

## Financial Statements

*The following pages present the financial results of the Council for the 2017/2018 year compared against the budget set for 2017/2018 in the 2017/2018 Annual Plan and the results achieved in 2016/2017.*

In particular, the following information is presented:

- the practices and assumptions used in preparing the financial information
- where the Council's income came from and where it was subsequently spent
- the effect of the income and expenditure on the overall net worth of the Council
- what the Council owes and owns
- the cash payments and receipts during the year
- additional supporting information.

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Council			Group	
		2017/2018 Actual \$	2017/2018 Budget \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<b>Cost of services</b>						
Resource management		13,738,194	14,055,880	12,924,482	13,726,194	12,911,759
Biosecurity		1,949,148	1,533,204	1,722,135	1,949,148	1,722,135
Transport		4,175,077	4,030,349	3,910,574	4,175,077	3,877,574
Hazard management		1,615,653	1,552,682	1,290,780	1,615,653	1,290,780
Recreation, culture and heritage		3,647,182	3,503,947	3,354,714	3,721,951	3,469,098
Regional representation, advocacy and investment management		1,482,228	1,410,804	1,590,809	1,482,228	1,590,809
Port operating expenses		-	-	-	30,529,999	28,956,059
<b>Total expenses</b>	5	<b>26,607,482</b>	<b>26,086,866</b>	<b>24,793,494</b>	<b>57,200,250</b>	<b>53,818,214</b>
<b>Revenue from exchange transactions</b>						
Direct charges revenue	4	3,923,014	3,736,817	3,941,407	3,894,396	3,931,985
Other investment revenue		1,056,262	1,050,000	1,053,771	1,011,879	1,009,389
Dividends		5,460,000	5,417,170	4,924,700	-	-
Port revenue from operations		-	-	-	45,629,000	41,622,526
<b>Revenue from non-exchange transactions</b>						
General rates revenue		7,611,858	7,611,858	7,536,493	7,611,858	7,536,493
Targeted rates revenue		1,865,532	1,865,532	1,820,603	1,865,532	1,820,603
Direct charges revenue	4	4,086,953	4,322,057	3,333,892	4,086,953	3,333,892
Government grants		2,272,444	2,007,987	1,955,372	2,272,444	1,955,372
Vested assets		-	-	-	-	-
<b>Total revenue</b>	4	<b>26,276,063</b>	<b>26,011,421</b>	<b>24,566,238</b>	<b>66,372,062</b>	<b>61,210,260</b>
<b>Operating surplus/(deficit) before finance income and expenses, other gains/losses and taxation</b>		<b>(331,419)</b>	<b>(75,445)</b>	<b>(227,256)</b>	<b>9,171,812</b>	<b>7,392,046</b>
Finance income		398,416	525,000	527,175	421,589	549,884
Finance expense	5	-	-	-	1,593,560	1,254,056
<b>Net finance income (expense)</b>		<b>398,416</b>	<b>525,000</b>	<b>527,175</b>	<b>(1,171,971)</b>	<b>(704,172)</b>
<b>Operating surplus before other gains/losses and taxation</b>		<b>66,997</b>	<b>449,555</b>	<b>299,919</b>	<b>7,999,841</b>	<b>6,687,874</b>
<b>Other gains/(losses)</b>						
Gains/(losses) on revaluation of investment properties		810,000	-	1,204,500	810,000	1,204,500
Impairment of assets	10	-	-	-	(14,851,588)	-
<b>Operating surplus/(deficit) before taxation</b>		<b>876,997</b>	<b>449,555</b>	<b>1,504,419</b>	<b>(6,041,747)</b>	<b>7,892,374</b>
Income tax expense	7	1,446	10,000	1,727	3,537,446	4,265,973
<b>Net surplus/(deficit) for the period, net of tax</b>	21	<b>875,551</b>	<b>439,555</b>	<b>1,502,692</b>	<b>(9,579,193)</b>	<b>3,626,401</b>
<b>Other comprehensive income</b>						
Items that may be reclassified subsequently to profit and loss when specific conditions met.						
Impairment of assets	10	-	-	-	(2,438,400)	-
Revaluation of property, plant and equipment		86,312	-	120,881	86,312	1,555,716
Change in cash flow hedge		-	-	-	258,490	690,995
<b>Other comprehensive income, net of tax</b>		<b>86,312</b>	<b>-</b>	<b>120,881</b>	<b>(2,093,598)</b>	<b>2,246,711</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>961,863</b>	<b>439,555</b>	<b>1,623,573</b>	<b>(11,672,791)</b>	<b>5,873,112</b>

This statement should be read in conjunction with the *Explanatory Notes to the Financial Statements*.

## STATEMENT OF CHANGES IN NET ASSETS/EQUITY

### FOR THE YEAR ENDED 30 JUNE 2018

Council	Notes	Retained earnings \$	Reserves \$	Asset revaluation reserves \$	Cash flow hedge reserve \$	Total equity \$
<b>As at 1 July 2016</b>		<b>64,710,209</b>	<b>11,244,278</b>	<b>4,302,145</b>	<b>-</b>	<b>80,256,632</b>
<b>Changes in equity for 2016/2017</b>						
Total comprehensive income for the period		1,502,692	-	120,881	-	1,623,573
Transfers to and from reserves		114,795	(114,795)	-	-	-
<b>As at 30 June 2017</b>	18	<b>66,327,696</b>	<b>11,129,483</b>	<b>4,423,026</b>	<b>-</b>	<b>81,880,205</b>
<b>Changes in equity for 2017/2018</b>						
Total comprehensive income for the period		875,551	-	86,312	-	961,863
Transfers to and from reserves		(110,383)	110,383	-	-	-
<b>As at 30 June 2018</b>	18	<b>67,092,864</b>	<b>11,239,866</b>	<b>4,509,338</b>	<b>-</b>	<b>82,842,068</b>

Group	Notes	Retained earnings \$	Reserves \$	Asset revaluation reserves \$	Cash flow hedge reserve \$	Total equity \$
<b>As at 1 July 2016</b>		<b>141,032,561</b>	<b>11,244,278</b>	<b>64,058,138</b>	<b>(1,946,451)</b>	<b>214,388,526</b>
<b>Changes in equity for 2016/2017</b>						
Total comprehensive income for the period		3,626,401	-	1,555,716	690,995	5,873,112
Transfers to and from reserves		114,795	(114,795)	-	-	-
Transfers to and from asset revaluation reserves		-	-	-	-	-
<b>As at 30 June 2017</b>	18	<b>144,773,757</b>	<b>11,129,483</b>	<b>65,613,854</b>	<b>(1,255,456)</b>	<b>220,261,638</b>
<b>Changes in equity for 2017/2018</b>						
Total comprehensive income for the period		(9,579,193)	-	(2,352,088)	258,490	(11,672,791)
Transfers to and from reserves		(110,383)	110,383	-	-	-
Transfers to and from asset revaluation reserves		-	-	-	-	-
<b>As at 30 June 2018</b>	18	<b>135,084,181</b>	<b>11,239,866</b>	<b>63,261,766</b>	<b>(996,966)</b>	<b>208,588,847</b>

This statement should be read in conjunction with the *Explanatory Notes to the Financial Statements*.

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	Council			Group	
		2017/2018 Actual \$	2017/2018 Budget \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<b>Current assets</b>						
Cash and cash equivalents	8	2,358,662	1,243,388	1,190,605	2,869,993	5,048,690
Current portion of investments	13	5,399,129	-	7,847,041	5,399,129	7,847,041
Receivables from exchange transactions	9	1,274,429	960,000	1,230,663	8,456,946	6,513,400
Receivables from non-exchange transactions	9	2,641,132	1,040,000	1,761,702	2,641,132	1,761,702
Inventories	12	56,108	-	41,763	694,108	660,500
Prepayments		195,602	100,000	186,823	195,603	186,823
Taxation refundable	7	5,109	-	6,555	5,109	6,555
Work-in-progress	28	161,854	400,000	127,904	161,854	127,904
<b>Total current assets</b>		<b>12,092,025</b>	<b>3,743,388</b>	<b>12,393,056</b>	<b>20,423,874</b>	<b>22,152,615</b>
<b>Non-current assets</b>						
Term deposits and treasury investments	13	2,500,000	7,407,975	2,500,000	2,500,000	2,500,000
Port Taranaki Ltd	13	26,000,000	26,000,000	26,000,000	-	-
Civic Assurance Ltd	13	1,000	1,000	1,000	1,000	1,000
Regional Software Holdings Ltd	13	798,118	798,118	798,118	798,118	798,118
Investment properties	14	17,380,500	14,617,000	16,669,500	17,380,500	16,669,500
Intangible assets	11	1,041,418	1,255,571	487,942	1,512,418	1,152,985
Property, plant and equipment	10	30,211,725	30,588,317	28,457,434	229,819,471	236,251,901
Deferred tax asset	7	-	-	-	-	-
<b>Total non-current assets</b>		<b>77,932,761</b>	<b>80,667,981</b>	<b>74,913,994</b>	<b>252,011,507</b>	<b>257,373,504</b>
<b>Total assets</b>		<b>90,024,786</b>	<b>84,411,369</b>	<b>87,307,050</b>	<b>272,435,381</b>	<b>279,526,119</b>
<b>Current liabilities</b>						
Payables from exchange transactions	15	2,972,318	1,600,000	2,787,592	10,681,095	8,828,533
Payables from non-exchange transactions	15	1,634,160	400,000	338,313	1,634,160	338,313
Employee entitlements	16	1,189,559	935,000	1,061,185	2,461,559	2,288,695
Work-in-progress	28	669,281	500,000	487,755	669,281	487,755
Borrowings	17	-	-	-	3,968,273	1,794,357
Taxation payable	7	-	-	-	977,000	531,031
<b>Total current liabilities</b>		<b>6,465,318</b>	<b>3,435,000</b>	<b>4,674,845</b>	<b>20,391,368</b>	<b>14,268,684</b>
<b>Non-current liabilities</b>						
Employee entitlements	16	717,400	800,000	752,000	1,409,400	1,510,000
Deferred tax liability	7	-	-	-	382,000	414,519
Derivative financial instruments	29	-	-	-	996,966	1,255,456
Borrowings	17	-	-	-	40,666,800	41,815,822
<b>Total non-current liabilities</b>		<b>717,400</b>	<b>800,000</b>	<b>752,000</b>	<b>43,455,166</b>	<b>44,995,797</b>
<b>Total liabilities</b>		<b>7,182,718</b>	<b>4,235,000</b>	<b>5,426,845</b>	<b>63,846,534</b>	<b>59,264,481</b>
<b>Public equity</b>						
Retained earnings	18	67,092,864	65,452,180	66,327,696	135,084,181	144,773,757
Reserves	18	11,239,866	11,000,957	11,129,483	11,239,866	11,129,483
Asset revaluation reserves	18	4,509,338	3,723,232	4,423,026	63,261,766	65,613,854
Cash flow hedge reserve	18	-	-	-	(996,966)	(1,255,456)
<b>Total public equity</b>	18	<b>82,842,068</b>	<b>80,176,369</b>	<b>81,880,205</b>	<b>208,588,847</b>	<b>220,261,638</b>
<b>Total liabilities and equity</b>		<b>90,024,786</b>	<b>84,411,369</b>	<b>87,307,050</b>	<b>272,435,381</b>	<b>279,526,119</b>

This statement should be read in conjunction with the *Explanatory Notes to the Financial Statements*.

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Council			Group	
		2017/2018 Actual \$	2017/2018 Budget \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<b>Cash flow from operating activities</b>						
Cash was provided from:						
Rates		9,477,390	9,477,390	9,357,096	9,477,390	9,357,096
Interest		387,705	525,000	506,726	411,809	528,550
Dividends		5,460,000	5,417,170	4,924,700	-	-
Goods and services tax		115,106	-	71,964	147,956	71,964
Income tax		-	-	-	-	-
Other exchange transactions		5,008,895	5,154,774	4,636,293	55,562,895	53,298,556
Other non-exchange transactions		6,710,206	5,962,087	5,577,337	6,710,206	5,577,337
		27,159,302	26,536,421	25,074,116	72,310,256	68,833,503
Cash was applied to:						
Employees and suppliers		24,488,822	24,379,160	23,094,908	51,847,907	50,226,071
Income tax		-	60,000	16,170	3,123,000	3,923,148
Goods and services tax		-	-	-	-	32,723
Interest		-	-	-	1,587,560	1,260,836
		24,488,822	24,439,160	23,111,078	56,558,467	55,442,778
<b>Net cash flow from operating activities</b>	21	<b>2,670,480</b>	<b>2,097,261</b>	<b>1,963,038</b>	<b>15,751,789</b>	<b>13,390,725</b>
<b>Cash flow from investing activities</b>						
Cash was provided from:						
Investments		2,447,912	2,000,000	1,859,129	2,447,912	1,859,129
Proceeds from sale of property, plant and equipment		105,056	118,000	214,434	105,056	4,568,288
		2,552,968	2,118,000	2,073,563	2,552,968	6,427,417
Cash was applied to:						
Investments		-	-	-	-	-
Capitalised interest on property, plant and equipment		-	-	-	535,000	629,626
Purchase of property, plant and equipment		4,055,391	3,886,750	4,548,088	20,968,464	23,067,244
		4,055,391	3,886,750	4,548,088	21,503,464	23,696,870
<b>Net cash flow outflow from investing activities</b>		<b>(1,502,423)</b>	<b>(1,768,750)</b>	<b>(2,474,525)</b>	<b>(18,950,496)</b>	<b>(17,269,453)</b>
<b>Cash flow from financing activities</b>						
Cash was provided from:						
Loans		-	-	-	10,483,010	6,621,845
		-	-	-	10,483,010	6,621,845
Cash was applied to:						
Loans		-	-	-	9,463,000	180,000
		-	-	-	9,463,000	180,000
<b>Net cash outflow from financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,020,010</b>	<b>6,441,845</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,168,057</b>	<b>328,511</b>	<b>(511,488)</b>	<b>(2,178,697)</b>	<b>2,563,117</b>
Opening cash and cash equivalents		1,190,605	914,877	1,702,093	5,048,690	2,485,573
<b>Closing cash and cash equivalents</b>	8	<b>2,358,662</b>	<b>1,243,388</b>	<b>1,190,605</b>	<b>2,869,993</b>	<b>5,048,690</b>

This statement should be read in conjunction with the *Explanatory Notes to the Financial Statements*.

