuera	Piarere
How the rate will be calculated		Uniform charge per rating unit					Per dollar of capital value		
Annual Plan 2017/18	$	38.20	34.80	41.50	61.80	30.00	0.00001549	0.00001401	0.00001781
2018/19		38.20	34.80	41.50	61.80	30.00	0.00001549	0.00001401	0.00001781
2019/20		39.01	35.54	42.38	63.11	30.64	0.00001582	0.00001431	0.00001819
2020/21		39.85	36.31	43.30	64.48	31.30	0.00001616	0.00001462	0.00001858
2021/22		40.74	37.11	44.26	65.90	31.99	0.00001652	0.00001494	0.00001899
2022/23		41.69	37.98	45.29	67.45	32.74	0.00001691	0.00001529	0.00001944
2023/24		42.65	38.85	46.33	69.00	33.49	0.00001729	0.00001564	0.00001988
2024/25		43.68	39.79	47.45	70.66	34.30	0.00001771	0.00001602	0.00002036
2025/26		44.78	40.80	48.65	72.45	35.17	0.00001816	0.00001642	0.00002088
2026/27		45.92	41.83	49.89	74.29	36.06	0.00001862	0.00001684	0.00002141
2027/28		47.13	42.94	51.21	76.25	37.02	0.00001911	0.00001729	0.00002198

TARGETED RATES						
Source		**Targeted rural hall rates will apply to all land within the hall rating area as listed**				
Category		Mangaiti	Waihou	Elstow	Manawaru	Te Poi
How the rate will be calculated		Uniform charge per separately used or inhabited part of a rating unit				
Annual Plan 2017/18	$	12.65	20.20	21.60	25.80	36.80
2018/19		12.65	20.20	21.60	25.80	36.80
2019/20		12.92	20.63	22.06	26.35	37.58
2020/21		13.20	21.07	22.54	26.92	38.39
2021/22		13.49	21.54	23.03	27.51	39.24
2022/23		13.81	22.05	23.57	28.16	40.16
2023/24		14.12	22.55	24.12	28.80	41.09
2024/25		14.46	23.10	24.70	29.50	42.08
2025/26		14.83	23.68	25.32	30.24	43.14
2026/27		15.21	24.28	25.97	31.01	44.24
2027/28		15.61	24.92	26.65	31.83	45.41

GST

The calculation of rates is shown inclusive of GST at the current rate of 15%. Any future changes in the rate of GST would need to be applied to these rates as appropriate.

REVENUE AND FINANCING POLICY

The rationale for the selection of various funding sources is set out in our Revenue and Financing Policy.

SEPARATELY USED OR INHABITED PART OF RATING UNIT

A separately used or inhabited part of a rating unit is any part of a rating unit that is or is able to be separately used or inhabited by the ratepayer, or by any other person or body having a right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement.

STORMWATER SERVICED AREAS

These are the rating units within the residential, business and industrial zones in Council's Operative District Plan within the townships of Matamata, Morrinsville, Te Aroha and Waharoa.

WASTE MANAGEMENT SERVICED AREAS

These areas are detailed in the Waste Management Serviced Areas Map (June 2015) which can be found in the pages following and on our website: www.mpdc.govt.nz/plans/long-term-plan

HALL RATING AREAS

These areas are detailed in the Hall Rating Areas Map (1989) which can be found in the pages following and on our website www.mpdc.govt.nz/plans/long-term-plan.

LUMP SUM CONTRIBUTIONS

The Council does not invite lump sum contributions for any targeted rates.

EXAMPLES OF THE IMPACT OF RATES FOR 2018/19

Our district has a mix of rural and urban properties, and the rates outlined in this Funding Impact Statement affect each property differently because of the differing services that are provided or available to each. Any changes made to the General Rate have a greater impact on higher valued properties as they are calculated as a percentage of the capital value of the property. Changes in the uniform annual general charge affect properties equally as everyone pays the same amount. Changes to Targeted Rates mainly affect urban services.

