Financial Statements and Financial Statement Notes

Financial Statements

Statement of comprehensive income for the year ended 30 June 2014

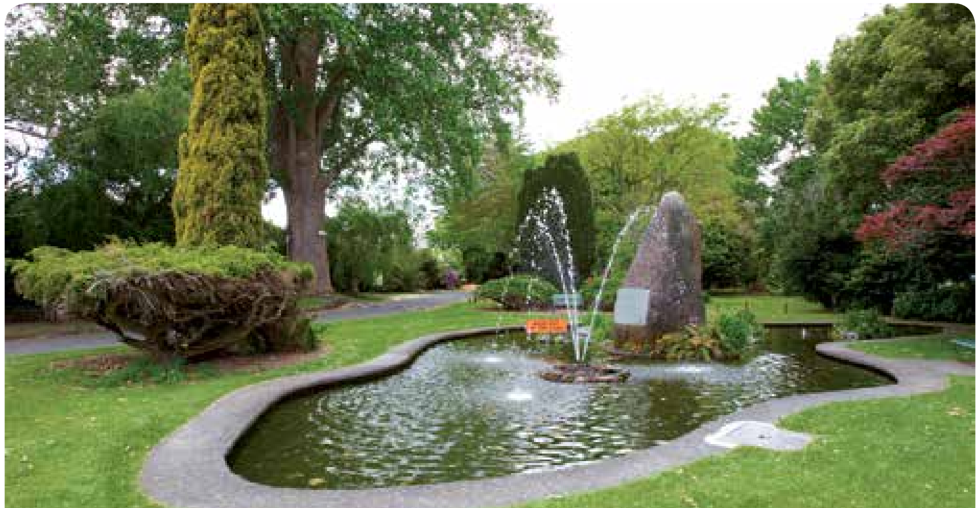
Actual 2012/13		Notes	Annual Plan Budget 2013/14	Actual 2013/14
$000			$000	$000
	Income			
18,306	General rates, uniform annual general charges, rates penalties	2	18,437	18,836
11,664	Targeted rates (other than a targeted rate for water supply)	2	11,802	11,552
101	Lump sum contributions		97	101
2,590	Subsidies and grants for operating purposes	3	2,318	2,481
2,744	Subsidies and grants for capital expenditure	3	2,831	3,088
7,150	Fees, charges and targeted rates for water supply	4	7,063	7,683
964	Interest and dividends from investments	5	618	1,425
265	Local authorities fuel tax, fines, infringement fees, and other receipts	6	259	261
421	Development and financial contributions		650	367
105	Vested and found assets	7	576	1,299
2,177	Other gains	8	104	1,364
46,487	**Total income**		**44,755**	**48,457**
	Expenditure			
16,682	Payments to suppliers	9	15,822	16,003
11,939	Payments to staff	9	12,614	12,208
2,566	Finance costs	10	3,016	2,206
13,476	Depreciation and amortisation	19-21	13,287	13,209
1,618	Other losses	8	-	999
46,281	**Total expenditure**		**44,739**	**44,625**
2	Share of joint venture surplus/(deficit)	11	-	18
208	**Surplus/(deficit) for the year to date**		**16**	**3,850**
	Other comprehensive income			
-	Gains/(losses) on property, plant and equipment revaluations	26	-	11,443
-	**Total other comprehensive income**		**-**	**11,443**
208	**Total comprehensive income**		**16**	**15,293**

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 2014

Actual 2012/13		Notes	Annual Plan Budget 2013/14	Actual 2013/14
$000			$000	$000
537,417	**Balance at 1 July**		**542,720**	**537,625**
208	Total comprehensive income		16	15,293
537,625	**Balance at 30 June**		**542,736**	**552,918**
	Equity represented by:			
420,689	Retained earnings	26	433,829	419,559
116,936	Other reserves	26	108,907	133,359
537,625	**Total equity**		**542,736**	**552,918**

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

Statement of financial position as at 30 June 2014

Actual 2012/13		Notes	Annual Plan Budget 2013/14	Actual 2013/14
$000			$000	$000
	Current assets			
624	Cash and cash equivalents	12	694	1,499
3,862	Debtors and other receivables	13	3,505	4,187
-	Derivative financial instruments	14	-	171
1,238	Other financial assets	16	5,706	1,012
531	Inventory	17	619	435
317	Assets held for sale	18	-	1,115
6,572	**Total current assets**		**10,524**	**8,419**
	Less current liabilities			
13	Derivative financial instruments	14	-	-
5,067	Creditors and other payables	22	3,042	5,630
1,390	Employee entitlements	23	1,345	1,341
5,163	Borrowings	24	3,081	5,976
117	Provisions	25	68	67
11,750	**Total current liabilities**		**7,536**	**13,014**
(5,178)	**Working capital**		**2,988**	**(4,595)**
	Non-current assets			
216	Derivative financial instruments	14	-	747
3,062	Investments in Council controlled organisations and other entities	15	2,876	3,279
12,789	Other financial assets	16	18,477	12,380
557,388	Property, plant and equipment	19	572,068	567,498
971	Intangible assets	20	1,263	1,082
574,426	**Total non-current assets**		**594,684**	**584,986**
	Non-current liabilities			
-	Derivative financial instruments	14	-	-
580	Employee entitlements	23	453	568
30,297	Borrowings	24	53,909	26,138
746	Provisions	25	574	767
31,623	**Total non-current liabilities**		**54,936**	**27,473**
537,625	**Net assets**		**542,736**	**552,918**
	Equity represented by:			
420,689	Retained earnings	26	433,829	419,559
116,936	Other reserves	26	108,907	133,359
537,625	**Total equity**		**542,736**	**552,918**

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 2014

Actual 2012/13		Notes	Annual Plan Budget 2013/14	Actual 2013/14
$000			$000	$000
	Cashflows from operating activities			
29,672	General and targeted rates and rates penalties		30,142	30,510
101	Lump sum contributions		97	101
6,999	Subsidies and grants		5,149	5,809
7,270	Fees, charges and targeted rates for water supply		7,063	7,835
505	Interest from investments		229	186
266	Local authorities fuel tax, fines, infringement fees and other receipts		357	264
421	Development and financial contributions		650	367
(1,951)	Net GST		-	(200)
(26,592)	Payments to staff and suppliers		(28,436)	(27,506)
(2,623)	Finance costs		(3,016)	(2,244)
14,068	**Net cashflow from operating activities**	**27**	**12,235**	**15,122**
	Cashflows from investing activities			
179	Repayment of loans and advances		152	(34)
208	Sale of assets		-	190
3,639	Proceeds from sale/maturity of investments and dividends received		390	1,369
(12,700)	Purchase of property, plant and equipment		(17,076)	(12,334)
(60)	Purchase of intangible assets		(217)	(313)
(20)	Acquisition of investments		(551)	-
54	Forward foreign exchange contracts		-	221
663	Repurchase of own your own properties		-	-
(8,037)	**Net cashflow from investing activities**		**(17,302)**	**(10,901)**
	Financing activities			
17,500	Proceeds from borrowings		7,192	-
(26,313)	Repayment of borrowings		(2,600)	(3,346)
(8,813)	**Net cashflow from financing activities**		**4,592**	**(3,346)**
(2,782)	Net increase/(decrease) in cash and cash equivalents		(475)	875
3,406	Opening cash and cash equivalents		1,169	624
624	**Closing cash and cash equivalents**	**12**	**694**	**1,499**

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

The accompanying notes form part of these financial statements.

1. Statement of accounting policies

Reporting entity

Matamata-Piako District Council is a local authority governed by the Local Government Act 2002 (LGA) and is domiciled in New Zealand.

Matamata-Piako District 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 primary objective of Matamata-Piako District Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly Matamata-Piako District Council has designated itself as a Public Benefit Entity (PBE) for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of Matamata-Piako District Council are for the year ended 30 June 2014. The financial statements were authorised for issue by Council on 8 October 2014. Council does not have the power to amend the financial statements after issue.

Basis of preparation

Statement of compliance
The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS and other applicable financial reporting standards as appropriate for PBEs.

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

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

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

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to Council are:
NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following 3 main phases:
- Phase 1 Classification and Measurement,
- Phase 2 Impairment Methodology, and
- Phase 3 Hedge Accounting.

Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Council is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current international Public Sector Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. Therefore we will transition to the new standards in preparing our 30 June 2015 financial statements. We have not assessed the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for PBEs, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to PBEs. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude PBEs from their scope.

Significant accounting policies

Joint venture
Council recognises its interest in its 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 Council's share of the surplus or deficit of the jointly controlled entity after the date of acquisition. Council's share of the profit or loss of the jointly controlled entity is recognised in Council's statement of comprehensive income. The carrying amount of the investment is shown as shares in the statement of financial position.

Financial Statement Notes

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

Rates
Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced over four installments within the financial year to which the rates have been set. Rates revenue is recognised at the due date of each installment.

Private works
The revenue from private works is recognised as revenue by reference the stage of completion of the work at balance date.

Government grants
Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Other grants and bequests received by Council are recognised as revenue when control over the asset is obtained.

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 income is recognised using the effective interest method. Interest income 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 income
Rental income arising on property owned by Council is accounted for on a straight line basis over the lease term.

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

Vested assets
Vested asset income recognises the value of land and/or infrastructural works that have been handed over to Council following completion of the subdivision consent process. Vested assets are valued by applying standard unit rates to actual quantities of infrastructural components vested. The rates used are provided by the land developers and tested for reasonableness by Council engineering staff. Vested asset income is recognised as revenue when control over the asset is obtained.

Found assets
Found asset income recognises the value of assets that are owned by Council, or where Council has 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.

Borrowing costs
The Council has elected to defer the adoption of NZ IAS 23 *Borrowing Costs (Revised 2007)* in accordance with its transitional provisions that are applicable to PBEs. Consequently, all borrowing costs are recognised as an expense when incurred.

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

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant.

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.

Leases
Finance leases, which transfer to the Council substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating leases do 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.

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.

Debtors and other receivables
Debtors and other receivables are recorded at their face value, less any provision for impairment.

Impairment of a receivable is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

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 its treasury policies, the Council does 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 income. 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 the Council commits 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 the Council has 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 income.

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 income
Financial assets at fair value through other comprehensive income are those that are designated into the category at initial recognition or are not classified 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 income, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

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

Loans and other receivables and held to maturity investments
Impairment is established when there is objective evidence that the Council will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is 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 income
For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt 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 income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

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

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

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. Where inventory is acquired at no cost or for nominal consideration, the cost is the current replacement cost 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.

Financial Statement Notes

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
Property, plant and equipment consists of:

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.

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

Revaluation
Land, buildings (operational and restricted), and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

Council assesses the carrying values of its revalued 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.