# Explanatory Notes to the Financial Statements

## 1. COUNCIL INFORMATION

### REPORTING ENTITY

Taranaki Regional Council is a regional local authority governed by the *Local Government Act 2002*.

The Taranaki Regional Council Group (TRC) consists of Taranaki Regional Council and its subsidiaries Port Taranaki Ltd (100% owned) and Taranaki Stadium Trust (100% controlled). The Council has a 15.5% investment in Regional Software Holdings Ltd. Port Taranaki Ltd is a port company governed by the *Port Companies Act 1988* and incorporated in New Zealand. Taranaki Stadium Trust is a charitable trust governed by the *Charitable Trusts Act 1957* and registered under the *Charities Act 2005*. Regional Software Holdings Ltd is a company governed by the *Companies Act 1993* and incorporated in New Zealand. Taranaki Stadium Trust and Regional Software Holdings Ltd are council-controlled organisations pursuant to the *Local Government Act 2002*.

The principal activity of the Taranaki Regional Council is the provision of local authority services, including resource management, biosecurity, transport services, hazard management, recreation and cultural services and regional representation to ratepayers and other residents of the Taranaki region.

The financial statements of Taranaki Regional Council are for the year ended 30 June 2018. The financial statements were authorised for issue by Council on 18 September 2018.

## 2. SUMMARY OF ACCOUNTING POLICIES

### STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the requirements of the *Local Government Act 2002*, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

### BASIS OF PREPARATION

As the primary objective of the Council and Group is to provide goods or services for community and social benefit, rather than for making a financial return, the Council and Group are public benefit entities for the purpose of financial reporting. The financial statements of the Council and Group have been prepared in accordance with and comply with Tier 1 Public Benefit Entity (PBE) standards. The financial statements are presented in New Zealand dollars. The functional currency of Taranaki Regional Council is New Zealand dollars.

### SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property, and financial instruments.

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements that management have made regarding the estimated useful life of plant property and equipment and the fair value of property, plant and equipment, are disclosed in Note 10.

### NEW AND AMENDED ACCOUNTING STANDARDS ADOPTED

Port Taranaki Ltd adopted *NZ IFRS 15 Revenue from Contracts with Customers* early with effect from 1 July 2017. This change did not have a significant impact on the financial statements. There is no equivalent PBE standard so there is no impact to the Group and the Council. The Group has elected to early adopt *Impairment of Revalued assets amendments to PBE IPSASs 21 and 26*. The effect of this is the recognition of the impairment in Note 10. Other than the above changes, the Group has not elected to early adopt any other new standards or interpretations that are issued but not yet effective as at 30 June 2018.

### NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

PBE Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2018, are outlined in the below:

**New pronouncement**

Approved Budget (Amendments to PBE IPSAS 1)  
 PBE IPSAS 34 Separate Financial Statements  
 PBE IPSAS 35 Consolidated Financial Statements  
 PBE IPSAS 36 Investments in Associates and Joint Ventures  
 PBE IPSAS 37 Joint Arrangements  
 PBE IPSAS 38 Disclosure of Interests in Other Entities  
 PBE IPSAS 39 Employee Benefits  
 PBE IFRS 9 Financial Instruments  
 PBE FRS 48 Service Performance Reporting

**Effective for annual reporting periods beginning on or after:**

1 January 2018  
 1 January 2019  
 1 January 2019  
 1 January 2019  
 1 January 2019  
 1 January 2019  
 1 January 2019  
 1 January 2021  
 1 January 2021

**Expected to be initially applied in the financial year ending:**

30 June 2019  
 30 June 2020  
 30 June 2020  
 30 June 2020  
 30 June 2020  
 30 June 2020  
 30 June 2020  
 30 June 2022  
 30 June 2022

**CHANGES IN ACCOUNTING ESTIMATES**

There have been no changes in accounting estimates during the year.

**3. PRINCIPAL ACTIVITIES/GROUP INFORMATION****NOTES**

The Taranaki Regional Council provides local authority services within the Taranaki region. The reporting date of the Council and all subsidiaries is 30 June. The consolidated financial statements of the Group include the following subsidiaries of the Council:

Subsidiary name	Principal activities	Country of incorporation	Percentage equity interest		Carrying value of investment (at cost)	
			2017/2018 %	2016/2017 %	2017/2018 \$	2016/2017 \$
Port Taranaki Ltd	Export and import activities through Port Taranaki.	New Zealand	100	100	26,000,000	26,000,000
Taranaki Stadium Trust	Long-term maintenance and development of Yarrow Stadium.	New Zealand	100	100	Nil	Nil

The Council also hold investments in the following entities:

Name	Principal activities	Country of incorporation	Percentage equity interest		Carrying value of investment (at cost)	
			2017/2018 %	2016/2017 %	2017/2018 \$	2016/2017 \$
Regional Software Holdings Ltd	Shared software resources.	New Zealand	15.5	15.5	798,118	798,118
Civic Assurance Ltd	Insurance services to local government.	New Zealand	<0.0	<0.0	1,000	1,000

## 4. REVENUE

Notes	Council		Group	
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<b>The net operating surplus (deficit) was achieved after crediting:</b>				
Dividends	5,460,000	4,924,700	-	-
Gain on sale of property, plant and equipment	77,041	150,271	77,041	150,271
Gain on sale of investment properties	-	-	-	-
Unrealised gain on revaluation of investment properties	810,000	1,204,500	810,000	1,204,500
Rental revenue from investment properties	894,520	861,412	850,138	817,030
Interest – corporate bonds	116,653	294,643	116,653	294,643
Interest – cash and term deposits	281,763	232,532	304,936	255,241
<b>Direct charges revenue from exchange transactions</b>				
Compliance monitoring charges	2,707,677	2,774,618	2,679,059	2,765,287
Resource consent applications	811,663	746,496	811,663	746,405
Other sales of goods and services	403,674	420,293	403,674	420,293
<b>Total direct charges revenue from exchange transactions</b>	<b>3,923,014</b>	<b>3,941,407</b>	<b>3,894,396</b>	<b>3,931,985</b>
<b>Direct charges revenue from non-exchange transactions</b>				
Riparian plant sales	1,307,379	977,944	1,307,379	977,944
Bus fares	886,118	891,750	886,118	891,750
Pollution response	391,526	454,678	391,526	454,678
Civil defence recoveries	688,358	412,914	688,358	412,914
Resource consent condition charges	90,046	120,164	90,046	120,164
Waste minimisation recoveries	48,026	96,989	48,026	96,989
Other recoveries and sales of goods and services	675,500	379,453	675,500	379,453
<b>Total direct charges revenue from non-exchange transactions</b>	<b>4,086,953</b>	<b>3,333,892</b>	<b>4,086,953</b>	<b>3,333,892</b>

**POLICIES**

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. To the extent that there is a condition attached that would give rise to a liability to repay revenue, a deferred revenue liability is recognised instead of revenue. Revenue is then recognised only once the Group has satisfied these conditions.

*Revenue from non-exchange transactions:*

- General and targeted rates: The Group recognises revenue from rates when the Council has struck the rate and provided the rates assessment. Rates revenue is measured at the amount assessed, which is the fair value of the cash received or receivable.
- Government grants and funding: Revenues from the Government is recognised when the Group obtains control of the transferred asset (cash, goods, services, or property), and when the revenue can be measured reliably and is free from conditions.
- Fines: The Group recognises revenue from fines when the notice of infringement or breach is served by the Council or Group.
- Direct charges – goods and services: Rendering of services or the sale of goods at a price that is not approximately equal to the value of the service provided by the Council or Group is considered a non-exchange transaction. This includes rendering of services where the price does not allow the Council to fully recover the cost of providing the service and where the shortfall is subsidised by income from other activities, such as rates. Revenue from such subsidised services is recognised when the Council or Group issues the invoice or bill for the service.

*Revenue from exchange transactions:*

- Direct charges – goods and services: Revenue from the rendering of services or the sale of goods is recognised by reference to the stage of completion of the service. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.
- Interest revenue: For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate. Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.
- Dividends: Revenue is recognised when the Group's or Council's right to receive the payment is established, which is generally when shareholders approve the dividend.
- Rental revenue: Rental revenue arising from operating leases on investment properties is accounted for on a straight-line basis over the lease.



## 5. EXPENDITURE

Notes	Council		Group	
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<b>The net operating surplus (deficit) was achieved after charging:</b>				
Employee benefits	12,615,391	11,727,667	26,451,391	25,091,486
Cost of services	10,765,425	10,312,252	9,877,706	9,876,725
General expenses	-	-	5,321,630	3,778,283
Finance costs	-	-	1,593,560	1,254,056
Repairs and maintenance	343,390	335,740	4,129,729	4,069,782
Directors' fees	-	-	353,000	354,667
Depreciation and amortisation	1,472,879	1,351,061	9,674,699	9,348,921
Loss on disposal of property, plant and equipment	106,871	27,051	106,871	28,323
Impairment of assets	-	-	14,851,588	-
Bad debts	1,428	-	1,428	-
Income tax expense	1,446	1,727	3,537,446	4,265,973
Net loss/(gain) on currency bank balances	-	-	(133,133)	142,828
Audit fees – Annual Report	120,764	117,598	203,441	198,144
Audit fees – Long-Term Plan	75,857	-	75,857	-
Minimum lease payments recognised as operating lease expense	-	-	32,154	6,930
Purchase of riparian plants (inventory)	1,105,477	922,125	1,105,477	922,125

### POLICIES

The budget figures presented in these financial statements are those included in the Council's adopted Annual Plan or Long-Term Plan. The budget figures are for the Council as a separate entity, and do not include budget information relating to subsidiaries or associates.

Indirect costs relate to the overall costs of running the organisation and include staff time, office space and information technology costs. Indirect costs are allocated as overheads across all activities. Overheads have been allocated against activity centres on the basis of staff numbers. However, in the case of Councillors (*Representation*), they have been allocated on a 0.5:1 ratio.

## 6. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

	2017/2018 Actual \$
Operating expenditure was more than budgeted: <i>Across the full range of activities there were many over and under expenditures – none of these variances were material.</i>	(520,616)
Direct charges were less than budgeted: <i>Variances across activities, however in particular plant sales and pollution response revenue were less than budgeted.</i>	(48,906)
Government grants were more than budgeted: <i>Mainly due to transport funding being higher than budget due to the transport integrated ticketing project and increases in bus contract costs.</i>	264,457
Other investment revenue was more than budgeted: <i>This arises from higher than planned rental revenue.</i>	6,261
Dividend income was more than budget: <i>A slightly higher dividend from Port Taranaki Limited than budgeted.</i>	42,830
Finance income was less than budget: <i>Lower returns received than anticipated from term investments.</i>	(126,584)
Unrealised gains on revaluation of investment properties was more than budgeted: <i>No allowance was made for an increase or decrease in values.</i>	810,000
Income tax expense was less than budgeted: <i>More tax deductible expenditure was incurred than budgeted.</i>	8,554
Unrealised gains on revaluation of flood control scheme assets was more than budgeted: <i>No allowance was made for an increase or decrease in values.</i>	86,312

The entire operating surplus is from continuing activities.

## 7. TAXATION

Notes	Council		Group	
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<b>Income tax recognised in the Statement of Comprehensive Revenue and Expense</b>				
Current tax expense	1,446	1,727	3,570,446	2,942,831
Deferred tax income on temporary differences	-	-	(33,000)	577,068
<b>Income tax expense per Statement of Comprehensive Revenue and Expense</b>	<b>1,446</b>	<b>1,727</b>	<b>3,537,446</b>	<b>4,265,973</b>
<b>Reconciliation of operating surplus before tax and income tax expense</b>				
Surplus/(deficit) before taxation and subvention payment	876,997	1,504,419	(6,041,747)	7,892,374
<b>Operating surplus/(deficit) before taxation</b>	<b>876,997</b>	<b>1,504,419</b>	<b>(6,041,747)</b>	<b>7,892,374</b>
Income tax expense at 28%	245,559	421,237	(1,691,689)	2,209,865
Tax effect of non-deductible expenses in operating surplus before taxation	-	-	3,000	2,278
Tax effect of non-assessable income in operating surplus before taxation	1,879,221	1,494,885	7,118,469	2,921,000
Timing differences prior period	-	-	-	746,074
Timing differences current period	-	-	665,000	291,082
Prior period adjustments impacting income taxation expense	-	767	(434,000)	10,836
Imputation credit adjustment	(2,123,334)	(1,915,162)	(2,123,334)	(1,915,162)
<b>Income taxation expense per Statement of Comprehensive Revenue and Expense</b>	<b>1,446</b>	<b>1,727</b>	<b>3,537,446</b>	<b>4,265,973</b>
<b>Taxation refundable/(payable)</b>				
Opening balance	6,555	(7,888)	(524,476)	(1,504,793)
Prior year tax paid/(refund)	-	7,888	1,024,403	1,514,862
Prior year adjustment	-	(767)	-	(10,836)
Current taxation payable	(1,446)	(960)	(4,005,152)	(2,931,995)
Provisional taxation paid	-	8,282	2,533,334	2,408,286
<b>Taxation refundable/(payable)</b>	<b>5,109</b>	<b>6,555</b>	<b>(971,891)</b>	<b>(524,476)</b>
<b>Imputation credit account</b>				
<b>Credits available for use in subsequent periods</b>	<b>-</b>	<b>-</b>	<b>26,614,000</b>	<b>25,614,000</b>
Imputation credits available directly and indirectly to the Council, through Port Taranaki Ltd:	-	-	26,614,000	25,614,000

## DEFERRED TAX ASSET/LIABILITY

	Depreciation/ Amortisation	Provisions/ Payables	Group Receivables/ Prepayments	Cash flow hedge reserve	Total
<b>Balance 30 June 2016</b>	<b>(1,702,699)</b>	<b>1,320,242</b>	-	<b>545,006</b>	<b>162,549</b>
Charged/(credited) to the Statement of Comprehensive Revenue and Expense	49,342	(432,932)	-	(193,478)	(577,068)
<b>Balance 30 June 2017</b>	<b>(1,653,357)</b>	<b>887,310</b>	-	<b>351,528</b>	<b>(414,519)</b>
Charged/(credited) to the Statement of Comprehensive Revenue and Expense	218,357	(113,310)	-	(72,528)	32,519
<b>Balance 30 June 2018</b>	<b>(1,435,000)</b>	<b>774,000</b>	-	<b>279,000</b>	<b>(382,000)</b>

## POLICIES

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting surplus or deficit nor taxable surplus or deficit.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## POLICIES

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting surplus or deficit nor taxable surplus or deficit.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable surplus will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Revenues, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- In the case of receivables and payables, which are stated with the amount of GST included.