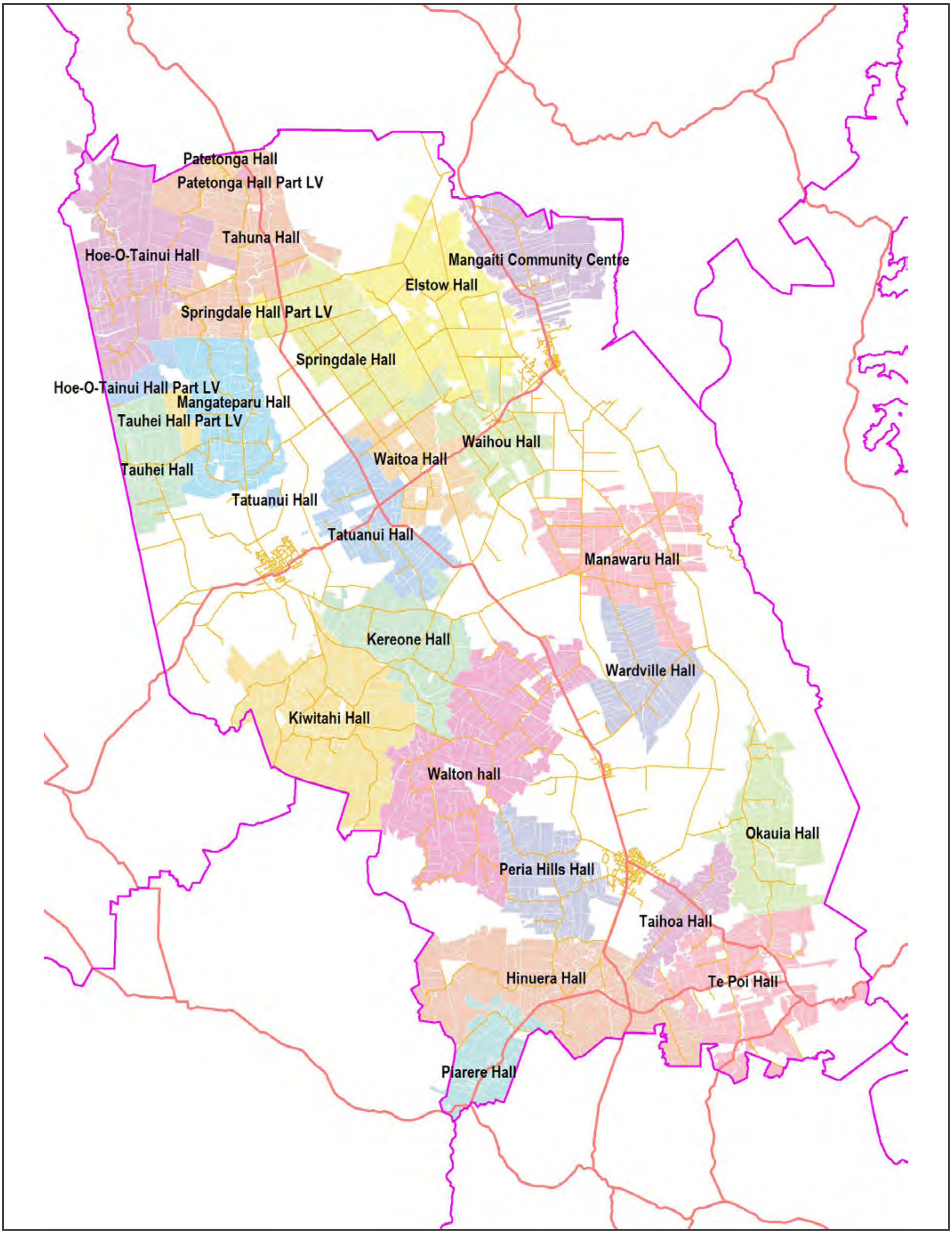
Examples of how a range of properties are impacted by the rates for 2018/19 are outlined below. (Note that this is in an average district-wide example intended to be indicative only.) There will be minor variances for various wards or rating areas due to differing rural hall rates applied. The indicative rates below include GST.

	Rates 2017/18	Forecast rates 2018/19	Increase from the previous year
Urban home worth $350,000 (connected to all services)	$2,220	$2,247	1.21%
Urban home worth $550,000 (connected to all services)	$2,480	$2,506	1.06%
Rural lifestyle property worth $400,000 (services not available)	$1,118	$1,212	8.39%
Rural lifestyle property worth $800,000 (services not available)	$1,637	$1,729	5.65%
Commercial property worth $300,000 (with additional two pans and connected to all services)	$3,429	$3,523	2.75%
Commercial property worth $700,000 (with additional two pans and connected to all services)	$3,948	$4,040	2.35%
Rural property worth $4million (services not available)	$5,789	$5,871	1.42%
Rural property worth $8million (services not available)	$10,979	$11,048	0.63%

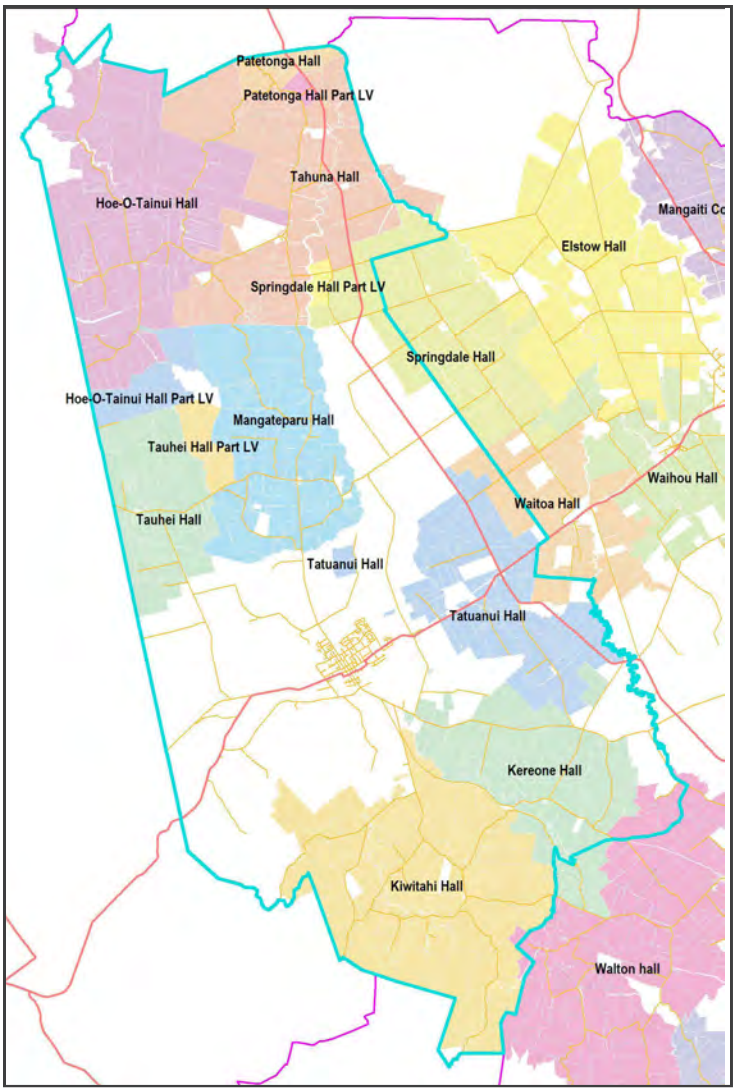
HALL RATING AREAS

Please visit our website mpdc.govt.nz and refer to the Hall Rating Areas (1989) for this information.