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

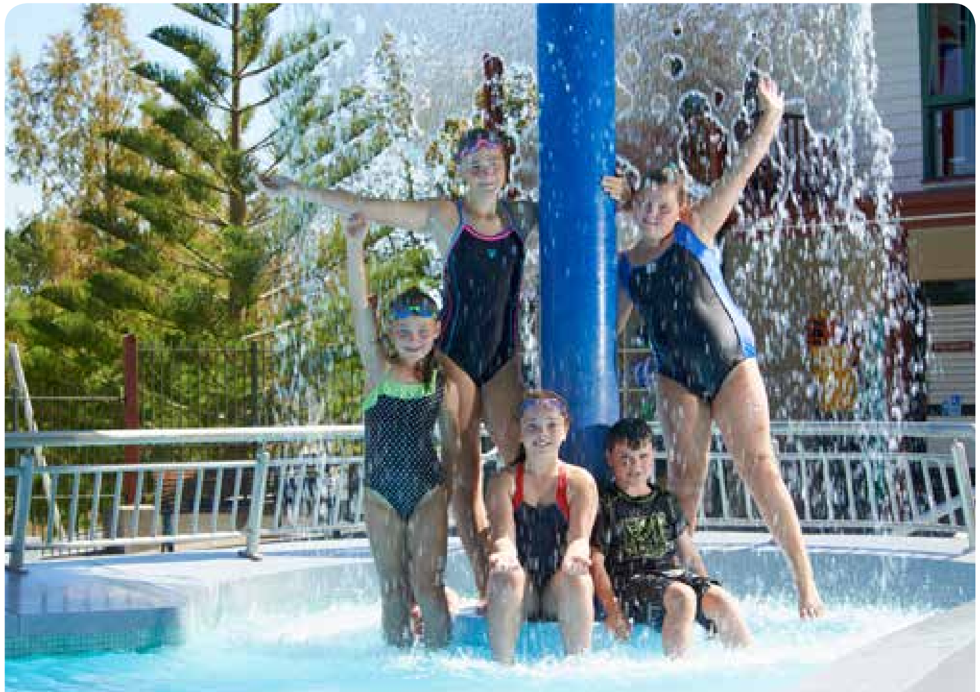
The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income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

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

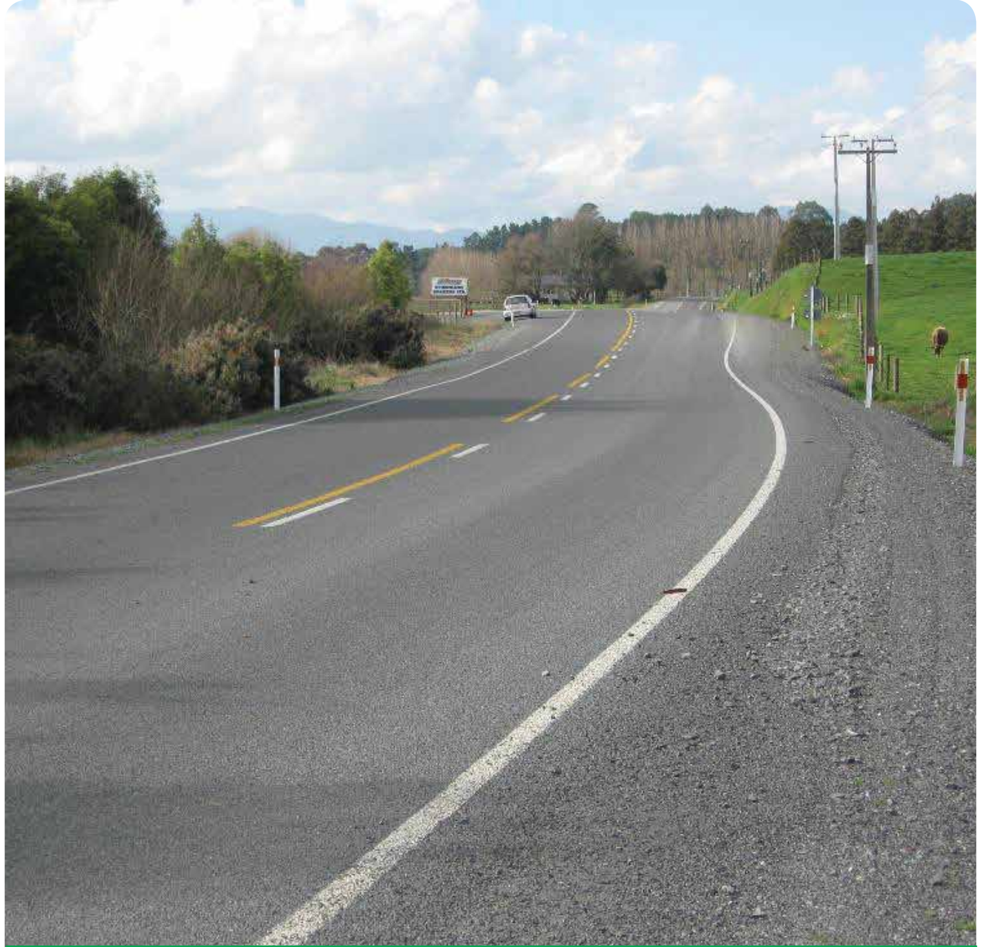
Work in progress is recognised at cost less impairment and is not depreciated.

Property, plant and equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

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.



Te Aroha Leisure Pools.



Morrinsville-Walton Road, Morrinsville.

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	**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 the Council and the cost of the item can be measured reliably.

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

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 an associated amortisation 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.

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 assets' ability to generate net cash inflows and where the Council 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.

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 income 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.

Creditors and other 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 the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Employee entitlements
Short term benefits
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 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 benefits
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 cash flows.

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 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 the Council and which may not be revised by the Council 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. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Asset revaluation reserves - represent unrealised gains on assets owned by Council. 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 presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

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

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

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by the Council for 2013/14 within its 2013/14 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 financial statements.

Cost allocation

The cost of service for each significant activity of the Council 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, that 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 cost allocation system was reviewed in 2013/14, and the split of overheads between the groups of activities was compared to other similar District Councils to ensure it was appropriate.

Financial Statement Notes

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 2014:

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.

Council maintain and manage public pools within the district.

2. Rates

Actual 2012/13		Actual 2013/14
$000		$000
	General rates, uniform annual general charges, rate penalties	
18,132	General rates and uniform annual general charges	18,657
174	Rates penalties	179
18,306	**Total**	**18,836**
	Targeted rates (other than a targeted rate for water supply)	
2,792	- Water	2,658
6,116	- Wastewater	6,545
965	- Stormwater	867
329	- Community Development	101
1,377	- Refuse	1,292
85	- Halls	89
11,664	**Total**	**11,552**
29,970	**Total revenue from rates**	**30,388**

Rates remissions

Actual 2012/13		Actual 2013/14
30,745	Total gross rates (excluding targeted water supply rates)	31,048
	Rates remissions:	
(2)	Land used for sport	(2)
(4)	Land protected for historical or cultural purposes	(4)
(769)	Pan charges	(654)
(775)	**Total remissions**	**(660)**
29,970	**Rates net of remissions (excluding targeted water supply rates)**	**30,388**

Financial Statement Notes

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 2014 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

Actual 2012/13		Actual 2013/14
$000		$000
29,970	Rates, excluding targeted water supply rates	30,388
1,509	Targeted rates for water supply (note 4)	1,982
101	Lump sum contributions	101
31,580	**Total annual rates revenue**	**32,471**

Financial data graphs.

3. Subsidies and grants

Actual 2012/13		Actual 2013/14
$000		$000
	Subsidies and grants for operating purposes	
2,494	New Zealand Transport Agency roading subsidies	2,378
96	Other government subsidies	103
2,590	**Total**	**2,481**
	Subsidies and grants for capital expenditure	
2,744	New Zealand Transport Agency roading subsidies	2,804
-	Other government subsidies	284
2,744	**Total**	**3,088**
5,334	**Total subsidies and grants**	**5,569**

There are no unfulfilled conditions or other contingencies attached to government subsidies recognised (2013: nil)

4. Fees, charges and targeted rates for water supply

Actual 2012/13		Actual 2013/14
$000		$000
519	Lease revenue	546
1,509	Targeted rates for water supply (metered water)	1,982
701	Trade waste charges	788
4,421	Other user charges	4,367
7,150	**Total fees, charges and targeted rates for water supply**	**7,683**

Financial Statement Notes

5. Interest and dividends from investments

Actual 2012/13		Actual 2013/14
$000		$000
439	Interest	177
525	Dividends	1,248
964	**Total interest and dividends from investments**	**1,425**

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

Actual 2012/13		Actual 2013/14
$000		$000
224	Local authorities fuel tax	224
41	Fines and infringement fees	37
-	Other receipts	-
265	**Total local authorities fuel tax, fines, infringement fees and other receipts**	**261**

7. Vested and found assets

Actual 2012/13		Actual 2013/14
$000		$000
	Vested assets	
90	Roading	815
6	Water	70
-	Stormwater	60
9	Wastewater	95
-	Restricted land	22
	Found assets	
-	Restricted land	47
-	Restricted buildings	171
-	Infrastructural buildings	19
105	**Total vested and found assets**	**1,299**

School zone signs, Stanley Ave, Te Aroha.


Matai Road, Matamata.

Financial Statements

Financial Statement Notes

8. Other gains and losses

Actual 2012/13		Actual 2013/14
$000		$000
	Other gains	
1,498	Unrealised gain on financial assets at fair value through surplus or deficit	429
34	Net gain on forward foreign exchange contracts	405
645	Net gain on interest rate swaps	530
2,177	**Total other gains**	**1,364**
	Other losses	
1,447	Loss on disposal of property, plant and equipment	681
52	Loss on disposal of held to maturity investments	-
-	Impairment of assets	272
7	Impairment of investments in Council Controlled Organisations and other entities	17
112	Unrealised loss on loans and receivables	29
1,618	**Total other losses**	**999**

9. Payments to suppliers and staff

Actual 2012/13		Actual 2013/14
$000		$000
	Payments to suppliers	
	Fees paid to the principal auditor:	
109	Financial statement audit fee	117
3	Debenture trust deed audit fee	3
-	Long Term Plan audit fee	-
12	Other services	-
	Other payments:	
42	Review of provisions (note 25)	33
13	Operating lease payments	38
604	Donations and grants	524
17	Impairment of receivables (note 13)	1
6	Receivables written-off during the period	-
338	Councillors remuneration	358
15,538	Other operating expenses	14,929
16,682	**Total payments to suppliers**	**16,003**
	Payments to staff:	
11,573	Salaries and wages	12,326
167	Defined contribution plan employer contributions	198
199	Increase/(decrease) in employee entitlements	(316)
11,939	**Total payments to staff**	**12,208**

The fees paid to our principal auditor (Audit New Zealand) for other services in the year ending 30 June 2013 were for an assurance review over the probity of the procurement of shared solid waste services for the Eastern Waikato Councils.

10. Finance costs

Actual 2012/13		Actual 2013/14
$000		$000
	Interest expense:	
2,392	- Interest on bank borrowings	2,024
30	- Discount unwind on provisions (note 25)	28
	Interest derivatives (presented net):	
144	- Held for trading interest rate swaps	154
2,566	**Total finance costs**	**2,206**

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 income. 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 2013/14
$000		$000
55	Balance at 1 July	57
2	Share of surplus/(deficit)	18
57	**Balance at 30 June**	**75**

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

Actual 2012/13		Actual 2013/14
$000		$000
43	Current assets	111
19	Non-current assets	24
5	Current liabilities	60
57	Net assets	75
(77)	Share of expenses	(248)
79	Share of income	266
2	Share of surplus/(deficit)	18

12. Cash and cash equivalents

Actual 2012/13		Actual 2013/14
$000		$000
624	Cash at bank and on hand	1,499
-	Term deposits and investments with maturities less than three months	-
624	**Total cash and cash equivalents**	**1,499**

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.