## NOTES

The Council is exempt from income tax. There is no recognised deferred tax liability (2016/2017—\$nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries. There is no income tax loss carried forward.

## 8. CASH AND CASH EQUIVALENTS

	Notes	Council		Group	
		2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
Bank		521,214	447,592	1,025,367	4,198,930
Call deposits		1,837,448	743,013	1,844,626	849,760
<b>Total bank and call deposits</b>		<b>2,358,662</b>	<b>1,190,605</b>	<b>2,869,993</b>	<b>5,048,690</b>

## POLICIES

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits that are readily convertible to known amounts of cash.

## NOTES

The carrying value of cash and cash equivalents approximates their fair value.

## 9. RECEIVABLES

	Notes	Council		Group	
		2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<b>Receivables from exchange transactions</b>					
Trade receivables		1,274,429	1,230,663	5,435,480	5,231,993
Provision for impairment		-	-	-	-
Net trade receivables		1,274,429	1,230,663	5,435,480	5,231,993
Other receivables		-	-	3,021,466	1,281,407
Related party receivables		-	-	-	-
<b>Total receivables from exchange transactions</b>		<b>1,274,429</b>	<b>1,230,663</b>	<b>8,456,946</b>	<b>6,513,400</b>
<b>Receivables from non-exchange transactions</b>					
Trade receivables		2,641,132	1,761,702	2,641,132	1,761,702
Provision for impairment		-	-	-	-
Net trade receivables		2,641,132	1,761,702	2,641,132	1,761,702
Other receivables		-	-	-	-
Related party receivables		-	-	-	-
<b>Total receivables from non-exchange transactions</b>		<b>2,641,132</b>	<b>1,761,702</b>	<b>2,641,132</b>	<b>1,761,702</b>

## NOTES

The fair value of trade and other receivables approximates their carrying value. There is no concentration of credit risk with respect to the Council's receivables as there a large number of customers.

## 10. PROPERTY, PLANT AND EQUIPMENT

Council	Land at cost	Land at valuation	Buildings at cost	Buildings at valuation	Motor vehicles	Plant, equipment and fittings	Office furniture	Computer equipment
<b>Carrying amount 1 July 2016</b>	<b>1,969,509</b>	-	<b>7,401,055</b>	-	<b>1,264,694</b>	<b>768,634</b>	<b>72,032</b>	<b>314,173</b>
Cost/valuation	1,969,509	-	10,757,249	-	3,022,261	4,877,466	638,770	2,875,654
Accumulated depreciation	-	-	(3,356,194)	-	(1,757,567)	(4,108,832)	(566,738)	(2,561,481)
Additions	173,000	-	228,000	-	747,507	148,051	8,248	132,314
Transfers	-	-	504,920	-	-	258,920	52,718	18,492
Revaluations	-	-	-	-	-	-	-	-
Disposals	-	-	(10,143)	-	(64,793)	(9,022)	-	(5,926)
Depreciation	-	-	(286,104)	-	(544,249)	(247,732)	(17,631)	(124,768)
<b>Carrying amount 30 June 2017</b>	<b>2,142,509</b>	-	<b>7,837,728</b>	-	<b>1,403,159</b>	<b>918,851</b>	<b>115,367</b>	<b>334,285</b>
Cost/valuation	2,142,509	-	11,477,904	-	3,070,475	5,253,059	678,673	3,007,192
Accumulated depreciation	-	-	(3,640,176)	-	(1,667,316)	(4,334,208)	(563,306)	(2,672,907)
Additions	(22,565)	-	(29,739)	-	610,856	288,169	2,191	160,481
Transfers	194,035	-	2,713,060	-	-	404,662	3,741	-
Revaluations	-	-	-	-	-	-	-	-
Disposals	-	-	(199,004)	-	(85,079)	(54,411)	(2,548)	(12,168)
Depreciation	-	-	(308,080)	-	(532,516)	(316,024)	(27,390)	(134,975)
<b>Carrying amount 30 June 2018</b>	<b>2,313,979</b>	-	<b>10,013,965</b>	-	<b>1,396,420</b>	<b>1,241,247</b>	<b>91,361</b>	<b>347,623</b>
Cost/valuation	2,313,979	-	13,739,758	-	3,240,467	4,994,588	654,462	3,145,502
Accumulated depreciation	-	-	(3,725,793)	-	(1,844,047)	(3,753,341)	(563,101)	(2,797,879)

Council	Dredging	Port services & equipment	Work in progress	Flood and river control at valuation	-	-	-	Total
<b>Carrying amount 1 July 2016</b>	-	-	<b>4,588,592</b>	<b>8,940,356</b>	-	-	-	<b>25,319,045</b>
Cost/valuation	-	-	4,588,592	8,940,356	-	-	-	37,669,857
Accumulated depreciation	-	-	-	-	-	-	-	(12,350,812)
Additions	-	-	3,275,914	-	-	-	-	4,713,034
Transfers	-	-	(4,672,691)	3,452,483	-	-	-	(385,158)
Revaluations	-	-	-	120,881	-	-	-	120,881
Disposals	-	-	-	-	-	-	-	(89,884)
Depreciation	-	-	-	-	-	-	-	(1,220,484)
<b>Carrying amount 30 June 2017</b>	-	-	<b>3,191,815</b>	<b>12,513,720</b>	-	-	-	<b>28,457,434</b>
Cost/valuation	-	-	3,191,815	12,513,720	-	-	-	41,335,347
Accumulated depreciation	-	-	-	-	-	-	-	(12,877,913)
Additions	-	-	2,744,086	-	-	-	-	3,753,479
Transfers	-	-	(3,732,041)	3,238	-	-	-	(413,305)
Revaluations	-	-	-	86,312	-	-	-	86,312
Disposals	-	-	-	-	-	-	-	(353,210)
Depreciation	-	-	-	-	-	-	-	(1,318,985)
<b>Carrying amount 30 June 2018</b>	-	-	<b>2,203,860</b>	<b>12,603,270</b>	-	-	-	<b>30,211,725</b>
Cost/valuation	-	-	2,203,860	12,603,270	-	-	-	42,895,886
Accumulated depreciation	-	-	-	-	-	-	-	(12,684,161)

Disposals are disclosed on a net basis therefore cost and accumulated depreciation is not able to be recalculated from above information.

Group	Land at cost	Land at valuation	Buildings at cost	Buildings at valuation	Motor vehicles	Plant, equipment and fittings	Office furniture	Computer equipment
<b>Carrying amount 1 July 2016</b>	<b>1,969,509</b>	<b>90,173,125</b>	<b>23,528,895</b>	<b>24,717,917</b>	<b>1,264,694</b>	<b>1,310,666</b>	<b>72,032</b>	<b>314,173</b>
Cost/valuation	1,969,509	90,173,125	41,020,591	26,034,626	3,022,261	5,728,934	655,200	2,875,654
Accumulated depreciation	-	-	(17,491,695)	(1,316,709)	(1,757,567)	(4,418,268)	(583,168)	(2,561,481)
Additions	173,000	-	2,546,374	1,355,540	747,507	193,231	8,248	132,314
Transfers	-	-	501,425	-	-	258,920	52,718	18,492
Revaluations	-	750,000	-	684,835	-	-	-	-
Disposals	-	-	(25,415)	-	(64,793)	(9,022)	-	(5,926)
Depreciation	-	-	(1,319,671)	(604,494)	(544,249)	(286,135)	(17,631)	(124,768)
<b>Carrying amount 30 June 2017</b>	<b>2,142,509</b>	<b>90,923,125</b>	<b>25,231,609</b>	<b>26,153,798</b>	<b>1,403,159</b>	<b>1,467,660</b>	<b>115,367</b>	<b>334,285</b>
Cost/valuation	2,142,509	90,923,125	44,042,975	27,126,691	3,070,475	6,149,707	695,103	3,007,192
Accumulated depreciation	-	-	(18,811,366)	(972,893)	(1,667,316)	(4,682,047)	(579,736)	(2,672,907)
Additions	(22,565)	-	(8,619)	2,167,228	610,856	288,169	2,191	160,481
Transfers	194,035	-	2,658,060	-	-	404,662	3,741	-
Impairment	-	-	(202,000)	(15,514,988)	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-
Disposals	-	-	(199,004)	-	(85,079)	(54,411)	(2,548)	(12,168)
Depreciation	-	-	(1,311,080)	(611,686)	(532,516)	(357,439)	(27,390)	(134,975)
<b>Carrying amount 30 June 2018</b>	<b>2,313,979</b>	<b>90,923,125</b>	<b>26,168,966</b>	<b>12,194,352</b>	<b>1,396,420</b>	<b>1,748,641</b>	<b>91,361</b>	<b>347,623</b>
Cost/valuation	2,313,979	90,923,125	46,066,759	13,778,930	3,240,467	5,891,236	670,892	3,145,502
Accumulated depreciation	-	-	(19,897,793)	(1,584,578)	(1,844,047)	(4,142,595)	(579,531)	(2,797,879)

Group	Dredging	Port services & equipment	Work in progress	Flood and river control at valuation	-	-	-	Total
<b>Carrying amount 1 July 2016</b>	<b>19,226,504</b>	<b>35,971,434</b>	<b>13,050,849</b>	<b>8,940,356</b>	-	-	-	<b>220,540,154</b>
Cost/valuation	24,688,100	94,871,831	13,050,849	8,940,356	-	-	-	313,031,035
Accumulated depreciation	(5,461,596)	(58,900,397)	-	-	-	-	-	(92,490,881)
Additions	2,493,770	3,993,525	20,960,861	-	-	-	-	32,604,370
Transfers	-	3,495	(13,654,920)	3,452,483	-	-	-	(9,367,387)
Revaluations	-	-	-	120,881	-	-	-	1,555,716
Disposals	-	(3,879)	-	-	-	-	-	(109,035)
Depreciation	(1,507,059)	(4,567,911)	-	-	-	-	-	(8,971,917)
<b>Carrying amount 30 June 2017</b>	<b>20,213,215</b>	<b>35,396,664</b>	<b>20,356,790</b>	<b>12,513,720</b>	-	-	-	<b>236,251,901</b>
Cost/valuation	27,181,870	98,382,971	20,356,790	12,513,720	-	-	-	335,593,128
Accumulated depreciation	(6,968,655)	(62,986,307)	-	-	-	-	-	(99,341,227)
Additions	-	4,092,213	18,494,111	-	-	-	-	25,784,065
Transfers	-	89,000	(8,749,041)	3,238	-	-	-	(5,396,305)
Impairment	(13,000)	(1,540,000)	-	-	-	-	-	(17,269,988)
Revaluations	-	-	-	86,312	-	-	-	86,312
Disposals	-	-	-	-	-	-	-	(353,210)
Depreciation	(1,253,215)	(4,479,003)	(576,000)	-	-	-	-	(9,283,304)
<b>Carrying amount 30 June 2018</b>	<b>18,947,000</b>	<b>33,558,874</b>	<b>29,525,860</b>	<b>12,603,270</b>	-	-	-	<b>229,819,471</b>
Cost/valuation	27,168,870	100,988,875	30,101,860	12,603,270	-	-	-	336,893,765
Accumulated depreciation	(8,221,870)	(67,430,001)	(576,000)	-	-	-	-	(107,074,294)

Disposals are disclosed on a net basis therefore cost and accumulated depreciation is not able to be recalculated from above information.

**POLICIES**

Property, plant and equipment is measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property plant and equipment is recognised only when it is probable that future economic benefit or service potential associated with the item will flow to the Group, and if the item's cost or fair value can be measured reliably. Subsequent to initial recognition, property, plant and equipment are measured using either the cost model or the revaluation model.

For Council, land and work in progress is recorded at cost, flood and river control assets are recorded at fair value as determined by a valuer and all other assets are recorded at cost less accumulated depreciation and any impairment. For Port Taranaki Limited, land is recorded at fair value as determined by a valuer and all other assets are recorded at cost less accumulated depreciation and any impairment. For Taranaki Stadium Trust, land and buildings is recorded at fair value as determined by a valuer less any accumulated depreciation on buildings and impairment losses recognised after the date of revaluation. All other assets are recorded at cost less accumulated depreciation and any impairment

Revaluation is performed on a class-by-class basis. If an item of property, plant and equipment is revalued, the entire class to which the asset belongs is revalued. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The valuation cycle for revalued asset classes is normally three years. A revaluation surplus is recorded in other comprehensive revenue and expense and credited to the asset revaluation reserve in net assets/equity. However, to the extent that it reverses a revaluation deficit of the same class of asset previously recognised in surplus or deficit, the increase is recognised in surplus or deficit. A revaluation deficit is recognised in the surplus or deficit, except to the extent that it offsets an existing surplus on the same asset class recognised in the asset revaluation reserve.