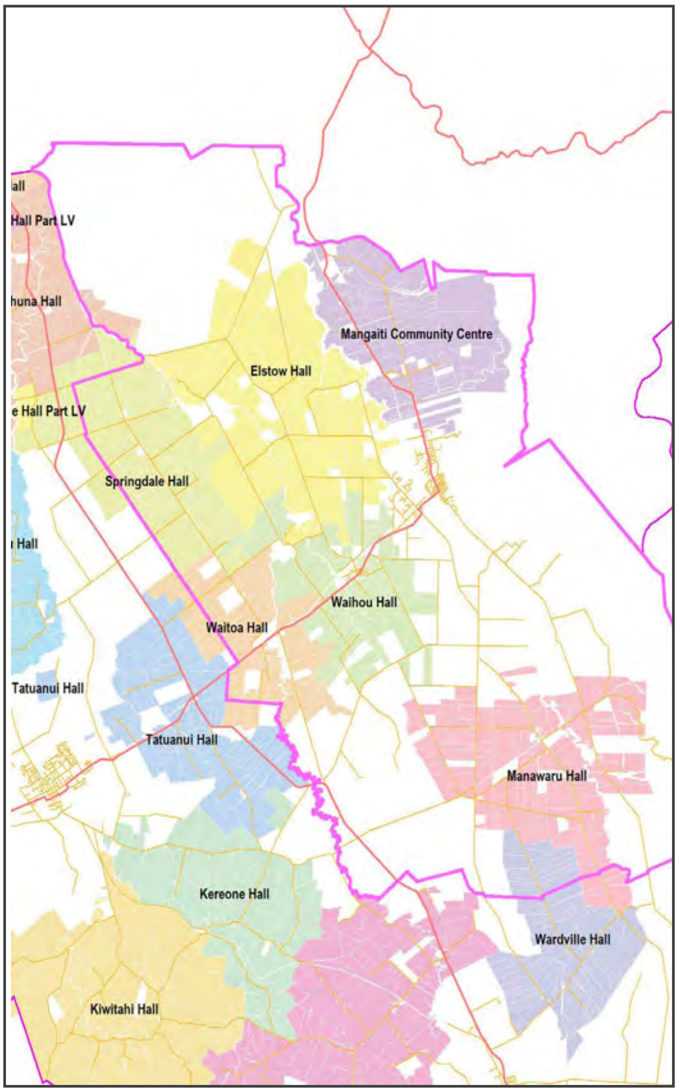
HALL RATINGS MATAMATA-PIAKO DISTRICT



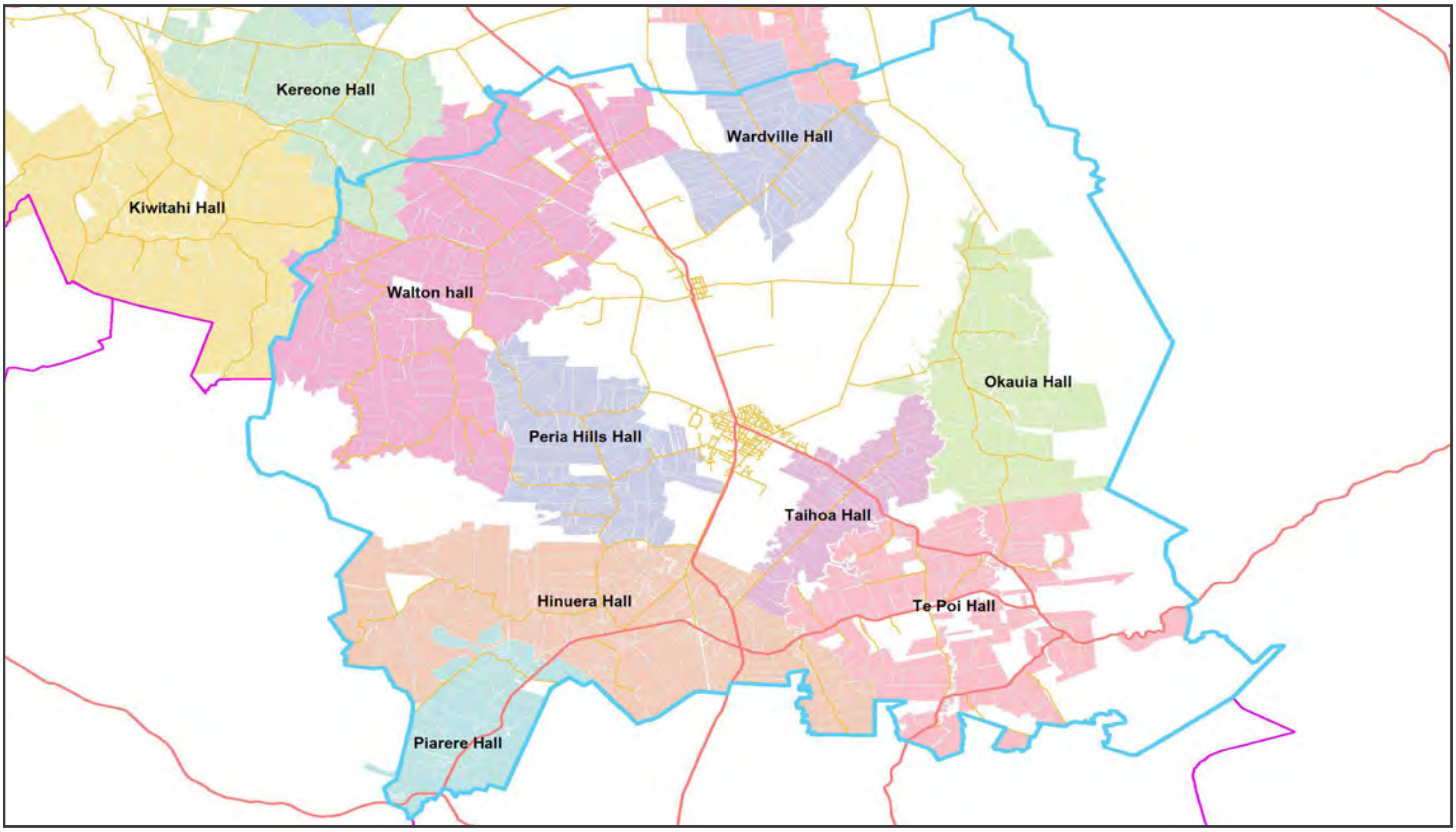
HALL RATINGS MORRINSVILLE



HALL RATINGS TE AROHA



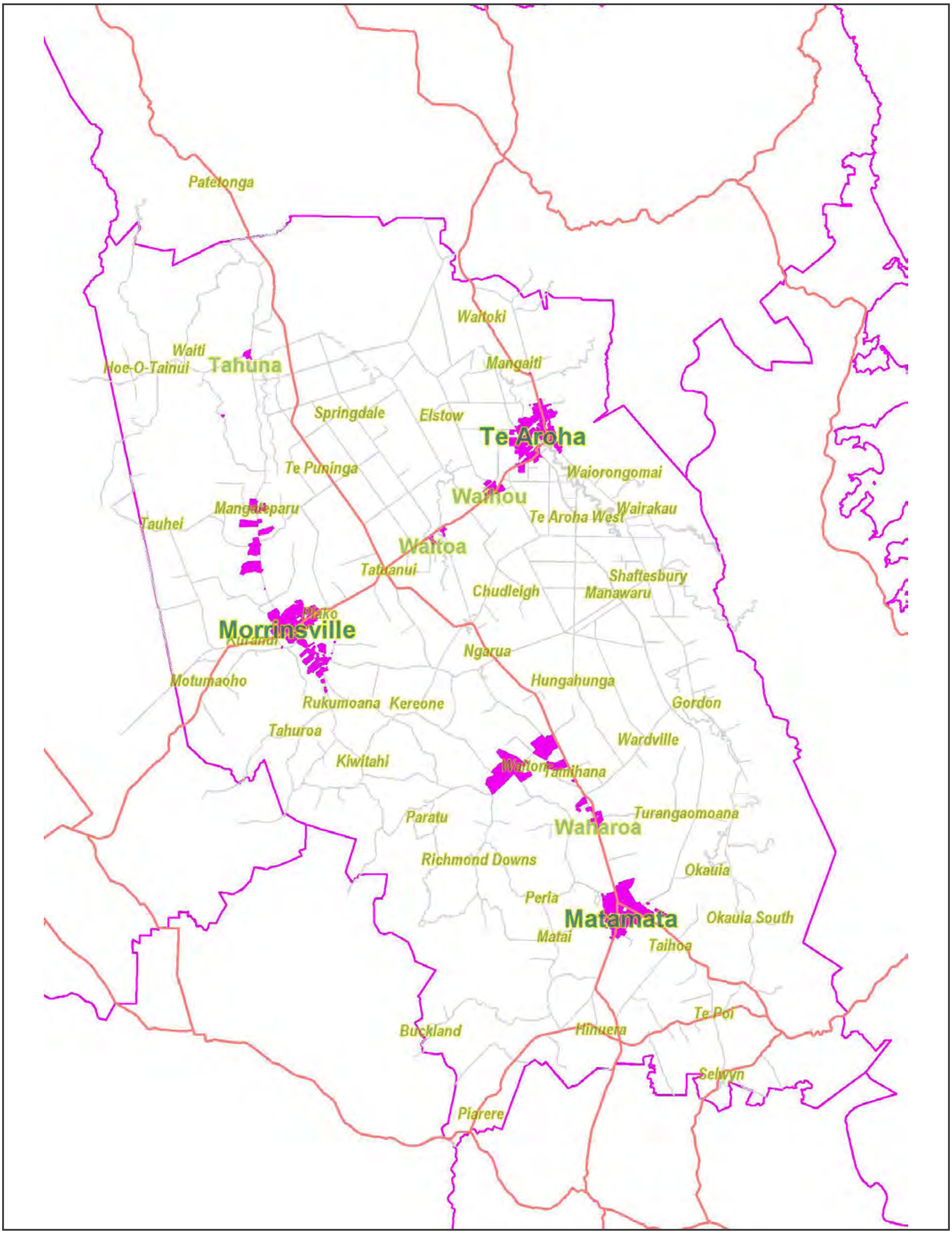