13. Debtors and other receivables

Actual 2012/13		Actual 2013/14
$000		$000
1,091	Rates receivables	1,073
190	Water receivables	328
659	New Zealand Transport Agency subsidy receivable	417
-	Related party receivables (note 30)	2
204	GST receivables	404
1,076	Other general receivables	847
963	Accrued income	1,438
4,183	**Gross debtors and other receivables**	**4,509**
(321)	Less provision for impairment	(322)
3,862	**Total debtors and other receivables**	**4,187**

Fair value
Debtors and other 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:

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**

2012/13			
	Gross	Impairment	Net
	$000	$000	$000
Not past due	3,706	-	3,706
Past due 1 - 60 days	2	-	2
Past due 61- 90 days	31	(1)	30
Past due > 90 days	444	(320)	124
Total	**4,183**	**(321)**	**3,862**

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 2012/13		Actual 2013/14
$000		$000
293	Individual impairment	297
28	Collective impairment	25
321	**Total provision for impairment**	**322**

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 2012/13		Actual 2013/14
$000		$000
-	Past due 1- 60 days	-
-	Past due 61 - 90 days	-
293	Past due > 90 days	297
293	**Total individual impairment**	**297**

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

Actual 2012/13		Actual 2013/14
$000		$000
310	Balance at 1 July	321
17	Additional provisions made during the year	1
(6)	Receivables written off during period	-
321	**Balance at 30 June**	**322**

14. Derivative financial instruments

Actual 2012/13		Actual 2013/14
$000		$000
	Current assets	
-	Forward foreign exchange contracts – held for trading	171
-	**Total current assets**	**171**
	Non-current assets	
216	Interest rate swaps - held for trading	747
216	**Total non-current assets**	**747**
216	**Total derivative financial instrument assets**	**918**
	Current liabilities	
13	Forward foreign exchange contracts - held for trading	-
13	**Total current liabilities**	**-**
	Non-current liabilities	
-	Interest rate swaps – held for trading	-
-	**Total non-current liabilities**	**-**
13	**Total derivative financial instrument liabilities**	**-**

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 were $6,536,952 (2013: $1,060,000).

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts were $33,500,000 (2013: $29,000,000).

15. Investments in Council Controlled Organisations and other entities

Actual 2012/13		Actual 2013/14
$000		$000
2,623	Waikato Regional Airport	2,623
116	New Zealand Local Government Insurance Corporation	116
57	Thames Valley Combined Civil Defence Committee	75
70	Local Authority Shared Services Limited	53
176	Local Government Funding Agency	392
20	Hauraki Rail Trail Charitable Trust	20
3,062	**Total investments in Council Controlled Organisations and other entities**	**3,279**

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 2014, Council has $392,000 in borrowing notes invested with the Local Government Funding Agency at floating rates of interest (2013: $176,000). These will mature between December 2017 and April 2023.

Financial Statement Notes

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 2012/13		Actual 2013/14
$000		$000
	Current	
1,045	Term deposits with maturities of 4 -12 months	-
2	Community loans	10
167	Industry loan	178
24	Local authority and other stock	824
1,238	**Total current**	**1,012**
	Non-current	
-	Term deposits with maturities > 12 months	-
12	Community loans	145
979	Industry loan	802
318	Banks Road development loan	324
10,270	Power New Zealand fund	10,699
1,210	Local authority and other stock	410
12,789	**Total non-current**	**12,380**

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 4.61% (2013: 4.16%).

Local authority and other stock

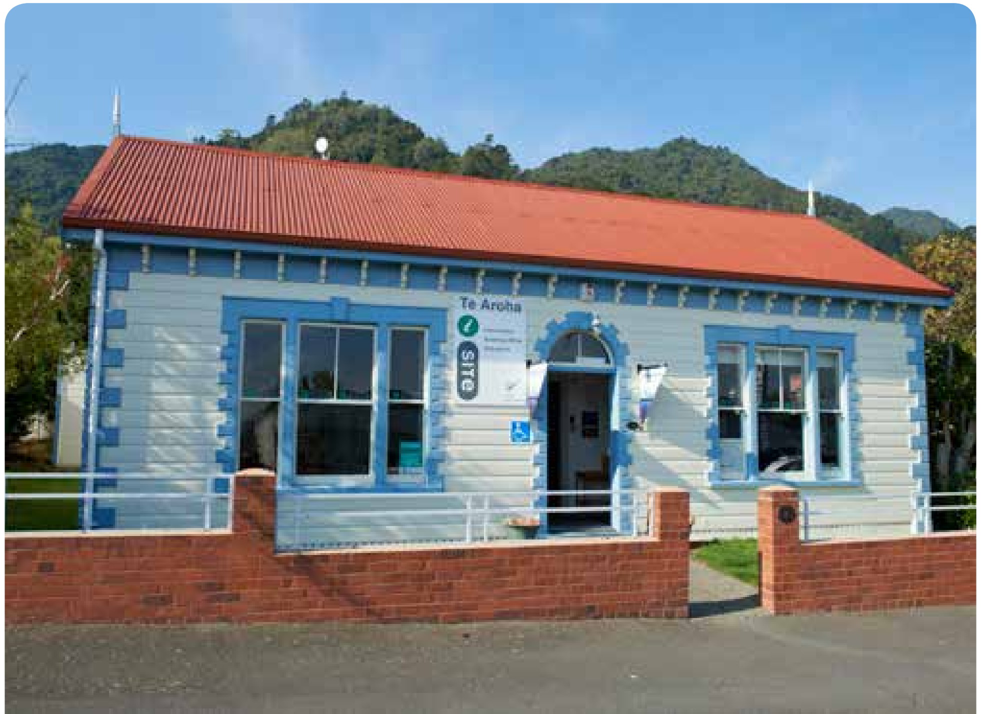
The fair value of local authority and other stock is $1,225,981 (2013: $1,253,329). Fair value has been determined by discounting cash flows from the stocks using a discount rate derived from relevant market inputs.

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 has established an investment policy for the fund that provides for the placement in overseas and New Zealand equities by investment advisor, Michael Chamberlain and Associates New Zealand Limited. The overseas equities are vested with State Street Global Advisors. Council has resolved to commence realisation of the shares when the market value achieves its 1 July 2007 value of $15.6 million. The fund is recognised at fair value determined by reference to published current bid price quotations in an active market.

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.

Financial Statement Notes

17. Inventory

Actual 2012/13		Actual 2013/14
$000		$000
117	Inventory held for distribution	174
414	Land developed for sale	261
531	**Total inventory**	**435**

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 (2013: 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 (2013: nil).

18. Assets held for sale

Actual 2012/13		Actual 2013/14
$000		$000
317	Own your own buildings	345
-	Surplus land	624
-	Surplus buildings	146
317	**Total assets held for sale**	**1,115**

As at 30 June 2014, Council owns three 'own your own' properties in Morrinsville and Te Aroha (2013: Council owned three). Council also owns a 9.4ha property in Morrinsville that is now surplus to requirements. These properties are being actively marketed for sale, and the sales are anticipated within the next financial year.

Morrinsville Library.

Financial Statement Notes

19. Property, plant and equipment

	Cost/ valuation 1 July 2013	Accumulated depreciation and impairment charges 1 July 2013	Carrying value 1 July 2013	Current year additions	Current year vested 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**
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**

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.

Financial Statement Notes

2013/14	Cost/ valuation 1 July 2013	Accumulated depreciation and impairment charges 1 July 2013	Carrying value 1 July 2013	Current year additions	Current year vested 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
	$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**

Financial Statement Notes

	Cost/ valuation 1 July 2012	Accumulated depreciation and impairment charges 1 July 2012	Carrying value 1 July 2012	Current year additions	Current year vested assets	Current year disposals	Work in progress transferred into assets	Current year impairment charges	Current year depreciation	Revaluation surplus	Cost/ valuation 30 June 2013	Accumulated depreciation and impairment charges 30 June 2013	Carrying value 30 June 2013
2012/13	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Operational assets													
Land	16,010	-	16,010	-		89	-	-	-	-	15,921	-	15,921
Buildings	19,264	(885)	18,379	920		-	120	-	(975)	-	20,304	(1,860)	18,444
Restricted													
- Land	14,364	-	14,364	176		-	-	-	-	-	14,540	-	14,540
- Buildings	14,506	(1,958)	12,548	39		-	-	-	(709)	-	14,545	(2,667)	11,878
Plant and machinery	4,467	(2,917)	1,550	272		25	-	-	(346)	-	4,714	(3,263)	1,451
Furniture and equipment	1,607	(1,263)	344	243		-	24	-	(113)	-	1,874	(1,376)	498
Computer equipment	3,130	(2,348)	782	291		-	-	-	(345)	-	3,421	(2,693)	728
Library collections	2,895	(2,372)	523	170		-	-	-	(155)	-	3,065	(2,527)	538
Assets under construction	389	-	389	211	-	-	(144)	-	-	-	456	-	456
Total operational assets	**76,632**	**(11,743)**	**64,889**	**2,322**	**-**	**114**	**-**	**-**	**(2,643)**	**-**	**78,840**	**(14,386)**	**64,454**