The residual value and the useful life of assets are reviewed at least annually. Depreciation calculated on a straight-line basis, which writes off the value of the assets over their expected remaining lives after allowing for residual values where applicable. The depreciation rates are as follows:

Buildings	5 to 50 yrs	2 to 20%
Motor vehicles	5 yrs	20%
Plant and equipment	2.5 to 25 yrs	4 to 40%
Office furniture and fittings	5 to 10 yrs	10 to 20%
Computer equipment	5 yrs	20%
Port services and equipment	3 to 66 yrs	0.67 to 33%
Dredging	2 yrs	Nil to 50%

Flood scheme assets – the nature of these assets is equivalent to land improvements and, as such, they do not incur a loss of service potential over time. Land and flood scheme assets are not depreciated. Maintenance costs are expensed as they are incurred in the surplus or deficit in the *Statement of Comprehensive Revenue and Expense*.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the *Statement of Comprehensive Revenue and Expense*. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

For non-financial non-cash-generating assets, except for those assets that are valued using the revaluation model, the Group assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the *Statement of Comprehensive Revenue and Expense*. An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount.

For non-financial non-cash-generating assets, except for those assets that are valued using the revaluation model, the Group assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. Impairment losses are recognised immediately in surplus or deficit.

The Port has changed its classification of PP&E in the current year compared with the prior year, to group together assets of a similar nature and use in the Port's operations. Prior year asset categories that is included within port services and equipment are: port installations, bulk tanks, plant equipment and fittings, and floating plant.

## NOTES

The Waitara River Flood Protection Scheme assets, Okato River Flood Protection Scheme assets and the Waiwhakairo River Flood Protection Scheme assets were independently valued at 30 June 2018 at depreciated replacement cost, by Mr John Philpott (Registered Engineer and member of IPENZ, Masters of Civil Engineering of John Philpott & Associates Ltd). The revalued amount of land used in this report less the capital work in progress amounts to \$12,603,270 (2016/2017 - \$12,513,720). The carrying amount of land had it been recognised under the cost model is \$2,825,194 (2016/2017 - \$2,825,194). Information about core assets pursuant to Regulation 6 of the *Local Government (Financial Reporting and Prudence) Regulations 2014*. The Council does not have water supply, sewerage, stormwater drainage or roads and footpaths and, consequently, has no disclosures to make.

Port Taranaki Ltd land was last revalued at 30 June 2016 by Mr Ian Baker, a registered valuer with Telfer Young (Taranaki) Ltd, New Plymouth. Telfer Young have been contracted by Port Taranaki as independent valuers. The carrying amount of land had it been recognised under the cost model is \$30,020,697 (\$30,020,697-2016/2017). Port Taranaki Ltd land assets have been valued on their highest and best use taking into account the existing zoning, potential for utilisation and localised port market. All land holdings are used or held for port operational requirements and as such are valued under the requirements of PBE IPSAS 17 using fair value (market value).

Taranaki Stadium Trust land and buildings were last valued as at 30 June 2017, by Ian Baker, a registered valuer with Telfer Young (Taranaki) Ltd. Land and buildings were adjusted in the financial statements, for the year ending 30 June 2017, to reflect this revaluation. The land and buildings are valued based on the depreciated replacement cost approach using assumptions the valuer believed to be fair and reasonable at the date of valuation. The total fair value of the land and buildings valued at 30 June 2017 was \$27,865,109.

### Impairment: Taranaki Stadium Trust

Detailed seismic assessments have been completed on the East and West Stands of Yarrow Stadium. The assessments indicate that the East Stand is 10% of new building standard and the West Stand is 20% of new building standard. As such both stands are earthquake prone buildings and have been closed from use. The West Stand increases to 45% of new building standard if the seats are closed to public use and only the facilities at the top of the stand are used. At 45% of the standard, the stand is not considered earthquake prone and can be used again, with the public excluded from the seats. The total carrying value of the East and West Stands before the recognition of impairment loss amounted to \$19,726,399.

The Trust is committed to the repair and/or the reinstatement of the stands and for Yarrow Stadium to become fully operational. Investigations have commenced on the options for repairing or reinstating the stands. This work will not be completed until February 2019. Thus, as at 30 June 2018, the Trust has not determined the reasonable approach to estimate the recoverable service amount of the East and West Stands of the Yarrow Stadium.

Based upon knowledge to date, the level of impairment is assessed at 50% for the West Stand (excluding the new hospitality area which is fully operational) and 90% for the East Stand. The actual level of impairment loss is likely to be different based upon the outcomes of investigations into repair and/or reinstatement options. This variance may be material. The total value of the impairment loss of the East and West Stands for the year ended was \$15,514,988. \$2,438,400 of the impairment has been reversed against previous building revaluations recorded in the asset revaluation reserve, with the remaining balance of \$13,076,588 being expensed in the *Statement of Financial Performance*. The split of the impairment between expense and the asset revaluation reserve is slightly different from the Trust due to eliminations upon consolidation.

### Impairment: Port Taranaki Limited

In December 2017, the Port announced the formal exit from their container business. On doing so they reviewed those specific assets and wrote down the assets to their recoverable value. At the end of the 2017/2018 period, two buildings and two tanks were written off as they were deemed to be unusable for the Port operations.

## 11. INTANGIBLE ASSETS

Council	Computer software	Total
<b>Carrying amount 30 June 2016</b>	<b>194,690</b>	<b>194,690</b>
Cost/valuation	2,353,843	2,353,843
Accumulated depreciation	(2,159,153)	(2,159,153)
Additions	40,000	40,000
Transfers	385,158	385,158
Disposals	(1,329)	(1,329)
Amortisation	(130,577)	(130,577)
<b>Carrying amount 30 June 2017</b>	<b>487,942</b>	<b>487,942</b>
Cost/valuation	2,775,206	2,775,206
Accumulated depreciation	(2,287,264)	(2,287,264)
Additions	195,065	195,065
Transfers	512,305	512,305
Disposals	-	-
Amortisation	(153,894)	(153,894)
<b>Carrying amount 30 June 2018</b>	<b>1,041,418</b>	<b>1,041,418</b>
Cost/valuation	3,482,576	3,482,576
Accumulated depreciation	(2,441,158)	(2,441,158)

Group	Computer software	Total
<b>Carrying amount 30 June 2016</b>	<b>929,602</b>	<b>929,602</b>
Cost/valuation	6,652,974	6,652,974
Accumulated depreciation	(5,723,372)	(5,723,372)
Additions	216,559	216,559
Transfers	385,158	385,158
Disposals	(1,329)	(1,329)
Amortisation	(377,005)	(377,005)
<b>Carrying amount 30 June 2017</b>	<b>1,152,985</b>	<b>1,152,985</b>
Cost/valuation	7,250,896	7,250,896
Accumulated depreciation	(6,097,911)	(6,097,911)
Additions	238,523	238,523
Transfers	512,305	512,305
Disposals	-	-
Amortisation	(391,395)	(391,395)
<b>Carrying amount 30 June 2018</b>	<b>1,512,418</b>	<b>1,512,418</b>
Cost/valuation	8,001,724	8,001,724
Accumulated depreciation	(6,489,306)	(6,489,306)

**POLICIES**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The amortisation expense on intangible assets with finite lives is recognised in surplus or deficit as the expense category that is consistent with the function of the intangible assets. The Group holds several computer software packages for internal use, including purchased software and software developed in-house by the Group. Purchased software is recognised and measured at the cost incurred to acquire the software. Developed software is recognised and measured during the development stage in accordance with the Research and Development paragraph below. Costs that are directly associated with the development of the software, including employee costs, are capitalised as an intangible asset. Staff training costs and costs associated with maintaining computer software are recognised as expenses in surplus or deficit when incurred. The estimated useful lives are as follows:

Computer software

5 yrs

20%

**12. INVENTORIES**

Notes	Council		Group	
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
Plant materials	56,108	41,763	56,108	41,763
Maintenance consumables	-	-	638,000	618,737
<b>Total inventories</b>	<b>56,108</b>	<b>41,763</b>	<b>694,108</b>	<b>660,500</b>

**POLICIES**

Inventories are valued at the lower of weighted average cost or net realisable value.

**13. INVESTMENTS**

Notes	Council		Group	
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<b>Current portion of investments</b>				
Term deposits	5,399,129	6,307,804	5,399,129	6,307,804
Treasury investments - corporate bonds/notes	-	1,539,237	-	1,539,237
<b>Total current portion of investments</b>	<b>5,399,129</b>	<b>7,847,041</b>	<b>5,399,129</b>	<b>7,847,041</b>
<b>Non-current investments</b>				
Term deposits	1,500,000	1,500,000	1,500,000	1,500,000
Treasury investments - corporate bonds/notes	1,000,000	1,000,000	1,000,000	1,000,000
Port Taranaki Ltd (unlisted shares)	26,000,000	26,000,000	-	-
Civic Assurance (unlisted shares)	1,000	1,000	1,000	1,000
Regional Software Holdings Ltd	798,118	798,118	798,118	798,118
<b>Total non-current investments</b>	<b>29,299,118</b>	<b>29,299,118</b>	<b>3,299,118</b>	<b>3,299,118</b>
<b>Total investments</b>	<b>34,698,247</b>	<b>37,146,159</b>	<b>8,698,247</b>	<b>11,146,159</b>



Notes	Council		Group	
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<b>Term deposit maturity dates and effective interest rates</b>				
Term deposits maturing in less than 1 year	5,399,129	6,307,804	5,399,129	6,307,804
Weighted average effective interest rate	3.62%	3.14%	3.62%	3.14%
Term deposits maturing in 1 to 2 years	1,500,000	1,500,000	1,500,000	1,500,000
Weighted average effective interest rate	4.00%	4.00%	4.00%	4.00%
<b>Corporate bonds/notes maturity dates and effective interest rates</b>				
Corporate bonds maturing in less than 1 year	-	1,539,237	-	1,539,237
Weighted average effective interest rate	-	6.54%	-	6.54%
Corporate bonds maturing in 1 to 2 years	-	-	-	-
Weighted average effective interest rate	-	-	-	-
Corporate bonds maturing in 2 to 3 years	-	-	-	-
Weighted average effective interest rate	-	-	-	-
Corporate bonds maturing in 3 to 4 years	-	-	-	-
Weighted average effective interest rate	-	-	-	-
Corporate notes maturing in 5 to 10 years	1,000,000	1,000,000	1,000,000	1,000,000
Weighted average effective interest rate	5.31%	5.31%	5.31%	5.31%
<b>Corporate bonds/notes carrying value</b>	<b>1,000,000</b>	<b>2,539,237</b>	<b>1,000,000</b>	<b>2,539,237</b>
<b>Corporate bonds/notes market value</b>	<b>1,034,119</b>	<b>2,595,464</b>	<b>1,034,119</b>	<b>2,595,464</b>

#### POLICIES

Consolidated financial statements comprise the financial statements of the Council and its controlled entities as at 30 June. Controlled entities are all those over which the Council has the power to govern the financial and operating policies so as to obtain benefits from their activities. The financial statements of the controlled entities are prepared for the same reporting period as the Council, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full. At the end of each reporting period, the Council assesses whether there are any indicators that the carrying value of the investment in controlled entities may be impaired. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised. Investments held by the Council are accounted for at cost less any impairment charges in the financial statements of the Council.

#### NOTES

Corporate bonds and term deposits are held to maturity. Unlisted shares are valued at cost price. There are no impairment provisions for investments.

- NZ Local Government Insurance Corporation Limited (Civic Assurance)—insurance company—30 June balance date—1,000 shares
- Port Taranaki Ltd—port operator—100% owned subsidiary—30 June balance date—52,000,000 shares
- Regional Software Holdings Ltd—15.5% owned subsidiary—30 June balance date—1,550 shares

## 14. INVESTMENT PROPERTY

Notes	Council		Group	
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
Balance 1 July	16,669,500	15,465,000	16,669,500	15,465,000
Additions	-	-	-	-
Disposals	-	-	-	-
Transfer to property, plant and equipment	(99,000)	-	(99,000)	-
Fair value gains/(losses) on valuation	810,000	1,204,500	810,000	1,204,500
<b>Balance 30 June</b>	<b>17,380,500</b>	<b>16,669,500</b>	<b>17,380,500</b>	<b>16,669,500</b>
Comprising:				
Current assets	-	-	-	-
Non-current assets	17,380,500	16,669,500	17,380,500	16,669,500
<b>Total investment property</b>	<b>17,380,500</b>	<b>16,669,500</b>	<b>17,380,500</b>	<b>16,669,500</b>
<b>Reconciliation of net surplus on investment properties</b>				
Rental income derived from investment properties	894,520	861,412	850,138	817,030
Direct operating expenses (including repairs and maintenance) generating rental income	2,668	1,870	2,668	1,870
Direct operating expenses (including repairs and maintenance) that did not generate rental income (included in cost of sales)	-	-	-	-
<b>Surplus arising from investment properties carried at fair value</b>	<b>891,852</b>	<b>859,542</b>	<b>847,470</b>	<b>815,160</b>

**POLICIES**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day maintenance of an investment property. Subsequent to initial recognition, investment properties are measured at fair value, which is based on active market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in surplus or deficit in the year in which they arise.

**NOTES**

Investment properties are independently valued annually at fair value effective 30 June. All investment properties are valued based on the comparable sales approach using assumptions the valuer believed to be fair and reasonable at the date of valuation. The valuation was performed by TelferYoung (Taranaki) Limited. TelferYoung (Taranaki) Limited are a registered experienced valuer with extensive market knowledge. The total fair value of the property valued at 30 June 2018 was \$17,380,500 (2016/2017—\$16,669,500).