HALL RATINGS MATAMATA



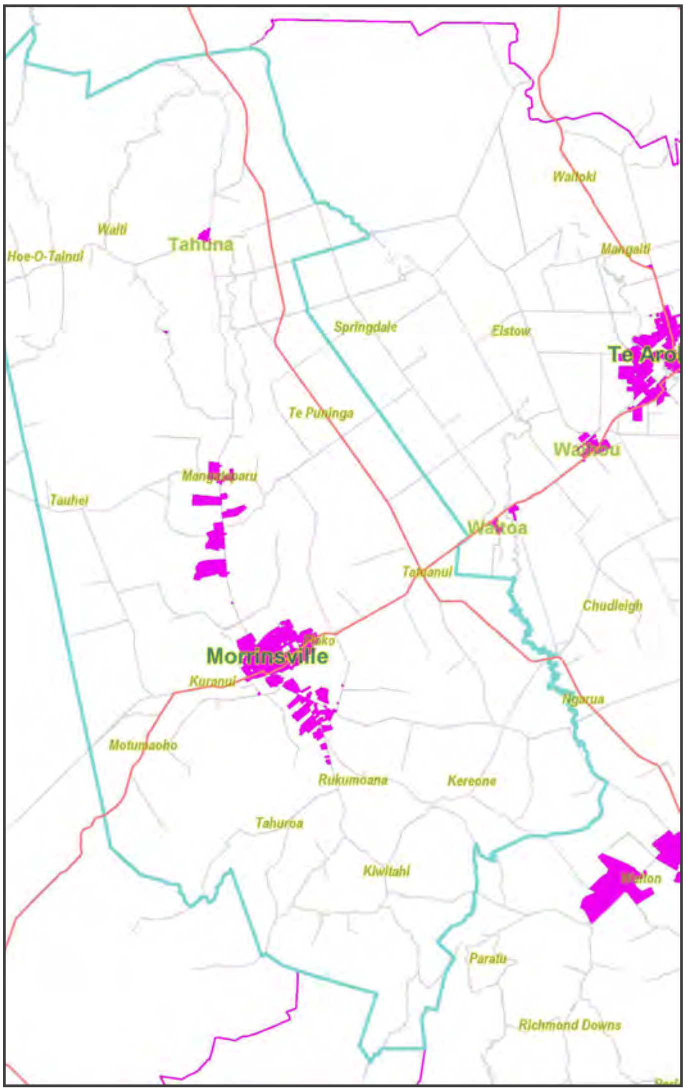
WASTE MANAGEMENT SERVICED AREAS

These areas are detailed in the Solid Waste Serviced Areas Map (June 2015) which can be found on our website.