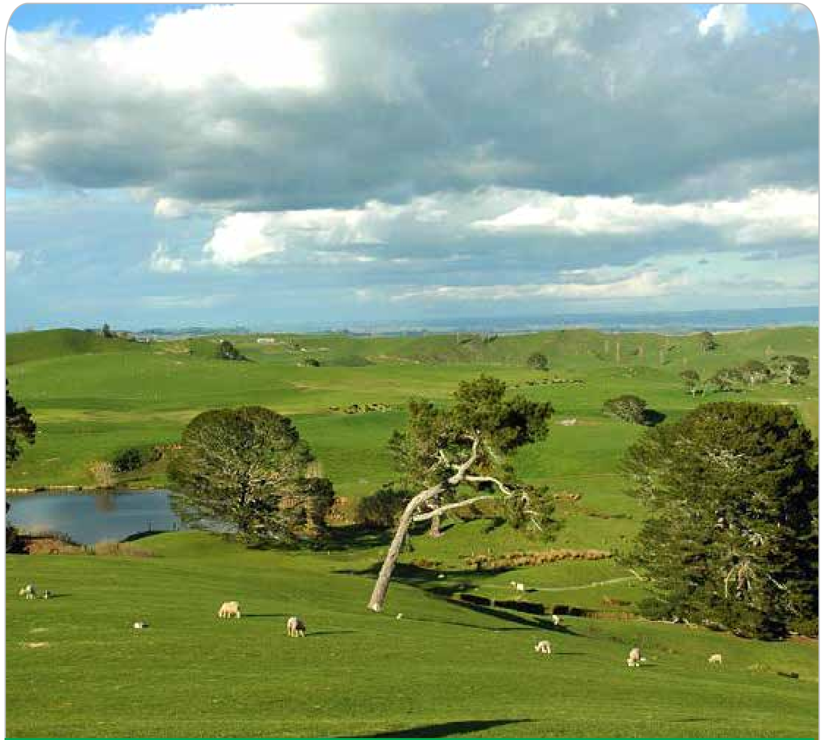
2012/13	Cost/ valuation 1 July 2012	Accumulated depreciation and impairment charges 1 July 2012	Carrying value 1 July 2012	Current year additions	Current year vested assets	Current year disposals	Work in progress transferred into assets	Current year impairment charges	Current year depreciation	Revaluation surplus	Cost/ valuation 30 June 2013	Accumulated depreciation and impairment charges 30 June 2013	Carrying value 30 June 2013
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Infrastructural assets													
Roading	281,899	(5,515)	276,384	5,974	90	285	61	-	(5,658)	-	287,649	(11,173)	276,476
Land under roads	65,548	-	65,548	-		-	-	-	-	-	65,548	-	65,548
Water supply - treatment plants and facilities	11,418	(518)	10,900	240	-	78	151	-	(506)	-	11,731	(1,024)	10,707
Water supply - other assets (including reticulation systems)	32,586	(910)	31,676	691	6	225	437	-	(890)	-	33,495	(1,800)	31,695
Stormwater system	35,070	(660)	34,410	24		20	79	-	(664)	-	35,153	(1,324)	33,829
Wastewater - treatment plants and facilities	37,752	(1,313)	36,439	1,167	-	411	826	-	(1,979)	-	39,334	(3,292)	36,042
Wastewater - other assets (including reticulation systems)	31,310	(584)	30,726	975	9	347	697	-	(880)	-	32,644	(1,464)	31,180
Land	2,956	-	2,956	-		-	-	-	-	-	2,956	-	2,956
Buildings	2,134	(50)	2,084	-		-	-	-	(48)	-	2,134	(98)	2,036
Assets under construction	3,592	(26)	3,566	1,150	-	-	(2,251)	-	-	-	2,491	(26)	2,465
Total infrastructural assets	**504,265**	**(9,576)**	**494,689**	**10,131**	**105**	**1,366**	**-**	**-**	**(10,625)**	**-**	**513,135**	**(20,201)**	**492,934**
Total property, plant and equipment	**580,897**	**(21,319)**	**559,578**	**12,453**	**105**	**1,480**	**-**	**-**	**(13,268)**	**-**	**591,975**	**(34,587)**	**557,388**

Financial Statement Notes

Assets under construction

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**

2012/13	Opening balance	Expenditure this year	Work in progress capitalised	Other transfers	Closing balance
	$000	**$000**	**$000**	**$000**	**$000**
Operational assets	389	211	(144)	-	456
Roading	98	27	(61)	-	64
Water supply	790	470	(588)	-	672
Stormwater system	194	-	(79)	(95)	20
Wastewater	2,441	728	(1,523)	-	1,646
Infrastructural buildings	43	20	-	-	63
Total assets under construction	**3,955**	**1,456**	**(2,395)**	**(95)**	**2,921**


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.

Change in accounting estimate

Depreciation rates for some roading, water, wastewater and stormwater assets has changed from previous years as a result of the revaluation effective as at 30 June 2014. There is no effect on the current period, however it is impractical to estimate the effect of this change on future periods.

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 ($681,000) has been recognised in the statement of comprehensive income under 'other losses' (2013: $1,447,000).

Impairment

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 (2013: nil).

Insurance

The total value of all assets of council that are covered by insurance contracts is $105 million, and the maximum amount to which they are insured is $125 million for fire, and $150 million for other natural disasters.

The total value of all assets of council that were covered by financial risk sharing arrangements was $180 million, and the maximum amount available to the council under those arrangements was $180 million. Council has withdrawn from this arrangement from 1 July 2014 and has obtained equivalent cover under a standard insurance agreement.

Council does not have any assets that are self-insured.

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 2014 (2013: 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 $831,000 (2013: $791,000) and it will continue to be amortised over the next 11 years.

	Cost/ valuation 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

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

	Cost/ valuation 1 July 2012	Accumulated amortisation and impairment charges 1 July 2012	Carrying value 1 July 2012	Current year additions	Current year disposals	Current year impairment charges	Current year amortisation	Cost 30 June 2013	Accumulated amortisation and impairment charges 30 June 2013	Carrying value 30 June 2013
2012/13	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Intangible assets										
Computer software	3,134	(2,015)	1,119	60	-	-	(208)	3,194	(2,223)	971

Financial Statement Notes

21. Depreciation and amortisation expense by group of activity

Actual 2012/13		Actual 2013/14
$000		$000
	Directly attributable depreciation and amortisation expense by group of activity	
1,927	Community facilities	1,915
5,652	Roading	5,815
21	Rubbish and recycling	25
665	Stormwater	635
2,873	Wastewater	2,552
1,407	Water	1,348
1	Community Development	1
9	Environmental Care	8
12,555	**Total directly attributable depreciation and amortisation expense by group of activity**	**12,299**
921	Depreciation and amortisation not directly related to group of activities	910
13,476	**Total depreciation and amortisation expense**	**13,209**

22. Creditors and other payables

Actual 2012/13		Actual 2013/14
$000		$000
2,699	Trade payables	3,265
950	Deposits and bonds	768
592	Accrued expenses	694
41	Amounts due to related parties (note 30)	54
785	Income in advance	849
5,067	**Total Creditors and other payables**	**5,630**

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.

23. Employee entitlements

Actual 2012/13		Actual 2013/14
$000		$000
398	Accrued pay	269
930	Annual leave	991
59	Sick leave	48
231	Long service leave	235
352	Retirement gratuities	366
1,970	**Total employee entitlements**	**1,909**
	Comprising:	
1,390	Current	1,341
580	Non-current	568
1,970	**Total employee entitlements**	**1,909**

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% (2013: 6%) and an inflation factor of 2.5% (2013: 3.0%) were used.

24. Borrowings

Actual 2012/13		Actual 2013/14
$000		$000
5,163	Current loans	5,976
30,297	Non-current loans	26,138
35,460	**Total borrowings**	**32,114**

76% of the Council's secured debt is issued at floating rates of interest. For floating rate debt, the interest 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 $14 million, (2013: $20 million) and there is $14 million available to be drawn at 30 June (2013: $17.5 million).

Security
Council has an unsecured overdraft. The maximum amount that can be drawn down against the facility is $500,000 (2013: $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 2013/14. Internal borrowings are eliminated on consolidation of activities in the Council's financial statements.

Fair values of non-current borrowings
The carrying amount and the fair value of non-current borrowings are as follows:

Carrying amount 2012/13	Fair value 2012/13		Carrying amount 2013/14	Fair value 2013/14
$000	$000		$000	$000
30,297	29,261	Loans	26,138	24,953

The fair values are based on cash flows discounted using a rate based on the borrowing rates ranging from 4.21% to 5.14% (2013: 3.17% to 4.40%).

The carrying amounts of borrowings repayable within one year approximate their fair value, as the effect of discounting is not significant.

25. Provisions

Actual 2012/13		Actual 2013/14
$000		$000
	Current	
41	Landfill aftercare	41
50	Tui Mine site monitoring	-
26	Hauraki Rail Trail maintenance	26
117	**Total current provisions**	**67**
	Non-current	
67	Weathertightness claims	100
512	Landfill aftercare	498
114	Tui Mine site monitoring	142
53	Hauraki Rail Trail maintenance	27
746	**Total non-current provisions**	**767**

Council has responsibility under the resource consents to provide ongoing maintenance and monitoring of these landfills since the sites have been closed. 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
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**
2012/13					
Balance at 1 July 2012	566	25	157	101	849
Additional provisions made	-	42	-	-	42
Amounts used	(14)	-	-	-	(14)
Unused amounts reversed	(22)	-	-	(22)	(44)
Discount unwind	23	-	7	-	30
Balance at 30 June 2013	**553**	**67**	**164**	**79**	**863**

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

The cash outflows for landfill post closure costs are expected to occur in one to 21 years time (or between 2015 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.

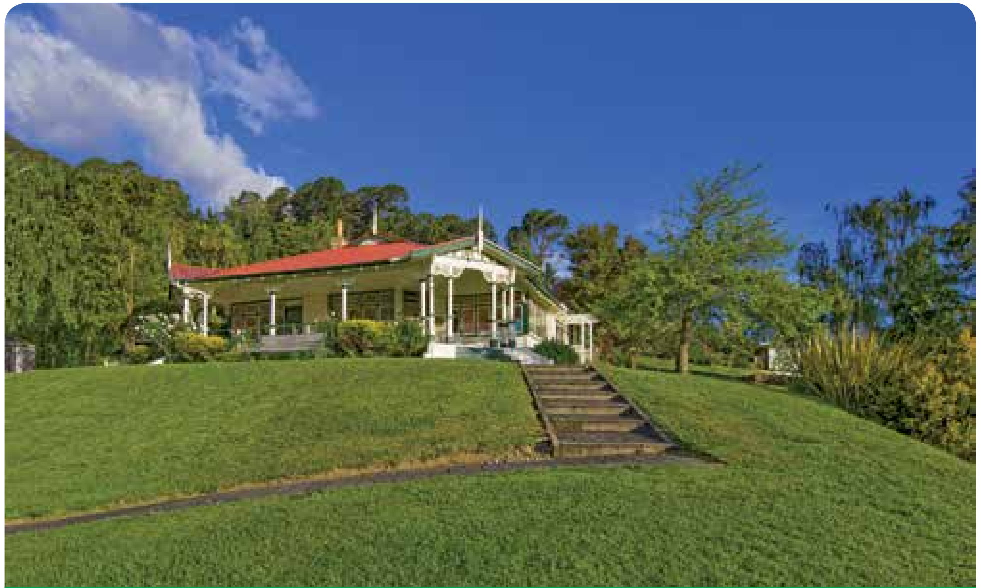
The following significant assumptions have been made in calculating the provision:

- obligations for the post closure work are for 30 years after landfill closure
- a discount rate of 3.92% (2013: 4.03%).

Weathertightness claims
Two claims have been assessed as eligible to be lodged with the Weathertight Homes Resolution Service (WHRS) as at 30 June 2014 (2013: two). The liable parties to these claims 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 3.92% (2013: 4.03%).

Hauraki Rail Trail maintenance
Council has agreed to underwrite the maintenance for the portion of the cycleway within the Matamata-Piako District for the next two years, 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.



Domain House, Te Aroha.

Financial Statement Notes

26. Equity

Retained earnings

Actual 2012/13		Actual 2013/14
$000		$000
431,374	**Balance at 1 July as previously reported**	**420,689**
266	Plus transfer from revaluation reserves for reclassification error	-
431,640	**Restated balance at 1 July**	**420,689**
(24,103)	Transfers to Council created reserves	(18,009)
(169)	Transfers to restricted reserves	(38)
362	Transfers from restricted reserves	85
12,663	Transfers from Council created reserves	12,982
88	Transfers from asset revaluation reserves on disposal	-
208	Surplus/(deficit) for the year	3,850
420,689	**Balance at 30 June**	**419,559**

Burwood Road, Matamata.