**15. PAYABLES**

	Notes	Council		Group	
		2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<b>Payables from exchange transactions</b>					
Trade payables under exchange transactions		2,421,401	2,342,838	9,748,955	8,043,007
Accrued pay		550,917	444,754	932,140	785,526
<b>Total payables from exchange transactions</b>		<b>2,972,318</b>	<b>2,787,592</b>	<b>10,681,095</b>	<b>8,828,533</b>
Comprising:					
Current liabilities		2,972,318	2,787,592	10,681,095	8,828,533
Non-current liabilities		-	-	-	-
<b>Total payables from exchange transactions</b>		<b>2,972,318</b>	<b>2,787,592</b>	<b>10,681,095</b>	<b>8,828,533</b>
<b>Payables from non-exchange transactions</b>					
Trade payables under non-exchange transactions		1,634,160	338,313	1,634,160	338,313
<b>Total payables from non-exchange transactions</b>		<b>1,634,160</b>	<b>338,313</b>	<b>1,634,160</b>	<b>338,313</b>
Comprising:					
Current liabilities		1,634,160	338,313	1,634,160	338,313
Non-current liabilities		-	-	-	-
<b>Total payables from non-exchange transactions</b>		<b>1,634,160</b>	<b>338,313</b>	<b>1,634,160</b>	<b>338,313</b>

**POLICIES**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**16. EMPLOYEE ENTITLEMENTS**

	Notes	Council		Group	
		2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
Holiday leave		832,459	752,685	1,786,004	1,714,787
Sick leave		107,100	201,600	167,100	261,600
Long service leave		409,400	373,900	619,855	605,308
Retirement gratuities		558,000	485,000	1,298,000	1,217,000
<b>Total employee entitlements</b>		<b>1,906,959</b>	<b>1,813,185</b>	<b>3,870,959</b>	<b>3,798,695</b>
Comprising:					
Current liabilities		1,189,559	1,061,185	2,461,559	2,288,695
Non-current liabilities		717,400	752,000	1,409,400	1,510,000
<b>Total employee entitlements</b>		<b>1,906,959</b>	<b>1,813,185</b>	<b>3,870,959</b>	<b>3,798,695</b>

## POLICIES

Liabilities for wages and salaries (including non-monetary benefits), annual leave and accumulating sick leave are recognised in surplus or deficit during the period in which the employee rendered the related services, and are generally expected to be settled within 12 months of the reporting date. The liabilities for these short-term benefits are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Employees of the Group become eligible for long service leave after a certain number of years of employment, depending on their contract. The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. The Group's liability is based on an actuarial valuation. Actuarial gains and losses on the long-term incentives are accounted for in the *Statement of Comprehensive Revenue and Expense*.

## 17. BORROWINGS

Notes	Council		Group	
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
Current liabilities				
Secured loans - ASB	-	-	18,000	14,094
Secured loans - TSB Bank	-	-	3,950,273	1,780,263
<b>Total current liability borrowings</b>	-	-	<b>3,968,273</b>	<b>1,794,357</b>
Weighted average interest rate			3.66%	2.96%
Non-current liabilities				
Secured loans - ASB	-	-	40,666,800	41,800,000
Deferred Loan Facility Fee	-	-	-	15,822
<b>Total non-current liability borrowings</b>	-	-	<b>40,666,800</b>	<b>41,815,822</b>
Weighted average interest rate	-	-	3.10%	3.03%

## POLICIES

All borrowing costs are expensed in the period they occur, except to the extent the borrowing costs are directly attributable to the acquisition, construction, or production of qualifying assets. These shall be capitalised as part of the cost of the asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## NOTES

The secured loans are obtained under a \$55m (2016/2017—\$55m) funding facility provided by ASB Bank Limited. As at 30 June 2018, \$14.3m (2016/2017—\$13.2m) was undrawn. The borrowings in the statement of financial position include accrued interest. During the year there had not been any defaults or breaches of bank covenants. 2017: As at 1 December 2016 the Company terminated banking arrangements with Westpac Banking Corporation and commenced banking arrangements with ASB Bank Limited with security by way of a negative pledge. The weighted average interest rate for the current liability in 2018 is 3.10% (2017: 3.03%) as this is solely interest payable.

The Taranaki Stadium Trust TSB Bank Liberty Revolving credit facility has a draw down limit of \$5,000,000 and is secured by way of a registered first mortgage over the property at 6 Maratahu Street, New Plymouth. Interest is incurred at a variable rate of 3.66% pa (2017: 2.96%), being the 90 day mid Bank bill rate plus a 1.45% (2017: 1.00%) margin.

## 18. PUBLIC EQUITY

Notes	Council		Group	
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
Retained earnings				
Opening balance	66,327,696	64,710,209	144,773,757	141,032,561
Operating surplus/(deficit)	875,551	1,502,692	(9,579,193)	3,626,401
Transfers from asset revaluation reserves	-	-	-	-
Transfers to reserves	(169,320)	(60,232)	(169,320)	(60,232)
Transfers from reserves	58,937	175,027	58,937	175,027
<b>Closing balance</b>	<b>67,092,864</b>	<b>66,327,696</b>	<b>135,084,181</b>	<b>144,773,757</b>
Reserves				
Opening balance	11,129,483	11,244,278	11,129,483	11,244,278
Transfers from retained earnings	169,320	60,232	169,320	60,232
Transfers to retained earnings	(58,937)	(175,027)	(58,937)	(175,027)
<b>Closing balance</b>	<b>11,239,866</b>	<b>11,129,483</b>	<b>11,239,866</b>	<b>11,129,483</b>

Notes	Council		Group	
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<i>North Taranaki/Waitara River Control Scheme reserve</i>				
Opening balance	1,096,571	1,060,916	1,096,571	1,060,916
Transfers from retained earnings	65,953	54,681	65,953	54,681
Transfers to retained earnings	(777)	(19,027)	(777)	(19,027)
<b>Closing balance</b>	<b>1,161,747</b>	<b>1,096,571</b>	<b>1,161,747</b>	<b>1,096,571</b>
<p>The Council strikes a targeted rate based on capital values over the New Plymouth District for purposes of:</p> <ul style="list-style-type: none"> <li>• maintenance of the Waitara River Flood Protection scheme</li> <li>• the construction of flood protection works in the lower Waiwhakaiho catchment; and</li> <li>• for other minor river control works which are required for flood protection in the district.</li> </ul> <p>Any unspent funds must be appropriated to this reserve. Funds may only be appropriated to cover expenditure on the above purposes. This reserve fund relates to the <i>Hazard management</i> group of activities.</p>				
<i>South Taranaki Rivers Control Scheme reserve</i>				
Opening balance	-	-	-	-
Transfers from retained earnings	-	-	-	-
Transfers to retained earnings	(18,160)	-	(18,160)	-
<b>Closing balance</b>	<b>(18,160)</b>	<b>-</b>	<b>(18,160)</b>	<b>-</b>
<p>The Council strikes a targeted rate based on capital values over the South Taranaki constituency for purposes of:</p> <ul style="list-style-type: none"> <li>• construction and maintenance of the Opunake Flood Protection scheme</li> <li>• other minor river control works which are required for flood protection in the South Taranaki constituency.</li> </ul> <p>Any unspent funds must be appropriated to this reserve. Funds may only be appropriated to cover expenditure on the above purposes. This reserve fund relates to the <i>Hazard management</i> group of activities.</p>				
<i>Contingency/disaster reserve</i>				
Opening balance	1,086,000	1,086,000	1,086,000	1,086,000
Transfers from retained earnings	-	-	-	-
Transfers to retained earnings	-	-	-	-
<b>Closing balance</b>	<b>1,086,000</b>	<b>1,086,000</b>	<b>1,086,000</b>	<b>1,086,000</b>
<p>This reserve was created to meet the Council's share of the replacement cost of infrastructure assets affected by natural disasters. It also covers the Council's commitments under the <i>National Civil Defence Plan</i> in the event of emergencies. It is available for any other contingency or emergency response purposes including oil spill response and flood response. This reserve fund relates to the <i>Resource management</i> and the <i>Hazard management</i> groups of activities.</p>				
<i>Dividend equalisation reserve</i>				
Opening balance	6,395,766	6,395,766	6,395,766	6,395,766
Transfers from retained earnings	-	-	-	-
Transfers to retained earnings	-	-	-	-
<b>Closing balance</b>	<b>6,395,766</b>	<b>6,395,766</b>	<b>6,395,766</b>	<b>6,395,766</b>
<p>The Council transfers dividends received in excess of budget to this reserve. The reserve is to be used to equalise dividend returns over time. Dividends in excess of budget since 1996/97 have been transferred to the reserve. Prior to 1996/97 all dividends were used to repay debt incurred during the incorporation of Port Taranaki Ltd. From 1996/97 onwards dividends have been used to reduce the general rate requirement. This reserve fund relates to all groups of activities.</p>				
<i>Passenger transport targeted rate reserve (New Plymouth/North Taranaki)</i>				
Opening balance	83,146	117,596	83,146	117,596
Transfers from retained earnings	3,367	5,551	3,367	5,551
Transfers to retained earnings	(40,000)	(40,000)	(40,000)	(40,000)
<b>Closing balance</b>	<b>46,513</b>	<b>83,146</b>	<b>46,513</b>	<b>83,146</b>
<p>The Council strikes a targeted rate based on capital values over the New Plymouth District for purposes of funding passenger transport services. Any unspent funds must be appropriated to this reserve. Funds may only be appropriated to cover expenditure on these purposes. This reserve fund relates to the <i>Transport</i> group of activities.</p>				

	Council		Group	
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<i>Egmont national park control reserve</i>				
Opening balance	298,000	414,000	298,000	414,000
Transfers from retained earnings	100,000	-	100,000	-
Transfers to retained earnings	-	(116,000)	-	(116,000)
<b>Closing balance</b>	<b>398,000</b>	<b>298,000</b>	<b>398,000</b>	<b>298,000</b>
This reserve was created to meet the Council's share of the costs associated with initial control works and maintenance works resulting from the cyclical pest control works undertaken by the Department of Conservation in the Egmont National Park. This reserve smoothes the Council's revenue and expenditure. Funds are transferred to the reserve annually. When the Council's expenditure is incurred the funding is sourced from the reserve fund. This reserve fund relates to the <i>Biosecurity</i> group of activities.				
	Council	Group		
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<i>Endowment land sales reserve</i>				
Opening balance	2,170,000	2,170,000	2,170,000	2,170,000
Transfers from retained earnings	-	-	-	-
Transfers to retained earnings	-	-	-	-
<b>Closing balance</b>	<b>2,170,000</b>	<b>2,170,000</b>	<b>2,170,000</b>	<b>2,170,000</b>
This reserve was created to account for the proceeds from the sale of endowment land. The proceeds from the sale of endowment lands can only be used for purposes specified by the <i>Local Government Act 1974</i> and the <i>Local Government Act 2002</i> . This reserve fund relates to all groups of activities.				
	Council	Group		
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<b>Total reserves</b>	<b>11,239,866</b>	<b>11,129,483</b>	<b>11,239,866</b>	<b>11,129,483</b>
Asset revaluation reserves				
Opening balance	4,423,026	4,302,145	65,613,854	64,058,138
Transfer to retained earnings on asset disposal	-	-	-	-
Change in asset value	86,312	120,881	(2,352,088)	1,555,716
<b>Closing balance</b>	<b>4,509,338</b>	<b>4,423,026</b>	<b>63,261,766</b>	<b>65,613,854</b>
<i>Waitara flood control scheme</i>				
Opening balance	2,944,104	2,934,373	2,944,104	2,934,373
Change in asset value	18,762	9,731	18,762	9,731
<b>Closing balance</b>	<b>2,962,866</b>	<b>2,944,104</b>	<b>2,962,866</b>	<b>2,944,104</b>
<i>Waiwhakaiho flood control scheme</i>				
Opening balance	1,424,022	1,315,872	1,424,022	1,315,872
Change in asset value	65,290	108,150	65,290	108,150
<b>Closing balance</b>	<b>1,489,312</b>	<b>1,424,022</b>	<b>1,489,312</b>	<b>1,424,022</b>
<i>Okato flood control scheme</i>				
Opening balance	54,900	51,900	54,900	51,900
Change in asset value	2,260	3,000	2,260	3,000
<b>Closing balance</b>	<b>57,160</b>	<b>54,900</b>	<b>57,160</b>	<b>54,900</b>
<i>Land</i>				
Opening balance	-	-	58,752,428	58,002,428
Change in asset value	-	-	-	750,000
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>58,752,428</b>	<b>58,752,428</b>
<i>Buildings</i>				
Opening balance	-	-	2,438,400	1,753,565
Transfer to retained earnings on asset disposal	-	-	-	-
Change in asset value	-	-	(2,438,400)	684,835
<b>Closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,438,400</b>
<b>Total asset revaluation reserves</b>	<b>4,509,338</b>	<b>4,423,026</b>	<b>63,261,766</b>	<b>65,613,854</b>
Cash flow hedge reserve				
Opening balance	-	-	(1,255,456)	(1,946,451)
Change in cash flow hedge reserve	-	-	258,490	690,995
<b>Total cash flow hedge reserve</b>	<b>-</b>	<b>-</b>	<b>(996,966)</b>	<b>(1,255,456)</b>
<b>Total public equity</b>	<b>82,842,068</b>	<b>81,880,205</b>	<b>208,588,847</b>	<b>220,261,638</b>

**POLICIES**

Equity is the community's interest in the Council and Group and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves. Accumulated comprehensive revenue and expense is the Council and Group's accumulated surplus or deficit, adjusted for transfers to/from specific reserves. The asset revaluation reserve for the revaluation of those PP&E items that are measured at fair value after initial recognition. The cash flow hedge reserve is for the revaluation of derivatives designated as cash flow hedges. It consists of the cumulative effective portion of net changes in the fair value of these derivatives. Targeted rates reserves are a restricted equity reserve that comprises funds raised by the Council through targeted rates. The use of these funds is restricted to the specific purpose for which the targeted rates were levied. A special purpose reserve is a restricted equity reserve created by the Council for the specific identified purpose. The use of these funds is restricted to the specific purpose.