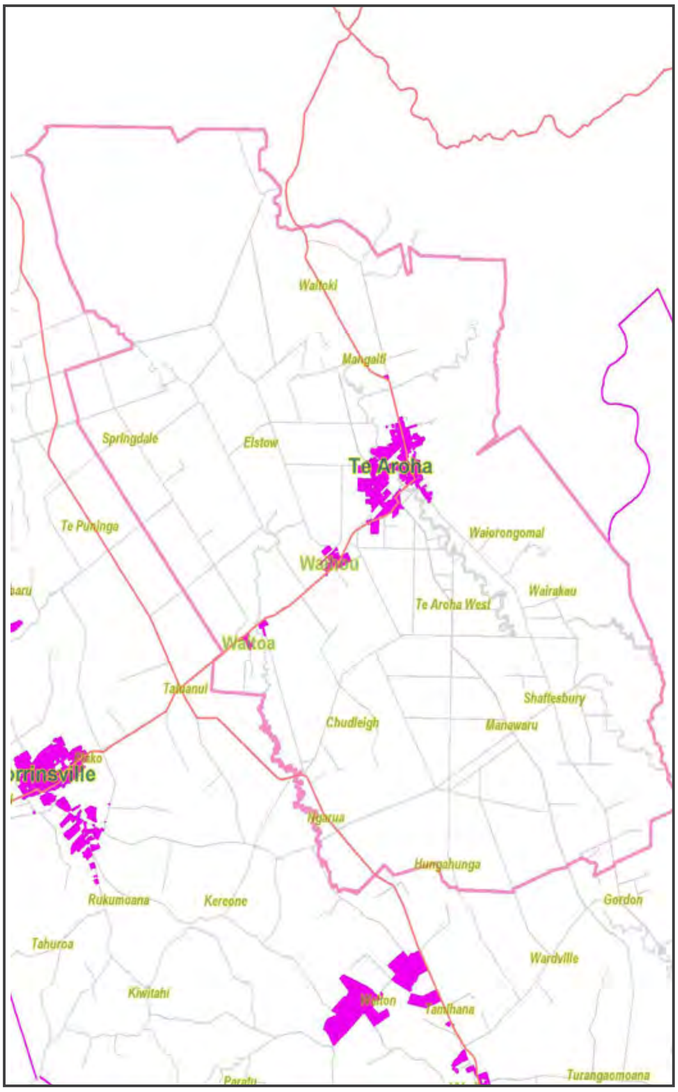
WASTE MANAGEMENT SERVICED AREAS MATAMATA-PIAKO DISTRICT



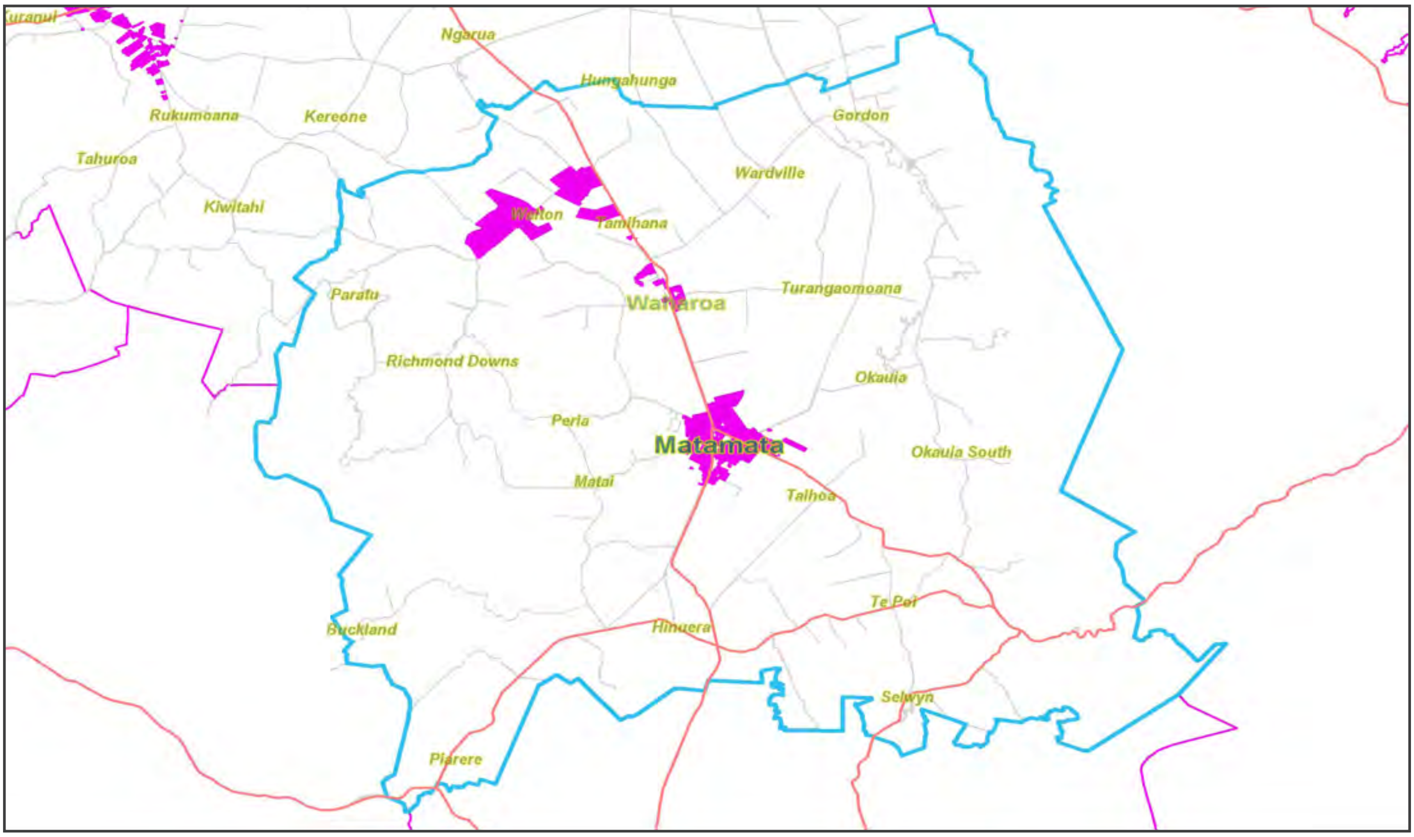
WASTE MANAGEMENT SERVICED AREAS MORRINSVILLE



WASTE MANAGEMENT SERVICED AREAS TE AROHA



WASTE MANAGEMENT SERVICED AREAS MATAMATA



LONG TERM PLAN DISCLOSURE STATEMENT

LONG TERM PLAN DISCLOSURE STATEMENT FOR PERIOD COMMENCING 1 JULY 2018

WHAT IS THE PURPOSE OF THIS STATEMENT?