Other reserves

Actual 2012/13		Actual 2013/14
$000		$000
	Council created reserves	
20,924	Balance at 1 July	32,364
(12,663)	Transfers to retained earnings	(12,982)
24,103	Transfers from retained earnings	18,009
32,364	**Balance at 30 June**	**37,391**
	Restricted reserves	
1,102	Balance at 1 July	909
(362)	Transfers to retained earnings	(85)
169	Transfers from retained earnings	38
-	Transfers from asset revaluation reserves	-
909	**Balance at 30 June**	**862**
	Asset revaluation reserves	
84,017	Balance at 1 July as previously reported	83,663
(266)	Less transfer to retained earnings for reclassification error	-
83,751	Restated balance at 1 July	83,663
-	Net revaluation gains	11,443
(88)	Transfer to retained earnings/restricted reserves on disposal of assets	-
-	Impairment charges	-
83,663	**Balance at 30 June**	**95,106**
116,936	**Total other reserves**	**133,359**

Financial Statement Notes

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

Balance 1 July 2012	Transfers in	Transfers out	Balance 30 June 2013	Reserve fund	Purpose	Activities related to	Balance 1 July 2013	Transfers in	Transfers out	Balance 30 June 2014
$000	$000	$000	$000				$000	$000	$000	$000
Council created reserves										
2,321	110	(349)	2,082	Asset replacement reserves	Reserves for asset purchase, replacement or emergency purposes.	All Council activities	2,082	278	(262)	2,098
285	2	(181)	106	Community purposes and facilities reserves	Reserves held for use on community facilities or for community purposes e.g. grants.	Community facilities and Community development	106	-	(17)	89
2,105	-	(169)	1,936	Property sales reserves	Reserves developed from the proceeds of property sales. Available for general community use or property purchase.	All Council activities	1,936	-	(1)	1,935
311	551	(700)	162	Energy share proceeds	Fund developed from initial dividend received from Council's PNZ shareholding. Available for general purpose use.	All Council activities	162	1,276	(550)	888
77	-	-	77	General purpose reserves	Residual funds from former authority general reserves.	All Council activities	77	-	-	77
-	1,532	-	1,532	PNZ share reserve	Reserve to reflect the change in share value.	All Council activities	1,532	834	-	2,366
8,947	3,620	(616)	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
-	492	(290)	202	Wastewater capital contribution reserve	Capital contributions from industry used to offset future depreciation.	Wastewater	202	350	(290)	262
-	5,000	(140)	4,860	Other Internal Borrowing	Reserve to record the balance of other Internal Borrowing	All Council activities	4,860	1,911	(866)	5,905
-	-	-	-	Precinct F reserve	Accumulated operating balance for the development	All Council activities	-	-	-	-
6,878	13,086	(10,508)	9,456	Depreciation reserves	Reserves to fund the replacement of assets	All Council activities	9,456	13,360	(10,996)	11,820
20,924	**24,393**	**(12,953)**	**32,364**	**Total Council created reserves**			**32,364**	**18,009**	**(12,982)**	**37,391**

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Balance 1 July 2012	Transfers in	Transfers out	Balance 30 June 2013	Reserve fund	Purpose	Activities related to	Balance 1 July 2013	Transfers in	Transfers out	Balance 30 June 2014
$000	$000	$000	$000				$000	$000	$000	$000
Restricted reserves										
81	154	-	235	Property self-funded activities	Reserve to record the balance of self funded activities – rural halls, elderly persons housing and owner occupier housing.	Community Facilities	235	-	-	235
993	-	(345)	648	Reserves development	Residual funds from reserves contributions to be used on parks and reserves.	Developments of parks and reserves	648	23	(67)	604
28	15	(17)	26	Bequests and trust funds	Funds to be used for the purposes of the bequest of trust.	Nominated purposes	26	15	(18)	23
1,102	**169**	**(362)**	**909**	**Total restricted reserves**			**909**	**38**	**(85)**	**862**
Asset revaluation reserves										
10,766	-	(1,642)	9,124	Operational land	Accumulated surpluses from the revaluation of property, plant and equipment	All Council activities with assets subject to revaluation	9,124	1,852	-	10,976
4,043	-	-	4,043	Operational buildings			4,043	1,287	-	5,330
4,607	1,554	-	6,161	Restricted land			6,161	-	(157)	6,004
4,463	-	-	4,463	Restricted buildings			4,463	1,437	-	5,900
15,391	-	-	15,391	Roading			15,391	6,254	-	21,645
14,471	-	-	14,471	Water			14,471	-	(239)	14,232
14,018	-	-	14,018	Stormwater			14,018	5,726	-	19,744
15,454	-	-	15,454	Wastewater			15,454	-	(4,567)	10,887
-	-	-	-	Infrastructural land			-	-	-	-
538	-	-	538	Infrastructural buildings			538	-	(150)	388
83,751	**1,554**	**(1,642)**	**83,663**	**Total asset revaluation reserves**			**83,663**	**16,556**	**(5,113)**	**95,106**
105,777	**26,116**	**(14,957)**	**116,936**	**Total other reserves**			**116,936**	**34,603**	**(18,180)**	**133,359**

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

Actual 2012/13		Actual 2013/14
$000		$000
208	**Surplus/(deficit) for the year**	3,850
	Add/(less) non-cash items	
(2)	Share of joint venture surplus/(deficit)	(18)
13,476	Depreciation and amortisation expense	13,209
(105)	Vested and found assets	(1,299)
7	Impairment of investments in Council Controlled Organisations	17
-	Loss on revaluation of infrastructural land	87
(34)	Net (gain)/loss on forward foreign exchange contracts	(405)
(645)	Net (gain)/loss on interest rate swaps	(530)
1,390	Assets under construction reclassified as operating expenditure	299
(126)	Other non-cash operating items	(87)
	Add/(less) movements in working capital items	
1,634	Increase/decrease in debtors and other receivables	(325)
42	Increase/decrease in inventory and asets held for sale	(702)
(2,103)	Increase/decrease in creditors and other payables	563
199	Increase/decrease in employee entitlements	(61)
14	Increase/decrease in provisions	(29)
	Add/(less) items classified as investing or financing activities	
1,447	(Gain)/loss on disposal and impairment of property, plant and equipment	953
(1,498)	(Gain)/loss on financial assets at fair value through surplus or deficit	(429)
112	(Gain)/loss on fair value of loans and receivables	29
52	(Gain)/loss on disposal of held to maturity investments	-
14,068	**Net cash inflow from operating activities**	**15,122**

28. Capital commitments and operating leases

Actual 2012/13		Actual 2013/14
$000		$000
	Capital commitments	
336	Property, plant and equipment	-
336	**Total capital commitments**	**-**

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 (2013: two). The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows.

Actual 2012/13		Actual 2013/14
$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
109	Later than five years	101
151	**Total non-cancellable operating leases**	**143**

No contingent rents have been recognised during the period.

29. Contingent liabilities

Uncalled capital

Council has a contingent liability of $1,500,000 for uncalled capital in respect of Council's 15.625% shareholding in the Waikato Regional Airport Limited (2013: $1,500,000). There are no plans at this stage for the capital to be called.

Council also has uncalled share capital in Local Authority Shared Services Limited, which amounts to $1,000 as at 30 June 2014 (2013: $1,000), and uncalled share capital in Waikato Regional Aerial Photography Service of $4,708 (2013: $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 borrowings. At 30 June 2014, LGFA had borrowings totalling $3.728 billion (2013: $2.497 billion).

Financial reporting standards require Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has 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 $100,000 (2013: $67,000) 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.

Te Aroha wastewater resource consent

A hearing for the resource consent to be issued by Waikato Regional Council for the Te Aroha Wastwater Treatment Plant is scheduled for early December 2014. It is probable that Council will incur legal and compliance costs in respect of this process but these costs cannot be quanitifed at this stage.

There are no contingent liabilities associated with Council's joint venture, Thames Valley Combined Civil Defence Committee (2013: nil).

Water Treatment Plant, Te Aroha.

30. Related party transactions

Related party transactions with joint ventures and associated entities

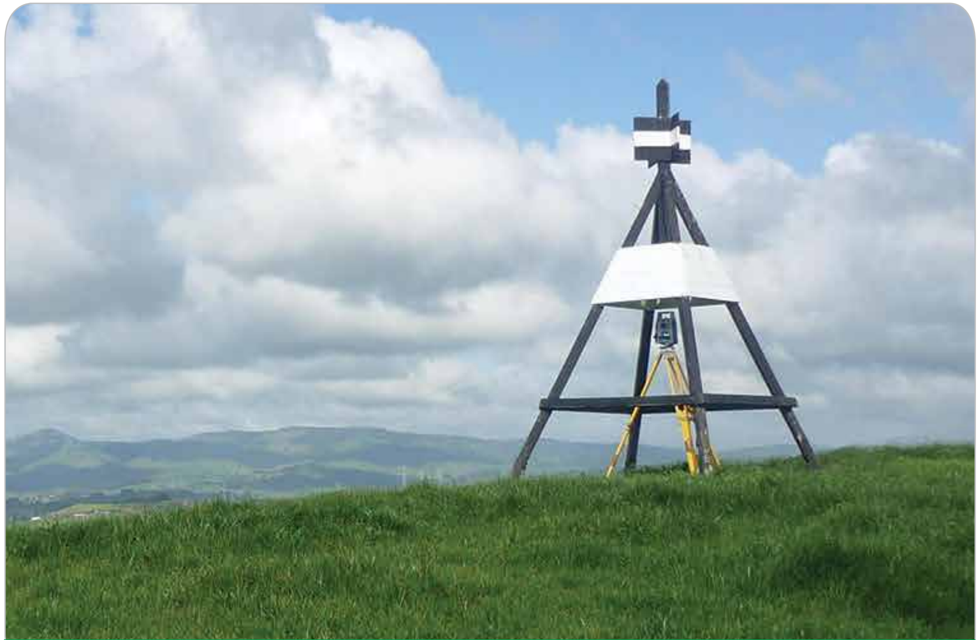
Entity	Relationship	Description of transaction	Payments to entity		Payments outstanding at 30 June		Receipts from entity		Receipts outstanding at 30 June	
			2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
			$	$	$	$	$	$	$	$
Thames Valley Combined Civil Defence Committee	Joint venture with Council	Civil defence and rural fire services	207,530	115,770	1,232	35,955	-	-	-	-
		Catering expenses	-	-	-	-	-	264	-	-
Local Authority Shared Services Limited	Council has a shareholding in this company	Contributions for operating expenses of the company	71,430	82,149	44,980	138	-	-	-	-
Hauraki Rail Trail Charitable Trust	Councillor Teena Cornes is Council's appointed Trustee and Chair of the Trust	Trust establishment and maintenance costs	25,103	45,523	-	-	1,275	-	-	-

Transactions with key management personnel

Key management personnel compensation

Actual 2012/13		Actual 2013/14
$000		$000
1,184	Salaries and other short term employee benefits	1,240
39	Post employment benefits	48
1,223	**Total key management personnel compensation**	**1,288**

Key management personnel include the Mayor, Councillors and the four members of the executive management team.



Mount Misery trig station, Morrinsville.

Financial Statement Notes

During the year Councillors and senior management, as part of a normal customer relationship, were involved in minor transactions with the Council (such as payment of rates, purchase of rubbish bags, etc). Other transactions are detailed below.