The Council manages the Group's capital as a by-product of managing its revenue, expenses, assets, liabilities and general financial dealings. The *Local Government Act 2002* requires the Council to manage its revenue, expenses, assets, liabilities and general financial dealings in a manner that promotes the current and future interests of the community. Additionally, *The Local Government (Financial Reporting and Prudence) Regulation 2014* sets out a number of benchmarks for assessing whether the Council is managing its revenue, expenses, assets and liabilities prudently. An additional objective of capital management is to ensure that the expenditure needs identified in the Council's Long-Term Plan and Annual Plan are met in the manner set out in those plans. The *Local Government Act 2002* requires the Council to make adequate and effective provision in its Long-Term Plan and in its Annual Plan to meet the expenditure needs identified in those plans. The factors that the Council is required to consider when determining the appropriate sources of funding for each of its activities are set out in the *Local Government Act 2002*. The sources and levels of funding are set out in the funding and financial policies in the Council's Long-Term Plan. The Council monitors actual expenditure incurred against the Long-term Plan and Annual Plan.

**19. REMUNERATION**

	Council	
	2017/2018 Actual \$	2016/2017 Actual \$
Total remuneration of Members		
Councillor M J Cloke	41,823	44,289
Councillor M G Davey	40,883	39,565
Councillor P D Horton—until October 2016	-	12,016
Councillor M A Irving—until October 2016	-	11,732
Councillor B R Jeffares—until October 2016	-	14,078
Councillor M P Joyce	53,012	45,638
Councillor D L Lean—Deputy Chairman	60,943	59,230
Councillor C L Littlewood—from October 2016	41,053	27,593
Councillor D N MacLeod—Chairman	103,740	100,826
Councillor R F H Maxwell—until October 2016	-	12,298
Councillor M J McDonald—from October 2016	40,628	27,258
Councillor D H McIntyre—from October 2016	40,676	27,323
Councillor B K Raine—from October 2016	41,138	27,643
Councillor N W Walker	57,963	55,311
Councillor C S Williamson	49,491	48,047
Number of full-time employees	117	119
Full-time equivalent of all other employees	21	21
Number of employees receiving total annual remuneration below \$60,000	60	65
Number of employees receiving total annual remuneration between \$60,000 and \$79,999	63	57
Number of employees receiving total annual remuneration between \$80,000 and \$99,999	15	12
Number of employees receiving total annual remuneration between \$100,000 and \$119,999	8	7
Number of employees receiving total annual remuneration between \$120,000 and \$139,999	8	6
Number of employees receiving total annual remuneration between \$140,000 and \$359,999	-	6
Number of employees receiving total annual remuneration between \$140,000 and \$379,999	6	-

**NOTES**

The Chief Executive of the Taranaki Regional Council, appointed under section 42(1) of the *Local Government Act 2002*, received a salary of \$333,858 (\$326,957 —2016/2017). In addition to salary the Chief Executive is entitled to private use of a Council vehicle, contribution to superannuation, professional membership fees and medical fees. Total remuneration was \$367,000 (\$359,100).

During the year ended 30 June 2018, the Council made one severance payment of \$5,000 (one payment of \$5,000 – 2016/2017).

## 20. SUBSEQUENT EVENTS

### NOTES

For the Council, there have been no material events subsequent to balance date (2016/2017: Nil). For the Port, there have been no material events subsequent to balance date (Nil). For the Trust, there have been no material events subsequent to balance date. 2016/2017: The Trust increased its debt facility to \$5m in August 2017 (TSB Bank Liberty Revolving credit facility) to fund capital projects commenced in the 2017/2018 financial year and due to be completed in 2017/2018.

## 21. RECONCILIATION OF NET OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Notes	Council		Group	
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<b>Surplus/(deficit) for the period</b>	<b>875,551</b>	<b>1,502,692</b>	<b>(9,579,193)</b>	<b>3,626,401</b>
<i>Add/(less) non-cash items</i>				
Depreciation and amortisation	1,472,879	1,351,061	9,674,980	9,364,194
Deferred tax movement	-	-	(33,000)	1,323,142
Impairment of assets	-	-	14,851,588	-
Investment property: unrealised (gain)/loss	(810,000)	(1,204,500)	(810,000)	(1,204,500)
	<b>1,538,430</b>	<b>1,649,253</b>	<b>14,104,375</b>	<b>13,109,237</b>
<i>Add/(less) movements in assets and liabilities</i>				
Trade and other receivables	(923,196)	(106,985)	(2,822,303)	5,145,845
Taxation refundable	1,446	(6,555)	1,446	(6,555)
Prepayments	(8,780)	(2,172)	(8,780)	(2,172)
Inventories	(14,345)	4,298	(53,345)	(497)
Derivative financial instruments	-	-	-	(690,995)
Work in progress—current liability	181,526	18,753	181,526	18,753
Work in progress—current asset	(33,950)	144,301	(33,950)	144,301
Trade and other payables	1,480,573	669,782	3,828,044	903,848
Employee entitlements	93,774	(71,583)	72,774	(327,177)
Taxation payable	-	(7,888)	446,000	(3,914,866)
<i>Add/(less) investing activity items</i>				
(Profit)/loss on sale of assets (net)	29,830	(123,221)	29,830	(121,949)
Movement in fixed asset debtors	218,325	-	(100,675)	-
Movement in fixed asset creditors	106,847	(204,945)	106,847	(867,048)
<b>Cash inflow from operating activities</b>	<b>2,670,480</b>	<b>1,963,038</b>	<b>15,751,789</b>	<b>13,390,725</b>

### POLICIES

Cash flows from operating activities are presented using the direct method. Definitions of terms used in the *Statement of Cash Flows*:

- Cash means cash on deposit with banks, net of outstanding bank overdrafts.
- Investing activities comprise the purchase and sale of property, plant and equipment, investment properties and investments
- Financing activities comprise the change in equity and debt capital structure of the Council and Group.
- Operating activities include all transactions and events that are not investing or financing activities.

Cash flows are included in the statement of cash flows on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

## 22. RELATED PARTY TRANSACTIONS

Notes	Council		Group	
	2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
Councillors total remuneration (11 people, 3 FTE)	571,350	552,847	571,350	552,847
Council senior management total remuneration (5 FTE)	1,226,771	1,202,012	1,226,771	1,202,012
Port Directors total remuneration (1 FTE)	-	-	353,000	354,667
Port senior management total remuneration (5 FTE)	-	-	1,488,000	1,587,665

### POLICIES

All transactions between the Council and the entities that it controls are undertaken in the normal course of business.



**NOTES**

Councillors and key management are, as part of a normal customer relationship, involved with minor transactions with the Council (such as payment of rates). The Chairperson of the Council (Councillor David MacLeod) and Councillor Charlotte Littlewood are Directors of Port Taranaki Ltd, Councillor Michael Davey and Director—Corporate Services (Michael Nield) are Trustees of Yarrow Stadium Trust and Director—Corporate Services (Michael Nield) is a Director of Regional Software Holdings Ltd. Except for items of a trivial nature, neither Councillors nor senior management has entered into related party transactions within the group. Key management personnel include the Chairperson, Councillors, Chief Executive and Directors (second tier managers).

**23. COMMITMENTS AND CONTINGENCIES**

	Notes	Council		Group	
		2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<b>Commitments</b>					
Capital commitments approved and contracted		147,620	327,768	11,363,620	8,736,914
<b>Total commitments</b>		<b>147,620</b>	<b>327,768</b>	<b>11,363,620</b>	<b>8,736,914</b>
<b>Non-cancellable operating lease commitments</b>					
Lease commitments due as follows:					
Within 1 year		-	-	32,154	12,096
Between 1-5 years		-	-	95,472	27,812
Greater than 5 years		-	-	-	-
<b>Total operating lease commitments</b>		<b>-</b>	<b>-</b>	<b>127,626</b>	<b>39,908</b>
Lease payments under operating leases recognised as an expense during the year.		-	-	<b>32,154</b>	<b>6,984</b>

**NOTES**

As at 30 June 2018, the Council has a \$57,905 contingent liability reliant on new land title information for a land compensation payment in relation to the construction of the Opunake Flood Control Scheme (Nil—2016/2017). Pursuant to the Waitara Harbours Act 1940, the Council has an interest in 180ha of New Plymouth District Council owned Waitara Harbour endowment lands. In the event of the sale of part or all of these lands by the New Plymouth District Council, the Council has a contingent asset. At this stage, the value is uncertain. As at 30 June 2018, the Council has a contingent asset for fines waiting to be awarded on two prosecutions through the Environment Court (Nil—2016/2017).

**24. LEASING ARRANGEMENTS**

	Notes	Council		Group	
		2017/2018 Actual \$	2016/2017 Actual \$	2017/2018 Actual \$	2016/2017 Actual \$
<b>Non-cancellable operating lease receivables</b>					
Lease commitments due as follows:					
Not later than one year		869,664	810,138	4,464,282	2,818,756
Later than one year and not later than five years		2,059,886	2,294,591	12,610,358	7,081,063
Later than five years		1,036,340	1,418,966	13,924,164	6,196,408

**POLICIES**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. The substance of the arrangement depends on whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Finance leases are leases that transfer substantially all risks and benefits incidental to ownership of the leased item to the Group. Assets held under a finance lease are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Group also recognises the associated lease liability at the inception of the lease, at the same amount as the capitalised leased asset. Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term.

**NOTES**

Operating leases relate to investment properties owned by the Group with lease terms of between 5 to 21 years, with options to extend at the completion of each lease. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. Port Taranaki Limited leases a range of land and buildings to a number of customers. The majority of leases include rights of renewal for periods of up to seven years, with several land leases containing rights of renewal from 20 up to 50 years.



## 25. STATUTORY COMPLIANCE

### NOTES

In 2017/2018 there were no breaches of statutory compliance by the Group (2016/2017—Nil).

## 26. RATING BASE INFORMATION

	Council	
	2017/2018 Actual \$	2016/2017 Actual \$
The number of rating units within the region at the end of the preceding financial year	55,858	54,804
The total capital value of rating units within the region at the end of the preceding financial year	32,923,700,400	29,855,286,440
The total land value of rating units within the region at the end of the preceding financial year	19,430,718,850	17,659,663,390

## 27. INSURANCE OF ASSETS

	Council	
	2017/2018 Actual \$	2016/2017 Actual \$
Total value of all assets of the local authority that are covered by insurance contracts	15,977,774	14,174,675
Maximum amount to which they are insured	44,162,942	40,447,559
Total value of all assets of the local authority that are covered by financial risk sharing arrangements	-	-
Maximum amount available to the local authority under those arrangements	-	-
Total value of all assets that are self-insured (only flood protection and control works)	12,961,390	12,628,191
Total value of funds maintained for self-insured assets (only flood protection and control works)	1,086,000	1,086,000

## 28. WORK-IN-PROGRESS

### POLICIES

Work-in-progress relates to unbilled time and costs (current asset) or time and costs billed-in-advance (current liability) for resource consent applications, resource consent compliance monitoring and unauthorised pollution incidents.

## 29. FINANCIAL INSTRUMENTS

### POLICIES AND NOTES

The Group holds the following financial instruments:

	2017/2018 Estimated fair value \$	2017/2018 Amortised cost \$	2017/2018 Fair value \$	2016/2017 Estimated fair value \$	2016/2017 Amortised cost \$	2016/2017 Fair value \$
<b>Financial assets</b>						
Cash and cash equivalents	2,869,993	2,869,993	-	5,048,690	5,048,690	-
Term deposits	6,899,129	6,899,129	-	7,807,804	7,807,804	-
Trade and other receivables	11,098,078	11,098,078	-	8,275,102	8,275,102	-
Held to maturity corporate bonds/notes	1,034,119	1,000,000	-	2,595,464	2,539,237	-
<b>Financial liabilities</b>						
Trade and other payables	12,315,255	12,315,255	-	9,166,846	9,166,846	-
Employee entitlements	3,870,959	3,870,959	-	3,798,695	3,798,695	-
Interest bearing loans	44,622,073	44,635,073	-	43,599,701	43,610,179	-
Derivative financial instruments	996,966	-	996,966	1,255,456	-	1,255,456

### FAIR VALUE

The Group has carried out a fair value assessment of its financial assets and liabilities as at 30 June 2018 in accordance with *PBE IPSAS 30 Financial Instruments: Disclosures*.

The Group's derivative financial instruments (interest rate swaps) are recognised at fair value in accordance with Level 2 valuation techniques (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). Level 2 - the fair value is derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (derived from prices). Financial instruments in this level include interest rate swaps and options and valuation of land. Fair value is stated at the indicative market value obtained from the calculation agent.

The fair value of corporate bonds and notes was estimated by an independent valuer (Bank of New Zealand) with reference to market value as at 30 June 2018. The fair value of the current loans and term loans are estimated based upon the market prices available for similar debt securities obtained from the lender at balance date.

The carrying value of the Group's other financial instruments do not materially differ from their fair value.

### CLASSIFICATION AND MEASUREMENT

Financial assets are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments, or as derivatives designated as hedging instruments in an effective hedge. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through surplus or deficit, transaction costs that are attributable to the acquisition of the financial asset.

Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with net changes in fair value presented as other losses (negative net changes in fair value) or other gains (positive net changes in fair value) in the statement of comprehensive revenue and expense. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If there is positive intention and ability to hold these to maturity, they will be classified accordingly. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment.

Financial liabilities are classified, at initial recognition as, payables, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge. They are initially recognised at fair value and, in the case of payables and loans and borrowings, net of directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in surplus or deficit when the liabilities are derecognised. The effective interest rate amortisation is included as finance costs in the statement of comprehensive revenue and expenditure.

### IMPAIRMENT

The Group assesses, at each reporting date, whether there is evidence that a financial asset or a group of financial assets is impaired. Financial assets are impaired when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The carrying amount of an asset is reduced through the use of a provision account, and the amount of the loss is recognised in surplus or deficit. When a receivable is uncollectible, it is written off against the provision account for receivables. Subsequent recoveries of amounts previously written off are credited against surplus or deficit.