The purpose of this statement is to disclose the council's planned financial performance in relation to various benchmarks to enable the assessment of whether we are prudently managing our revenues, expenses, assets, liabilities, and general financial dealings. We are required to include this statement in our Long Term Plan in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

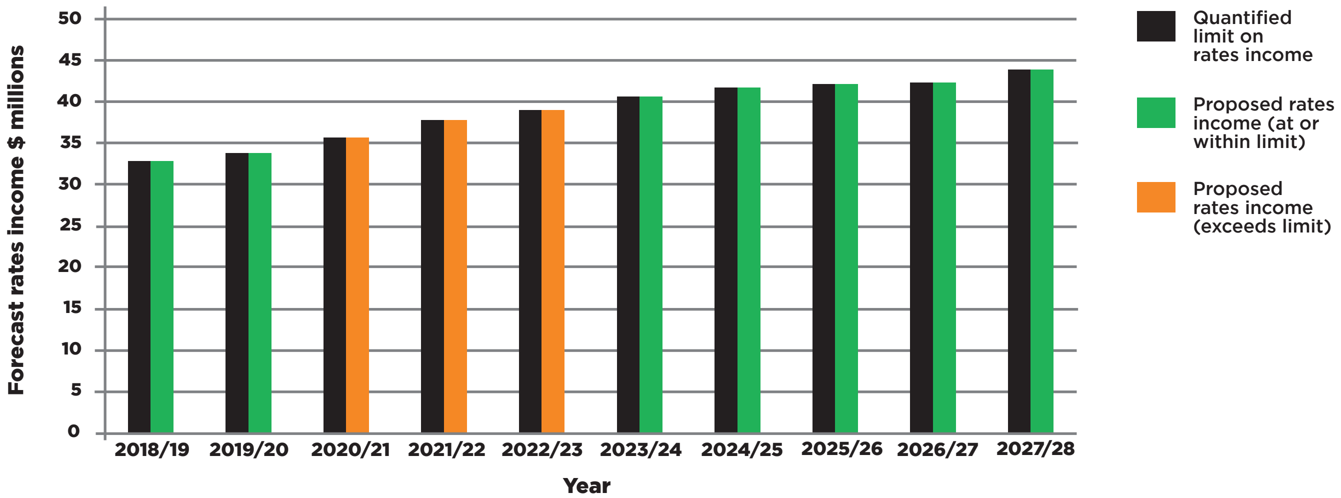
RATES AFFORDABILITY BENCHMARK

The Council meets the rates affordability benchmark if:

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

RATES (INCOME) AFFORDABILITY

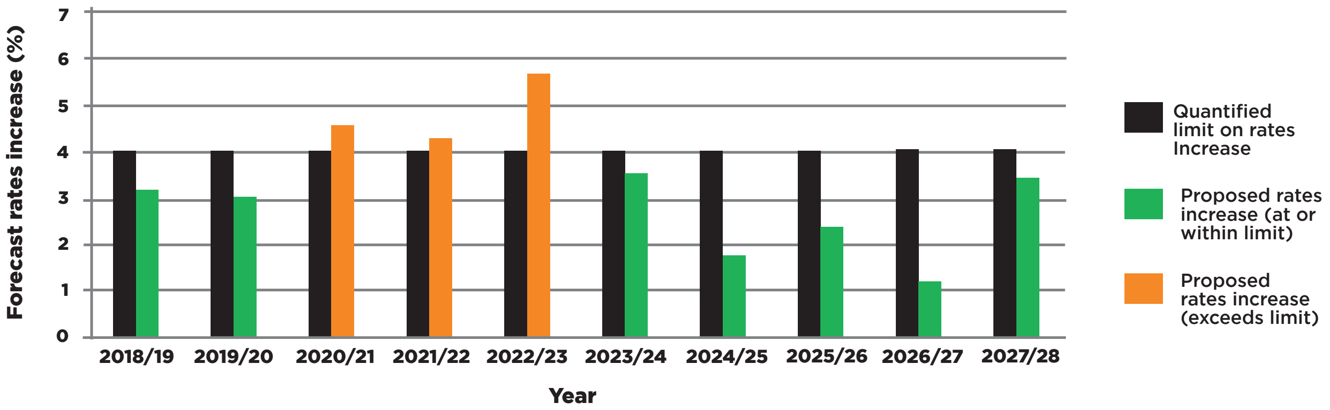
The following graph compares the Council's planned rates with a quantified limit on rates contained in the financial strategy included in this long-term plan. The quantified limit is: Annual rates revenue[1] will not increase by more than 4%.



[1] For the purposes of this calculation, rates revenue excludes penalties (which are not budgeted for), and the rate revenue from metered water supplies (the majority of which come from a few large industrial users). These items are excluded as the level of revenue received is not within Councils' direct control.

RATES (INCREASES) AFFORDABILITY

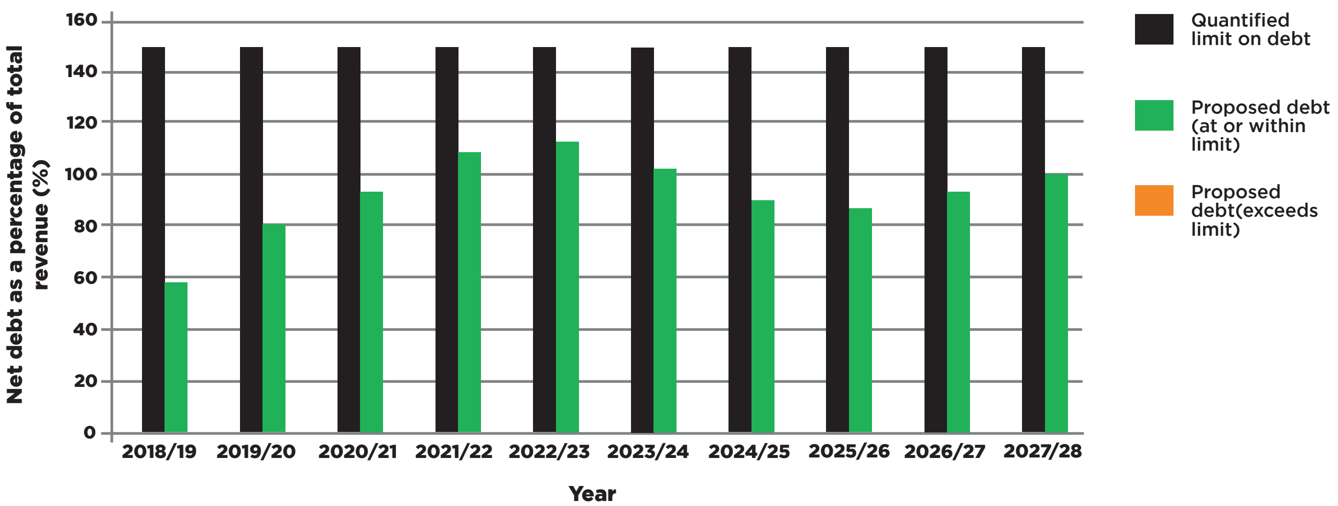
The following graph compares the council's planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this long-term plan. The quantified limit is: Annual rates revenue[1] will not be more than 4%.



[1] For the purposes of this calculation, rates revenue excludes penalties (which are not budgeted for), and the rate revenue from metered water supplies (the majority of which come from a few large industrial users). These items are excluded as the level of revenue received is not within Councils' direct control.