Entity	Relationship	Description of transaction	Payments to entity		Payments outstanding at 30 June		Receipts from entity		Receipts outstanding at 30 June	
			2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
			$	$	$	$	$	$	$	$
Hugh Vercoe and Associates Limited	Mayor Hugh Vercoe's daughter is a director and shareholder of this company	Insurance brokerage fees	1,140	4,265	-	-	-	-	-	-
		Advertising and other	-	-	-	-	1,006	-	-	-
Ngati Haua Mahi Trust	Former Mayor Hugh Vercoe is a trustee	Lease preparation fees	-	-	-	-	-	308	-	-
		Annual lease of ex Morrinsville depot	-	-	-	-	173	-	-	-
		On-charged rates	-	-	-	-	1,713	-	1,122	-
R & J Barnes Holdings Limited (trading as Rex Barnes Engineering)	Mayor Jan Barnes is a director	Engineering services	29,165	35,765	2,092	4,281	-	-	-	-
		Services and refuse		-	-	-	434	2,797	-	-
Matamata Public Relations Association	Councillor Jan Barnes was a committee member up until May 2013	Grants provided	-	127,783	-	-	-	-	-	-
		Road closures and traffic management	-	-	-	-	-	2,310	-	-
Rotary Club of Matamata Incorporated	Councillors Leonie Tisch and Brian Hunter are trustees	Hireage of meeting rooms	-	-	-	-	2,503	2,331	-	163
		Purchase of trees for Swap park	-	-	-	-	-	2,512	-	-
		Grant for the Matamata Skate park	-	-	-	-	-	37,928	-	-
Matamata Volunteer Fire Brigade	Councillor Brian Hunter is a member	Purchase of hydrants and other	2,105	-	-	-	-	-	-	-
Morrinsville Historical Society Incorporated	Former Councillor Michael Gribble is a committee member	Graphic design costs	2,526	-	-	-	-	-	-	-
		Grant	-	11,582	-	-	-	-	-	-
		Rates on-charged	-	-	-	-	1,826	3,235	-	-
David Street School	Councillor Nicki Robb is president of the Parent Teacher Association	School competition	200	-	-	-	-	-	-	-
		Morrinsville Heated Pools	-	-	-	-	1,304	-	-	-
Morrinsville Agricultural and Pastoral Society Incorporated	Former Councillor Carole Greenville is a committee member	Lease of Morrinsville Recreation Grounds	-	-	-	-	-	307	-	-
Manawaru Sandfill and Livestock Limited	Councillor Teena Cornes is a director	Services	-	-	-	-	1,449	1,035	-	-
Deli Thyme Limited	Councillor Teena Cornes is a director	Catering	3,030	-	1,092	-	-	-	-	-
Te Aroha Community Patrol	Councillor Teena Cornes is a committee member	Te Aroha Community Board grant	1,500	-	-	-	-	-	-	-

Financial Statement Notes

Entity	Relationship	Description of transaction	Payments to entity		Payments outstanding at 30 June		Receipts from entity		Receipts outstanding at 30 June	
			2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
			$	$	$	$	$	$	$	$
Te Aroha Primary School	Councillor Teena Cornes is chairperson of the Board Of Trustees	Mowing of school grounds	-	-	-	-	2,010	-	212	-
Youth Empowerment Service Charitable Trust	Councillors Teena Cornes (until December 2013) and Ashley Tanner are trustees	Youth leadership coordinator and funding for the Yes-Factor event	19,992	11,833	4,888	1,278	-	-	-	-
Te Aroha Panelbeaters	Councillor Ashley Tanner is a director	Panelbeating services	500	661	-	-	-	-	-	-
Te Aroha Events Centre Charitable Trust	Councillor Peter Jager is chair-person	Services	5,865	-	-	-	-	-	-	-
Lions Club of Te Aroha Charitable Trust	Councillor Peter Jager is a trustee	Te Aroha Community Board grant	1,564	-	-	-	-	-	-	-
The Doctor WR Lawrence Charitable Trust & Laurie & Elsie Mackie Memorial Trust	Councillor Peter Jager is a committee member	Advertising	-	-	-	-	226	-	-	-
Keep Morrinsville Beautiful	Councillor Neil Goodger is a committee member	Grants	3,500	3,300	-	-	-	-	-	-
		Services	-	-	-	-	403	-	403	748

No provision has been required, nor any expense recognised for impairment of receivables, or any loans or other receivables to related parties (2013: nil).

Note that transactions with related entities are shown for the periods that the member was a current elected member and where their relationship with the entity was also current.

31. Remuneration

Elected representatives

Elected representatives received the following remuneration:

Actual 2012/13		Actual 2013/14
$		$
	Mayor	
-	Barnes, Jan	72,107
94,503	Vercoe, Hugh	27,059
	Councillors	
24,480	Barnes, Janet	6,925
21,548	Cornes, Teena	23,654
21,288	Goodger, Neil	22,840
24,480	Greenville, Carole	6,925
22,233	Gribble, Michael	6,022
-	Hunter, Brian	19,041
21,288	Jager, Peter	22,840
21,288	McGrail, Robert	22,840
-	Robb, Nicki	16,818
21,608	Stanley, Garry	22,840
21,288	Steffert, Maurice	22,840
21,288	Tanner, Ashley	22,840
-	Thomas, James	19,041
22,688	Tisch, Leonie	23,518
337,980	**Total elected representatives' remuneration**	**358,150**

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 Officer

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

Actual 2012/13		Actual 2013/14
$		$
252,891	Salary	247,922
8,758	Vehicle (market value plus Fringe Benefit Tax)	10,135
4,370	Medical insurance (market value plus Fringe Benefit Tax)	5,350
35,640	Superannuation contribution	42,437
301,659	**Total Chief Executive Officer's remuneration**	**305,844**

Council Employees

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

	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 - $139,000. Therefore the numbers for those bands have been combined as required by legislation.

Total remuneration includes non financial benefits provided to employees. At balance date, the Council employed 148 (2013: 147) full-time employees (a full-time employee is determined on the basis of a 40 hour week). With the balance of staff representing 41 (2013: 45) 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 2012/13
Salary band	**Number of employees**
<$60,000	185
$60,000 - $79,999	35
$80,000 - $99,999	18
$100,000 - $119,999	6
$120,000 - $319,999	6
Total employees (including full-time, part-time and casual employees)	250

32. Severance payments

Council made one severance payment of $5,000 for the year ended 30 June 2014 (2013: nil).

33. Events after balance date

There were no significant events after balance date.

34. Financial instruments

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

Actual 2012/13		Actual 2013/14
$000		$000
	Financial assets	
	Fair value through surplus or deficit - held for trading	
216	Derivative financial instrument assets	918
10,270	Power New Zealand fund	10,699
10,486	**Total fair value through surplus or deficit – held for trading**	**11,617**
	Loans and receivables	
624	Cash and cash equivalents	1,499
3,374	Debtors and other receivables	3,543
	Other financial assets:	
14	- Community loans	155
1,146	- Industry loan	980
318	- Banks Road development loan	324
5,476	**Total loans and receivables**	**6,501**
	Held to maturity	
	Other financial assets:	
1,045	- Term deposits	-
1,210	- Local authority and other stock	1,210
2,255	**Total held to maturity**	**1,210**
	Fair value through other comprehensive income	
24	- Local authority and other stock	24
3,062	- Investments in Council Controlled Organisations and other entities	3,279
3,086	**Total fair value through other comprehensive income**	**3,303**
	Financial liabilities	
	Fair value through surplus or deficit – held for trading	
13	Derivative financial instrument liabilities	-
13	**Total fair value through surplus or deficit – held for trading**	**-**
	Financial liabilities at amortised cost	
4,282	Creditors and other payables	4,781
35,460	Borrowings	32,114
39,742	**Total financial liabilities at amortised cost**	**36,895**

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:

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	-	-	-	-

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

2012/13				
Valuation techniques				
	Total	Quoted market price	Observable inputs	Significant non-observable inputs
	$000	$000	$000	$000
Financial assets				
Derivative financial instrument assets	216	-	216	-
Power New Zealand fund	10,270	10,270	-	-
Local authority and other stock	1,234	1,234	-	-
Investments in Council Controlled Organisations and other entities	3,062	-	-	3,062
Financial liabilities				
Derivative financial instrument liabilities	13	-	13	-

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 2012/13		Actual 2013/14
$000		$000
2,871	**Balance at 1 July**	**3,062**
(5)	Gain/(loss) recognised in the surplus or deficit	1
196	Purchases	216
-	Sales	-
3,062	**Balance at 30 June**	**3,279**

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 is exposed to equity securities price risk on its Power New Zealand fund investment, which is 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 is 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. Council's Power New Zealand fund is invested in overseas equities and is therefore exposed to currency risk. Council aims to minimise the impact of exchange rate movements by utilising hedging, which is currently 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 have 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 2012/13		Actual 2013/14
$000		$000
624	Cash and cash equivalents	1,499
3,374	Debtors and other receivables	3,543
	Other financial assets:	
14	- Community loans	155
1,146	- Industry loan	980
318	- Banks Road development loan	324
1,045	- Term deposits	-
1,234	- Local authority and other stock	1,234
216	Derivative financial instrument assets	918
10,270	Power New Zealand fund	10,699
18,241	**Total credit risk**	**19,352**

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:

2013/14						
Credit Ratings						
	AAA	AA-	A+	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

Old Hill Road, Tahuna.

2012/13						
Credit Ratings						
	AAA	AA	AA-	A+	Not Rated	Total
	$000	$000	$000	$000	$000	$000
Cash and cash equivalents	-	624	-	-	-	624
Term deposits	-	1,045	-	-	-	1,045
Local authority and other stock	-	410	24	-	800	1,234
Derivative financial instrument assets	-	216	-	-	-	216
Community loans	-	-	-	-	14	14
Industry loan	-	-	-	-	1,146	1,146
Banks Road development loan	-	-	-	-	318	318

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. Debtors and other receivables mainly arise from Council statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and 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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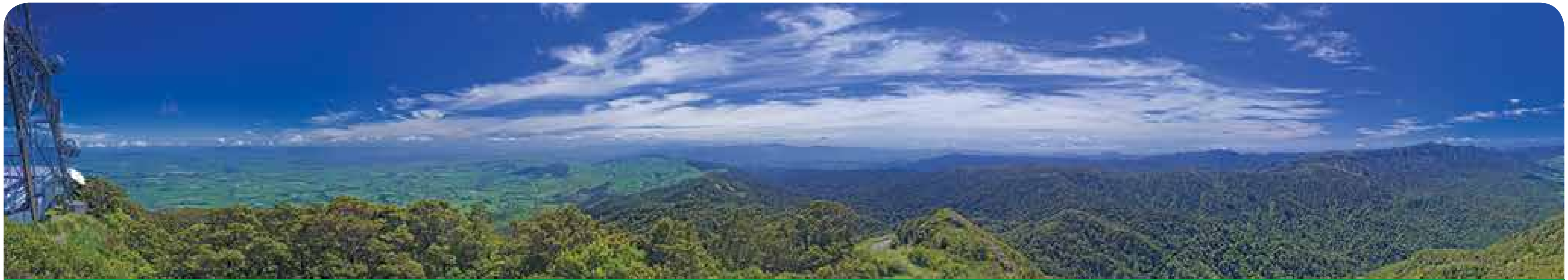
	Carrying amount	Contractual cashflows	Less than 1 year	1-5 years	More than 5 years
	$000	$000	$000	$000	$000
2013/14					
Creditor and other payables	4,781	4,781	4,781	-	-
Net settled derivative liabilities	-	-	-	-	-
Borrowings	32,114	32,880	6,628	9,252	17,000
Total	**36,895**	**37,661**	**11,409**	**9,252**	**17,000**
2012/13					
Creditor and other payables	4,282	4,282	4,282	-	-
Net settled derivative liabilities	-	-	-	-	-
Borrowings	35,460	37,335	6,621	24,714	6,000
Total	**39,742**	**41,617**	**10,903**	**24,714**	**6,000**

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
2013/14					
Cash and cash equivalents	1,499	1,499	1,499	-	-
Debtors and other 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**	**-**



View from Mount Te Aroha.