## HEDGE ACCOUNTING

Port Taranaki Ltd uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates, commodity prices and interest rate risks arising from operational, financing and investment activities.

Interest rate swaps are used to hedge against changes on BKBM interest rates associated with on-going term borrowings. Details of the interest rate swaps held at 30 June 2018 are as follows (30 June 2017 comparative figures are in brackets):

- Effective commencement date: 24 June 2013 (24 June 2013)
- Rate: 3.89% (3.86%)
- Term: 84 months (84 months)
- Expiry date: 24 June 2020 (24 June 2020)
- Notional value: \$30,000,000 (\$30,000,000)

Foreign currency forward exchange contracts may be used from time to time to hedge foreign currency transactions when purchasing major fixed assets in foreign currency.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in surplus or deficit. Amounts accumulated in equity are reclassified to the statement of comprehensive revenue and expense in the periods when the hedged transaction affects surplus or deficit. If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised, then hedge accounting is discontinued prospectively.

## RISK MANAGEMENT

The main risks arising from the Group's financial instruments are summarised below. The Group seeks to minimise the effects of these risks by adhering to a treasury policy that is reviewed by the Council and Port Taranaki's board of directors respectively.

<b>Risk:</b>	<b>Exposure arising from:</b>	<b>How the risk is managed:</b>
Currency risk	Value of financial instruments fluctuating due to changes in foreign exchange rates	The Groups treasury policy allows foreign exchange forward exchange contracts to be entered into as appropriate (as described above).
Interest rate risk	Value of a financial instruments fluctuating due to changes in market interest rates	Reviewing banking arrangements to ensure the best return on funds while maintaining access to liquidity levels required.
Credit risk	Risk of default on cash and receivables balances by the other party to the transaction	Ensuring the Group places its cash with high credit quality financial institutions and monitoring aging of debtors.
Liquidity risk	Risk the Group cannot pay its contractual liabilities as they fall due	Active capital management and flexibility in funding arrangements in accordance with the Council's long term plan.

The Group manages its capital to ensure it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The carrying amount of financial instruments recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk without taking account of any collateral obtained.

The following tables detail the Group's remaining contractual maturity for its financial assets and liabilities. As the amounts included in the table are contractual undiscounted cash flows these amounts will not reconcile to the amounts disclosed in the *Statement of Financial Position*.

Interest risk table 2017/2018							
	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years	Total \$
Cash and cash equivalents	Variable	2,869,993	-	-	-	-	2,869,993
Investments (current)	Various*	-	2,550,000	2,849,129	-	-	5,399,129
Trade and other receivables	N/A	9,077,211	910,949	1,109,918	-	-	11,098,078
Investments (non-current)	Various*	-	-	-	1,500,000	1,000,000	2,500,000
Trade and other payables	N/A	7,198,242	2,040,232	3,076,781	-	-	12,315,255
Provisions	N/A	204,919	410,299	1,846,341	566,000	843,400	3,870,959
Borrowings	3.10-3.66	-	314,743	4,894,502	42,015,898	-	47,225,143
Derivative financial instruments	2.08	-	135,379	406,134	541,512	-	1,083,025

Interest risk table 2016/2017							
	Weighted average effective interest rate %	Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5+ years	Total \$
Cash and cash equivalents	Variable	5,048,690	-	-	-	-	5,048,690
Investments (current)	Various*	1,534,297	3,000,000	3,312,744	-	-	7,847,041
Trade and other receivables	N/A	6,620,082	481,478	1,173,542	-	-	8,275,102
Investments (non-current)	Various*	-	-	-	1,500,000	1,000,000	2,500,000
Trade and other payables	N/A	7,738,766	110,356	1,317,724	-	-	9,166,846
Provisions	N/A	190,725	381,451	1,716,519	667,000	843,000	3,798,695
Borrowings	2.96-3.03	-	316,836	950,507	44,955,243	-	46,222,586
Derivative financial instruments	2.01	-	140,614	421,842	2,249,824	-	2,812,280

\* Weighted average effective interest rate is disclosed in Note 13.

## Funding Impact Statement

The following information is presented for compliance with Local Government (Financial Reporting and Prudence) Regulations 2014.

In accordance with the regulations, the information presented is incomplete (in particular, the information presented does not include depreciation and internal transactions such as overheads) and it is not prepared in compliance with generally accepted accounting practice. It should not be relied upon for any other purpose than compliance with the Local Government (Financial Reporting and Prudence) Regulations 2014.

### WHOLE OF COUNCIL FUNDING IMPACT STATEMENT

	2017/2018		2016/2017	
	Estimate Annual Plan \$	Actual \$	Estimate Long- Term Plan \$	Actual \$
<b>Sources of operating funding</b>				
General rates, uniform annual general charge, rates penalties	7,611,858	7,611,858	7,536,493	7,536,494
Targeted rates	1,865,532	1,865,532	1,695,935	1,820,603
Subsidies and grants for operating purposes	2,007,987	2,272,444	1,458,530	1,933,519
Fees and charges	7,801,374	7,802,467	8,438,886	7,275,299
Interest and dividends from investments	6,992,170	6,914,677	6,614,502	6,505,647
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-
<b>Total operating funding</b>	<b>26,278,921</b>	<b>26,466,978</b>	<b>25,744,346</b>	<b>25,071,562</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	24,429,159	25,134,602	24,612,257	20,636,484
Finance costs	-	-	-	-
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding</b>	<b>24,429,159</b>	<b>25,134,602</b>	<b>24,612,257</b>	<b>20,636,484</b>
<b>Surplus/(deficit) of operating funding</b>	<b>1,849,762</b>	<b>1,332,376</b>	<b>1,132,089</b>	<b>4,435,078</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	257,500	207,500	402,000	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	118,000	323,381	235,000	214,434
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding</b>	<b>375,500</b>	<b>530,881</b>	<b>637,000</b>	<b>214,434</b>
<b>Applications of capital funding</b>				
Capital expenditure	-	-	-	-
- to meet additional demand	-	-	-	-
- to improve the level of service	600,000	246,887	-	173,661
- to replace existing assets	3,286,750	3,701,657	5,370,000	4,579,372
Increase/(decrease) in reserves	107,969	110,384	(295,443)	1,205
Increase/(decrease) in investments	(1,769,457)	(2,195,671)	(3,305,468)	(104,726)
<b>Total applications of capital funding</b>	<b>2,225,262</b>	<b>1,863,257</b>	<b>1,769,089</b>	<b>4,649,512</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(1,849,762)</b>	<b>(1,332,376)</b>	<b>(1,132,089)</b>	<b>(4,435,078)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## RESOURCE MANAGEMENT FUNDING IMPACT STATEMENT

	2017/2018			2016/2017	
	Estimate Long-Term Plan \$	Estimate Annual Plan \$	Actual \$	Estimate Long-Term Plan \$	Actual \$
<b>Sources of operating funding</b>					
General rates, uniform annual general charge, rates penalties	3,892,222	4,209,997	4,209,997	3,886,351	3,986,371
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	245,000	302,000	309,196	245,000	285,113
Fees and charges	6,721,769	5,682,156	5,592,991	6,517,998	5,320,934
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-	-
<b>Total operating funding</b>	<b>10,858,991</b>	<b>10,194,153</b>	<b>10,112,184</b>	<b>10,649,349</b>	<b>9,592,418</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	9,933,701	9,160,657	9,012,075	9,636,933	5,431,254
Finance costs	-	-	-	-	-
Internal charges and overheads applied	4,171,214	4,388,888	4,616,736	4,011,360	2,385,002
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding</b>	<b>14,104,915</b>	<b>13,549,545</b>	<b>13,628,811</b>	<b>13,648,293</b>	<b>7,816,256</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(3,245,924)</b>	<b>(3,355,392)</b>	<b>(3,516,627)</b>	<b>(2,998,944)</b>	<b>1,776,162</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase/(decrease) in debt	-	-	-	-	-
Gross proceeds from sale of assets	71,000	71,000	21,165	94,000	76,827
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>71,000</b>	<b>71,000</b>	<b>21,165</b>	<b>94,000</b>	<b>76,827</b>
<b>Applications of capital funding</b>					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	403,950	1,199,250	254,525	656,200	398,934
Increase/(decrease) in reserves	-	-	-	-	-
Increase/(decrease) in investments	(3,578,874)	(4,483,642)	(3,749,987)	(3,561,144)	1,454,055
<b>Total applications of capital funding</b>	<b>(3,174,924)</b>	<b>(3,284,392)</b>	<b>(3,495,462)</b>	<b>(2,904,944)</b>	<b>1,852,989</b>
<b>Surplus/(deficit) of capital funding</b>	<b>3,245,924</b>	<b>3,355,392</b>	<b>3,516,627</b>	<b>2,998,944</b>	<b>(1,776,162)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## BIOSECURITY FUNDING IMPACT STATEMENT

	2017/2018			2016/2017	
	Estimate Long-Term Plan \$	Estimate Annual Plan \$	Actual \$	Estimate Long-Term Plan \$	Actual \$
<b>Sources of operating funding</b>					
General rates, uniform annual general charge, rates penalties	923,974	796,288	796,288	850,795	727,847
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	110,116	106,500	88,910	108,250	200,223
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-	-
<b>Total operating funding</b>	<b>1,034,090</b>	<b>902,788</b>	<b>885,198</b>	<b>959,045</b>	<b>928,070</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	1,134,839	985,745	1,099,565	1,384,157	1,270,404
Finance costs	-	-	-	-	-
Internal charges and overheads applied	587,458	468,547	509,291	564,945	596,415
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding</b>	<b>1,722,297</b>	<b>1,454,292</b>	<b>1,608,856</b>	<b>1,949,102</b>	<b>1,866,819</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(688,207)</b>	<b>(551,504)</b>	<b>(723,658)</b>	<b>(990,057)</b>	<b>(938,749)</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase/(decrease) in debt	-	-	-	-	-
Gross proceeds from sale of assets	8,000	8,000	38,696	60,000	38,304
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>8,000</b>	<b>8,000</b>	<b>38,696</b>	<b>60,000</b>	<b>38,304</b>
<b>Applications of capital funding</b>					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	44,500	44,500	292,034	172,500	70,733
Increase/(decrease) in reserves	100,000	100,000	100,000	(337,000)	-
Increase/(decrease) in investments	(824,707)	(688,004)	(1,076,996)	(765,557)	(971,178)
<b>Total applications of capital funding</b>	<b>(680,207)</b>	<b>(543,504)</b>	<b>(684,962)</b>	<b>(930,057)</b>	<b>(900,445)</b>
<b>Surplus/(deficit) of capital funding</b>	<b>688,207</b>	<b>551,504</b>	<b>723,658</b>	<b>990,057</b>	<b>938,749</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## TRANSPORT FUNDING IMPACT STATEMENT

	2017/2018			2016/2017	
	Estimate Long-Term Plan \$	Estimate Annual Plan \$	Actual \$	Estimate Long-Term Plan \$	Actual \$
<b>Sources of operating funding</b>					
General rates, uniform annual general charge, rates penalties	169,829	146,089	146,089	175,892	149,796
Targeted rates	811,628	858,207	858,207	810,821	850,272
Subsidies and grants for operating purposes	1,638,854	1,705,987	1,951,748	1,213,530	1,647,887
Fees and charges	1,365,188	1,149,360	1,088,030	1,296,551	1,095,247
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-	-
<b>Total operating funding</b>	<b>3,985,499</b>	<b>3,859,643</b>	<b>4,044,074</b>	<b>3,496,794</b>	<b>3,743,202</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	3,988,986	3,861,184	4,005,548	3,901,645	3,755,577
Finance costs	-	-	0	-	-
Internal charges and overheads applied	151,833	153,165	163,653	146,015	149,827
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding</b>	<b>4,140,819</b>	<b>4,014,349</b>	<b>4,169,201</b>	<b>4,047,660</b>	<b>3,905,404</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(155,320)</b>	<b>(154,706)</b>	<b>(125,127)</b>	<b>(550,866)</b>	<b>(162,202)</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	402,000	-
Development and financial contributions	-	-	-	-	-
Increase/(decrease) in debt	-	-	-	-	-
Gross proceeds from sale of assets	-	-	14,348	8,000	5,655
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>14,348</b>	<b>410,000</b>	<b>5,655</b>
<b>Applications of capital funding</b>					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	-	-	172,511	725,000	21,321
Increase/(decrease) in reserves	(32,820)	(36,703)	(36,632)	(30,962)	(34,449)
Increase/(decrease) in investments	(122,500)	(118,003)	(246,658)	(834,904)	(143,419)
<b>Total applications of capital funding</b>	<b>(155,320)</b>	<b>(154,706)</b>	<b>(110,779)</b>	<b>(140,866)</b>	<b>(156,547)</b>
<b>Surplus/(deficit) of capital funding</b>	<b>155,320</b>	<b>154,706</b>	<b>125,127</b>	<b>550,866</b>	<b>162,202</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## HAZARD MANAGEMENT FUNDING IMPACT STATEMENT—CIVIL DEFENCE EMERGENCY MANAGEMENT