DEBT AFFORDABILITY BENCHMARK

The council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing. The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this long-term plan. The quantified limit is: Net debt as a percentage of total revenue will not exceed 150%.[2]

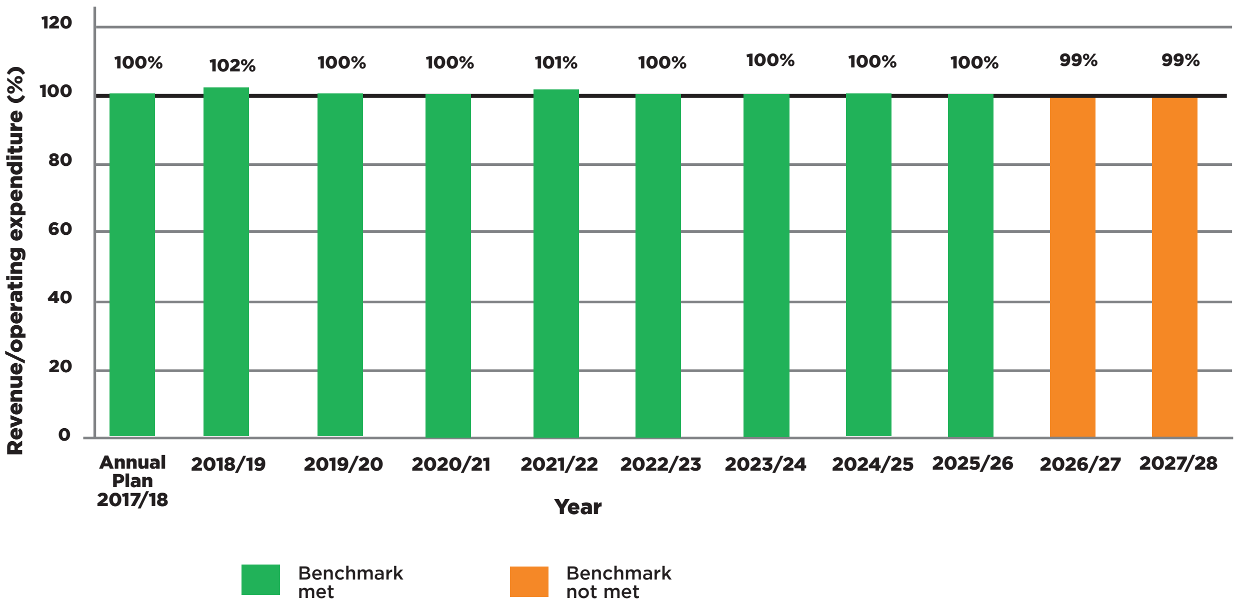


[2]Consistent with our Liability Management Policy:

- net debt is calculated as external debt less cash, bank deposits and investments realisable in the short term
- total revenue excludes development and financial contributions, vested and found assets and other gains.

BALANCED BUDGET BENCHMARK

The following graph displays the council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, and equipment). The council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.

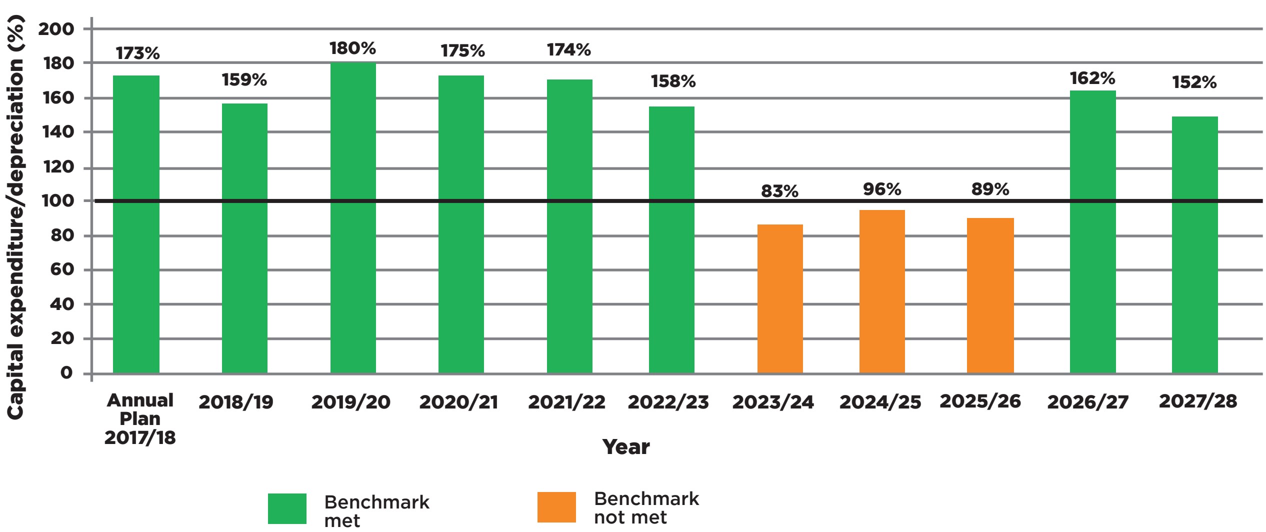


ESSENTIAL SERVICES BENCHMARK

The following graph displays the council's planned capital expenditure on network services as a proportion of expected depreciation on network services. The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

COMMENT

While the graph highlights that we will not meet the essential services benchmark for three of the 10 years of this plan, this is only due to the planned timing of our capital and renewal work to be undertaken. On an overall basis, we are planning to spend $193 million in capital on our network services over the next 10 years, and collect $132 million in depreciation over the same time.



DEBT SERVICING BENCHMARK

The following graph displays the council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, and equipment). Because Statistics New Zealand projects the council's population will grow more slowly than the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.