Financial Statements

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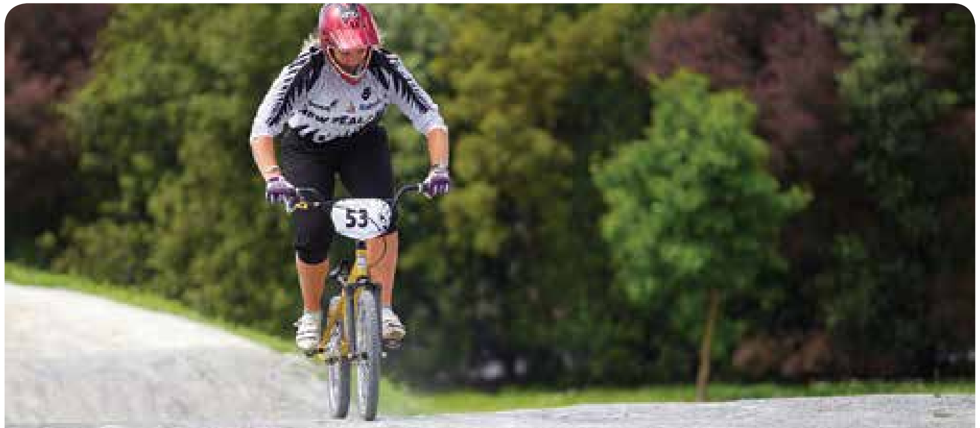
	Carrying amount	Contractual cashflows	Less than 1 year	1-5 years	More than 5 years
	$000	$000	$000	$000	$000
2012/13					
Cash and cash equivalents	624	624	624	-	-
Debtors and other receivables	3,374	3,374	3,374	-	-
Net settled derivative assets	216	(45)	(45)	-	-
Other financial assets:					
- Community loans	14	14	4	10	-
- Industry loan	1,146	1,447	238	951	258
- Banks Road development loan	318	318	-	318	-
- Term deposits	1,045	1,090	1,090	-	-
- Local authority and other stock	1,234	1,643	25	1,618	-
Total	**7,971**	**8,465**	**5,310**	**2,897**	**258**



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.

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)**	**-**
Foreign exchange risk				
Financial assets				
Power New Zealand fund	997	-	(997)	-
Derivative financial instrument assets	364	-	(922)	-
Total sensitivity	**1,361**	**-**	**(1,919)**	**-**

2012/13	$000			
	-100bps		+100bps	
	Surplus	Other equity	Surplus	Other equity
Interest rate risk				
Financial assets				
Cash and cash equivalents	(6)	-	6	-
Financial liabilities				
Borrowings	50	**-**	**(50)**	**-**
Total sensitivity	**44**	**-**	**(44)**	**-**
	-10%		+10%	
Foreign exchange risk				
Financial assets				
Power New Zealand fund	869	-	(869)	-
Financial liabilities				
Derivative financial instrument assets	146	-	(71)	-
Total sensitivity	**1,015**	**-**	**(940)**	**-**

*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
The foreign exchange sensitivity is based on a reasonable possible movement in foreign exchange rates, with all other variables held constant, measured as a percentage movement in the foreign exchange rate. The sensitivity for derivatives (forward foreign exchange contracts) has been calculated using a derivative valuation model based on movement in forward exchange rates of -10%/+10% (2013: -10%/+10%).

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.

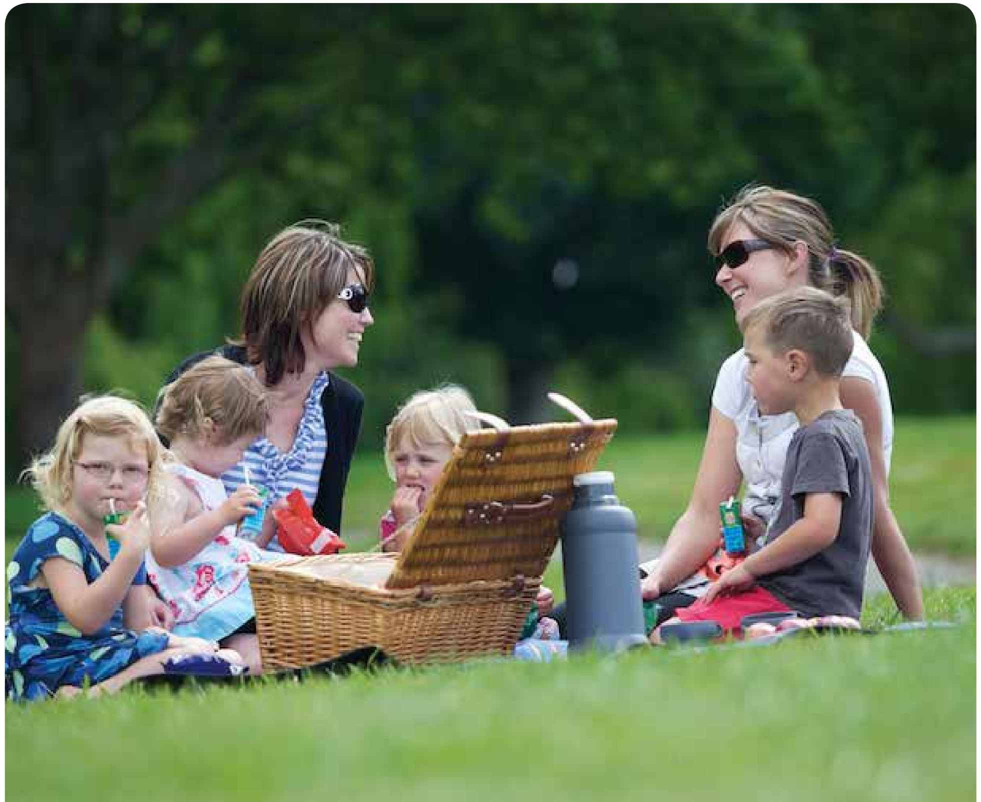
The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long 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.

Financial Statement Notes

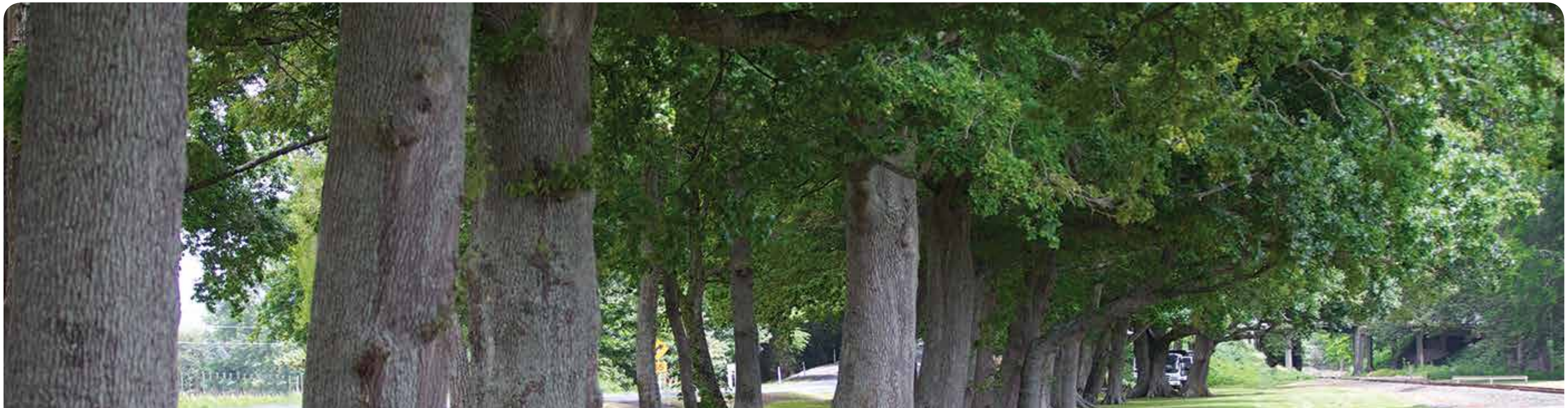
36. Explanations of major variances against budget

Explanations for major variations from the Council's 2013/14 budget figures in the 2013/14 Annual Plan are as follows:

Major Variations	Budget 2013/14	Actual 2013/14	Explanation for major variations to budget
	$000	$000	
Statement of comprehensive income			
General rates, uniform annual general charges, rates penalties	18,437	18,836	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	2,318	2,481	The final roading programme approved by NZTA after the budget was set, allowed for a greater proportion of maintenance (operating) expenditure versus renewal (capital) expenditure.
Subsidies and grants for capital expenditure	2,831	3,088	$284,000 subsidy income was received in respect of the Raungaiti water project, offset slightly by the capital roading subsidy being lower than budgeted.
Fees, charges and targeted rates for water supply	7,063	7,683	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	618	1,425	Dividends received from the Power New Zealand investment fund were $858,000 in excess of the budgeted dividend. Interest on investments were lower than budgeted as surplus cash was utilised to reduce the balance of Council's debt facility rather than investing.
Development and financial contributions	650	367	Revenue received from development contributions was lower than budgeted as a result of the economic conditions.
Vested and found assets	576	1,299	The value of assets vested to Council through the subdivision process is difficult to budget with any accuracy on an annual basis. A large portion of the vested assets this year came from the subdivision activity in Findlator Street in Matamata.
Other gains	104	1,364	There were a number of non-cash gains to the 30th of June. The value of Council's interest rates swaps increased by $530,000 due to the shift in interest rates. The value of the Power New Zealand investment fund increased by $429,000 during 2013/14. And the valuation of Council's hedging contracts held in respect of the Power New Zealand fund also increased by $405,000.
Payments to staff	12,614	12,208	Maternity leave and other staff vacancies, along with new staff starting on rates lower than budgeted, resulted in an overall saving to budget.
Finance costs	3,016	2,206	Finance costs were lower than budgeted because debt was significantly reduced compared to the budgeted level (due to the delay in the capital spend) and interest rates were more favorable than anticipated.
Other losses	-	999	Largely, this loss recognises the value of our infrastructural assets that have been replaced or disposed of before the end of their estimated useful lives.

Financial Statement Notes

Major Variations	Budget 2013/14	Actual 2013/14	Explanation for major variations to budget
	$000	$000	
Statement of financial position			
Current assets	10,524	8,419	In the prior year, cash and funds from maturing short-term investments were utilised to reduce debt and internally fund capital projects, rather than obtaining external funding. As a result, Council no longer holds significant cash investments as allowed for in the budget, so current assets are lower than budgeted. Assets held for sale at the end of the year were not budgeted for as current assets.
Current liabilities	7,536	13,014	$5.9 million of Council's loans are due to mature within the next twelve months, so are reflected as current.
Non-current assets	594,684	584,986	The balance of property, plant and equipment (PPE) was significantly lower than budgeted due to the delay of planned capital projects over the past two years or the projects being determined to no longer be required. Countering this, a revaluation of PPE was undertaken in this year resulting in an increase in the value of these assets of $10.9 million. The revaluation and subsequent valuation movements to the PPE, were originally scheduled to occur in the 2014/15 financial year.
Non-current liabilities	54,936	27,473	Actual total external borrowing of $32.1 million is well below the budgeted level of $56.9 million set out in the Annual Plan and LTP. The reduction has come about due to the reduced capital spend over the past two years. In addition, in the prior year maturing investments and surplus cash were utilised to internally fund capital projects and reduce floating debt.
Statement of cashflow			
Operating activities	12,235	15,122	Cash received from rates, subsidies and metered water income were all higher than budgeted this year, and payments to staff and suppliers and finance costs were lower as outlined in the statement of comprehensive income variance explanations.
Investing activities	(17,302)	(10,901)	Capital expenditure was lower than budgeted.
Financing activities	4,592	(3,346)	Due to the delayed capital spend, debt was not required to be raised as budgeted.



Murray Oaks Reserve, Morrinsville.

Financial Statement Notes

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.

The objective of WRAL is to operate a successful commercial business, providing safe, appropriate and efficient services for the transportation of people and freight in and out of the port of Hamilton. Council holds 15.625% of WRAL's shares. The remaining shares are owned by Hamilton City Council, Otorohanga, Waikato and Waipa District Councils. WRAL reported a net deficit of $232,425 for the year ended 30 June 2014 (2013: net surplus of $570,261). No dividend was paid in 2014 (2013: nil). A comparison for WRAL's actual results for the year (excluding abnormal items) with those forecasted is given below.

Group	Actual 2013/14	Statement of corporate intent targets for 2013/14
Earnings before interest, taxation and depreciation	2,213,000	2,620,000
Net surplus/(deficit) after tax (total comprehensive income)	(232,425)	146,000
Net profit/(loss) after tax to average shareholders funds	(0.4%)	0.3%
Net profit/(loss) after tax to total assets	(0.3%)	0.2%
Percentage of non-landing charges revenue	82.1%	81.7%
Total liabilities/shareholders' funds: debt/equity ratio	26:74	24:76
Interest rate cover (parent only and calculated on basis of interest from Titanium Park Limited and revaluations being excluded)	3.05	2.63

Earnings before interest, taxation and depreciation ("EBITDA" - which excludes fair value adjustments of interest rate swaps and investment property) of $2,213,000 compares to a target of $2,620,000. The difference of $407,000 results from the following:

- Lower gross margin on Titanium Park land sales -689,000
- Lower operating expenses 158,000
- Additional Tourism industry funding 138,000
- Other miscellaneous -14,000
- EBITDA variance -407,000

The net deficit after tax result of $232,000 compares to a targeted surplus of $146,000. The difference of $378,000 results from the unfavourable EBITDA variance above, a further unfavourable variance of $76,000 from fair value adjustments of interest rate swaps and investment property, offset by a favourable variance for depreciation and interest of $180,000 resulting from the lower capital spend.

The favourable interest cover result was achieved through interest expense $94k lower than target.

Performance Measure	Actual Outcome
To achieve the Airport Certification Standards as required by the Civil Aviation Authority.	The Civil Aviation Authority of New Zealand (CAA) carries out an annual survey audit of Aerodrome Safety and Operational Compliance and of Security Compliance against the requirements of Civil Aviation, Part 139, certification approvals. The audits carried out on 20 August 2013 and 6 May 2014 respectively confirmed compliance approval by CAA.
To achieve above average traveller satisfaction ratings through the conduction of a three yearly ACI International benchmarking survey.	No survey was carried out during the year. The 2011/12 ACI International benchmarking survey showed that overall customer satisfaction is well in excess of industry averages for nearly all core airport measures. The next survey is planned to be undertaken in 2014/15.
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 2013 to 30 June 2014 there were 48 customer feedback cards collected and documented. All items are considered by the management team and addressed where appropriate. Personal complaints are responded to.
Introduce a new domestic carrier to promote competition and consequently, competitive pricing options for travellers.	The airport continues to monitor relative pricing of domestic airfares and encourage availability of competitive pricing.

Local Authority Shared Services Limited (LASS)

Council is a shareholder in Local Authority Shared Services Limited (LASS) which was established to provide shared services to local authorities within the Waikato Region. The primary activities of LASS include the operation of a Shared Valuation Database Service (SVDS), the development of a Waikato Regional Transport Model (WRTM) and the operation of a Waikato Regional Aerial Photography Service (WRAPS).

Council holds 3.43% of the called shares in LASS. The remaining shares are owned by Waikato Regional Council, Hamilton City Council, Waikato, Thames-Coromandel, Hauraki, Waipa, Otorohanga, Waitomo, South Waikato, Taupo and Rotorua District Councils. The directors of LASS are the Chief Executive Officers of the above Councils.

LASS reported a net deficit of $495,054 for the year ended 30 June 2014 (2013: net deficit of $398,184). The performance measures for LASS for the year ended 30 June 2014 are shown in the table.

Performance Measure	Actual Outcome
The company will carry out an annual survey of shareholders to assist Directors in developing improvements on behalf of the shareholders, and to receive a majority of shareholder approval on the service provided.	Annual survey of shareholders was completed in January 2014 with nine of the twelve shareholder Councils responding. Nine councils responded that the concept of LASS was still delivering benefits to their council. Two Councils responded that they were very satisfied with the efforts being made by LASS to advance shared services opportunities and seven were fairly satisfied. The comments were made that achievements are constrained by fundamental challenges, and that more benefits could be seen with a more dedicated resource.
Administration expenditure shall not exceed that budgeted by more than 5% unless prior approval is obtained from the Directors.	Achieved, actual expenditure was $10,306 unfavourable to budget (-4.8%)
The company maintains an overall positive cash flow position.	Not achieved this year as cashflow was intentionally operated at a negative level in order to use up prior year surpluses. The Company still maintains a safe cash position with the cash, cash equivalents and bank accounts balances at the end of June 2014 being $442,598.
The Board will provide a written report on the business operations and financial position of the LASS as a minimum on a six monthly basis.	Six monthly reports have been sent to shareholders.
There will be an annual report to directors that all statutory requirements of the LASS are being adhered to.	All parties have confirmed that there were no legislative breaches during the year and this will be reported to the LASS Board at the September meeting when the Annual Report is presented.
That SVDS is available to users at least 99% of normal working hours.	SVDS was available 100% of working hours.
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.	100% of Sales and Property files were supplied to Property IQ on time.
All Capital SVDS enhancement 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 advisory group.
That all required WRTM modelling reports are actioned within the required timeframe.	All WRTM modelling reports were completed within specified timeframe's.
That the base model adheres to “Screenline Validation Standards” as setout in the NZTA Economic Evaluation Manual as indicated by an external independent peer review.	No peer review has been undertaken in the current year (the last report from the peer reviewer was in October 2013 which stated that the model continues to meet all the set out criteria). As a result of the census, an update to the model is being undertaken and an independent reviewer is involved in this process. An independent review will be completed in October 2014.
That a full report on progress of the WRTM model be provided to the LASS Board twice each year.	Reports were provided at the LASS Board meetings in January and May 2014.
The key performance indicators from appendix 4 of the insurance brokerage contract are met.	This target has been achieved.
That any joint procurement projects deliver as per project approved objectives.	LASS joint procurement satisfactorily achieved for computer generated print, mail and E-Services for rates, accessing online economic profile data, and postal and courier services.
In response to requests from shareholders, the Company will provide regular reports and updates to the Waikato Mayoral Forum group regarding progress with shared service initiatives.	Updates are provided at all Mayoral Forums, the most recent being June 2014.

Financial Statement Notes

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.

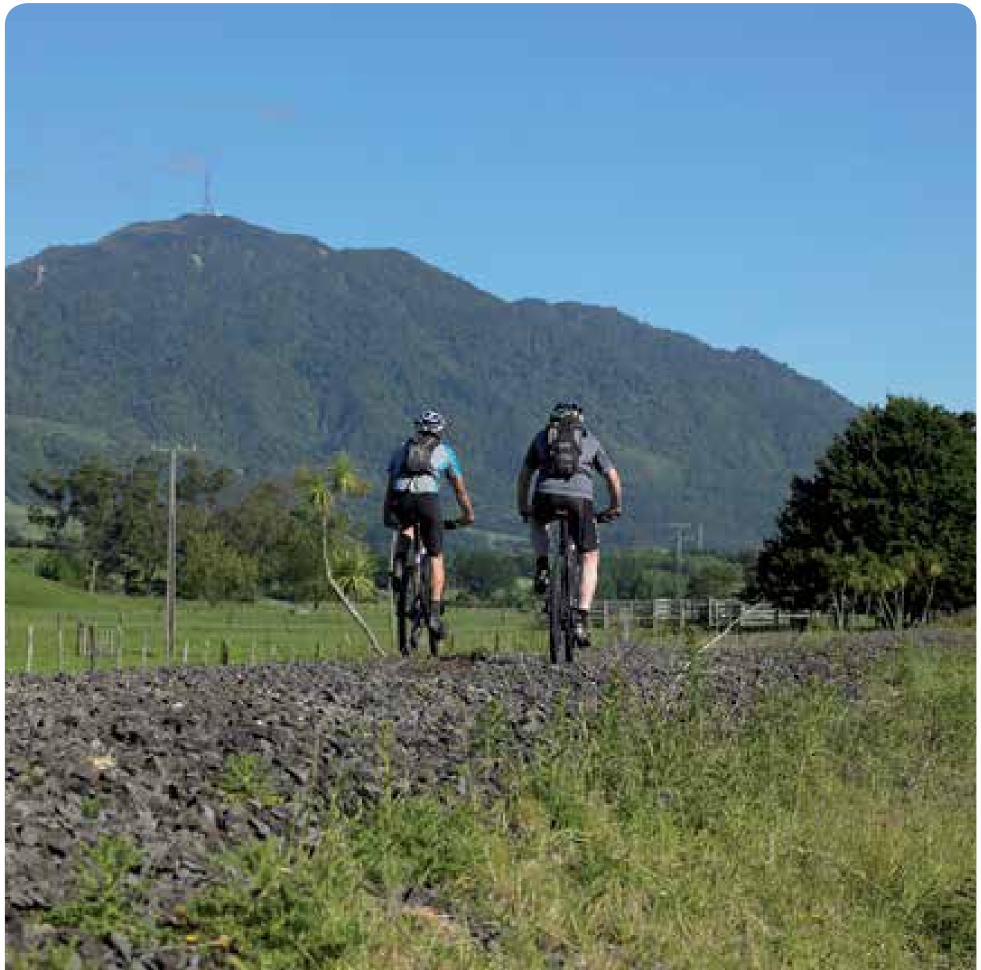
The Hauraki Rail Trail Charitable Trust (Trust) is a charitable trust formed to manage the cycleway. The Trust has been created by Hauraki, Thames-Coromandel and Matamata-Piako District Councils, who can each appoint three trustees. Iwi in the three districts can also appoint one trustee to the Trust. 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, this means we will need to do this before 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.