	2017/2018			2016/2017	
	Estimate Long-Term Plan \$	Estimate Annual Plan \$	Actual \$	Estimate Long-Term Plan \$	Actual \$
<b>Sources of operating funding</b>					
General rates, uniform annual general charge, rates penalties	197,706	184,955	184,955	201,019	176,810
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	11,500	-	519
Fees and charges	384,442	688,358	746,513	379,087	415,886
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-	-
<b>Total operating funding</b>	<b>582,148</b>	<b>873,313</b>	<b>942,968</b>	<b>580,106</b>	<b>593,215</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	525,940	668,690	728,136	515,977	552,839
Finance costs	-	-	-	-	-
Internal charges and overheads applied	215,946	333,191	352,159	207,670	204,928
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding</b>	<b>741,886</b>	<b>1,001,881</b>	<b>1,080,295</b>	<b>723,647</b>	<b>757,767</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(159,738)</b>	<b>(128,568)</b>	<b>(137,327)</b>	<b>(143,541)</b>	<b>(164,552)</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase/(decrease) in debt	-	-	-	-	-
Gross proceeds from sale of assets	-	-	218,325	10,000	-
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>218,325</b>	<b>10,000</b>	<b>-</b>
<b>Applications of capital funding</b>					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	4,000	74,000	51,935	44,800	38,796
Increase/(decrease) in reserves	-	-	-	-	-
Increase/(decrease) in investments	(163,738)	(202,568)	29,063	(178,341)	(203,348)
<b>Total applications of capital funding</b>	<b>(159,738)</b>	<b>(128,568)</b>	<b>80,998</b>	<b>(133,541)</b>	<b>(164,552)</b>
<b>Surplus/(deficit) of capital funding</b>	<b>159,738</b>	<b>128,568</b>	<b>137,327</b>	<b>143,541</b>	<b>164,552</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## HAZARD MANAGEMENT FUNDING IMPACT STATEMENT—FLOOD MANAGEMENT, GENERAL RIVER CONTROL AND RIVER CONTROL SCHEMES

	2017/2018			2016/2017	
	Estimate Long-Term Plan \$	Estimate Annual Plan \$	Actual \$	Estimate Long-Term Plan \$	Actual \$
<b>Sources of operating funding</b>					
General rates, uniform annual general charge, rates penalties	132,549	(47,975)	(47,975)	131,496	116,806
Targeted rates	591,295	700,454	700,454	584,007	662,877
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	21,033	20,000	-	20,500	60,405
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-	-
<b>Total operating funding</b>	<b>744,877</b>	<b>672,479</b>	<b>652,479</b>	<b>736,003</b>	<b>840,088</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	389,968	386,323	367,307	380,630	446,991
Finance costs	-	-	-	-	-
Internal charges and overheads applied	110,424	111,392	117,916	106,192	108,496
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding</b>	<b>500,392</b>	<b>497,715</b>	<b>485,223</b>	<b>486,822</b>	<b>555,487</b>
<b>Surplus/(deficit) of operating funding</b>	<b>244,485</b>	<b>174,764</b>	<b>167,256</b>	<b>249,181</b>	<b>284,601</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	257,500	207,500	-	-
Development and financial contributions	-	-	-	-	-
Increase/(decrease) in debt	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	4,130
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>257,500</b>	<b>207,500</b>	<b>-</b>	<b>4,130</b>
<b>Applications of capital funding</b>					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	600,000	246,887	-	173,661
- to replace existing assets	-	-	-	-	-
Increase/(decrease) in reserves	70,924	44,672	47,016	66,910	35,654
Increase/(decrease) in investments	173,561	(212,408)	80,853	182,271	79,416
<b>Total applications of capital funding</b>	<b>244,485</b>	<b>432,264</b>	<b>374,756</b>	<b>249,181</b>	<b>288,731</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(244,485)</b>	<b>(174,764)</b>	<b>(167,256)</b>	<b>(249,181)</b>	<b>(284,601)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## RECREATION, CULTURE AND HERITAGE FUNDING IMPACT STATEMENT

	2017/2018			2016/2017	
	Estimate Long-Term Plan \$	Estimate Annual Plan \$	Actual \$	Estimate Long-Term Plan \$	Actual \$
<b>Sources of operating funding</b>					
General rates, uniform annual general charge, rates penalties	1,602,644	1,588,231	1,588,231	1,613,771	1,601,390
Targeted rates	296,564	306,871	306,871	301,107	307,454
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	118,903	152,000	285,181	109,500	181,605
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-	-
<b>Total operating funding</b>	<b>2,018,111</b>	<b>2,047,102</b>	<b>2,180,283</b>	<b>2,024,378</b>	<b>2,090,449</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	2,248,751	2,205,965	2,443,085	2,215,581	2,241,103
Finance costs	-	-	-	-	-
Internal charges and overheads applied	844,747	852,155	904,739	812,372	829,929
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding</b>	<b>3,093,498</b>	<b>3,058,120</b>	<b>3,347,824</b>	<b>3,027,953</b>	<b>3,071,033</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(1,075,387)</b>	<b>(1,011,018)</b>	<b>(1,167,541)</b>	<b>(1,003,575)</b>	<b>(980,584)</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase/(decrease) in debt	-	-	-	-	-
Gross proceeds from sale of assets	8,000	8,000	759	-	4,350
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>8,000</b>	<b>8,000</b>	<b>759</b>	<b>-</b>	<b>4,350</b>
<b>Applications of capital funding</b>					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	476,000	1,226,000	1,891,029	2,789,000	2,351,688
Increase/(decrease) in reserves	-	-	-	-	-
Increase/(decrease) in investments	(1,543,387)	(2,229,018)	(3,057,811)	(3,792,575)	(3,327,922)
<b>Total applications of capital funding</b>	<b>(1,067,387)</b>	<b>(1,003,018)</b>	<b>(1,166,782)</b>	<b>(1,003,575)</b>	<b>(976,234)</b>
<b>Surplus/(deficit) of capital funding</b>	<b>1,075,387</b>	<b>1,011,018</b>	<b>1,167,541</b>	<b>1,003,575</b>	<b>980,584</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## REGIONAL REPRESENTATION, ADVOCACY AND INVESTMENT MANAGEMENT FUNDING IMPACT STATEMENT

	2017/2018			2016/2017	
	Estimate Long-Term Plan \$	Estimate Annual Plan \$	Actual \$	Estimate Long-Term Plan \$	Actual \$
<b>Sources of operating funding</b>					
General rates, uniform annual general charge, rates penalties	655,251	734,273	734,273	677,169	777,474
Targeted rates	-	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	-	-
Fees and charges	7,000	3,000	842	7,000	1,000
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-	-	-
<b>Total operating funding</b>	<b>662,251</b>	<b>737,273</b>	<b>735,115</b>	<b>684,169</b>	<b>778,474</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	816,656	925,454	938,347	860,493	965,937
Finance costs	-	-	-	-	-
Internal charges and overheads applied	423,478	452,533	481,941	407,249	410,798
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding</b>	<b>1,240,134</b>	<b>1,377,987</b>	<b>1,420,288</b>	<b>1,267,742</b>	<b>1,376,735</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(577,883)</b>	<b>(640,714)</b>	<b>(685,173)</b>	<b>(583,573)</b>	<b>(598,261)</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase/(decrease) in debt	-	-	-	-	-
Gross proceeds from sale of assets	31,000	31,000	30,088	63,000	85,168
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
<b>Total sources of capital funding</b>	<b>31,000</b>	<b>31,000</b>	<b>30,088</b>	<b>63,000</b>	<b>85,168</b>
<b>Applications of capital funding</b>					
Capital expenditure					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	-	-	-	-	-
- to replace existing assets	661,000	743,000	1,039,623	982,500	1,697,900
Increase/(decrease) in reserves	-	-	-	-	-
Increase/(decrease) in investments	(1,207,883)	(1,352,714)	(1,694,708)	(1,503,073)	(2,210,993)
<b>Total applications of capital funding</b>	<b>(546,883)</b>	<b>(609,714)</b>	<b>(655,085)</b>	<b>(520,573)</b>	<b>(513,093)</b>
<b>Surplus/(deficit) of capital funding</b>	<b>577,883</b>	<b>640,714</b>	<b>685,173</b>	<b>583,573</b>	<b>598,261</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Reporting and Prudence Regulations

## Local Government (Financial Reporting and Prudence) Regulations 2014

### ANNUAL REPORT DISCLOSURE STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

#### What is the purpose of this statement?

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

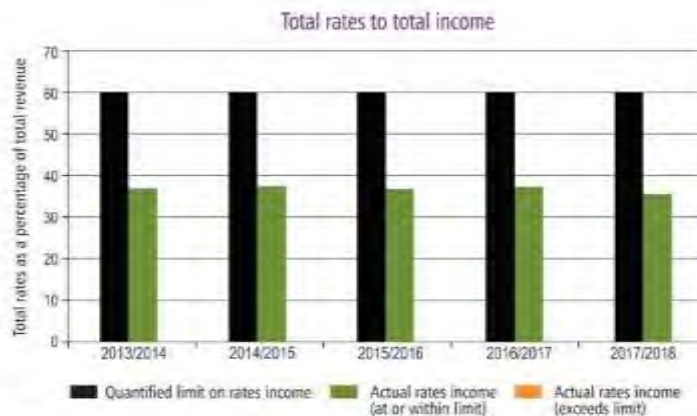
The Council is required to include this statement in its annual report in accordance with the *Local Government (Financial Reporting and Prudence) Regulations 2014* (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

#### RATES AFFORDABILITY BENCHMARK

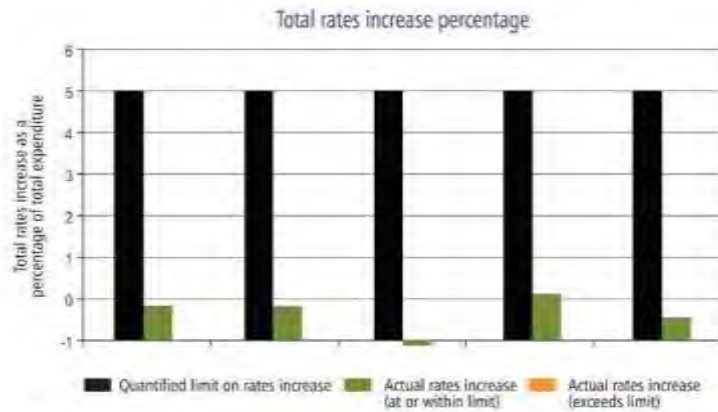
The Council meets the rates affordability benchmark if—

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

Rates (income) affordability. The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long-term plan. The quantified limit is that total rates will not exceed 60% of total revenue.



Rates (increases) affordability. The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the Council's long-term plan. The quantified limit is that total rates increase will not exceed 5% of total expenditure.

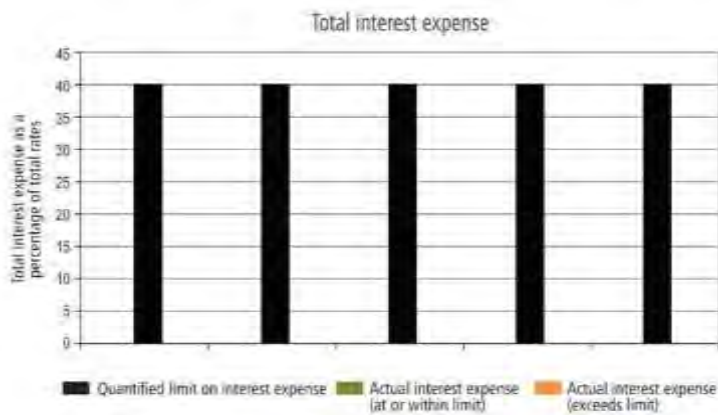


**DEBT AFFORDABILITY BENCHMARK**

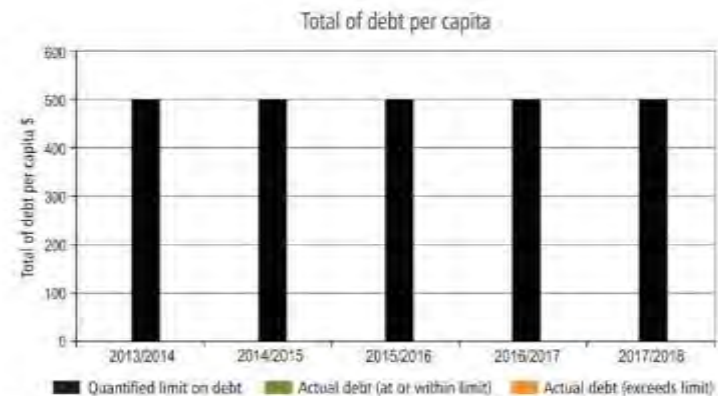
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's long-term plan. The quantified limit is that total interest expense on net external public debt will not exceed 40% of total annual rates and levies.

During the period 2013/2014 to 2017/2018, the Council had no external public debt and, consequently no interest expense. The graph shows the total interest expense on net external public debt as 0% of total annual rates and levies.



The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's long-term plan. The quantified limit is that net external public debt per capita will not exceed \$500.



During the period 2012/2013 to 2017/2018, the Council had no external public debt and, consequently no interest expense. The graph shows that net external public debt per capita is \$0.

### BALANCED BUDGET BENCHMARK

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

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



### ESSENTIAL SERVICES BENCHMARK

The essential services graph would display the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services. Network services means infrastructure related to—

- (a) water supply
- (b) sewerage and the treatment and disposal of sewage
- (c) stormwater drainage
- (d) flood protection and control works
- (e) the provision of roads and footpaths.

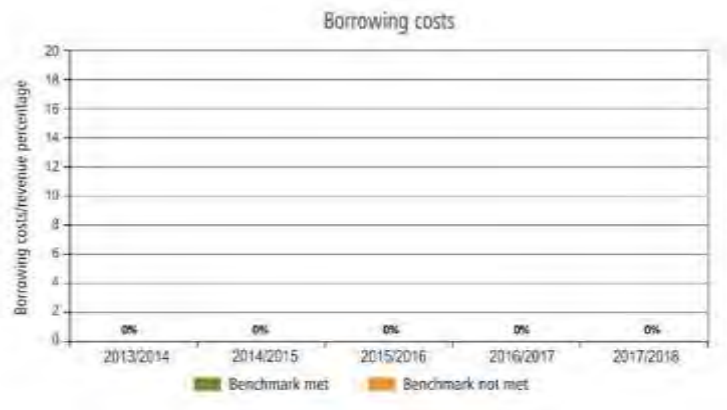
The Council's only network services are in relation to flood protection and control works. The Council does not provide any of the other network services. These network services are in the form of land assets. Accordingly, there is no depreciation on these assets. The Council's capital expenditure will always be equal to or greater than the depreciation expense.

As there is no depreciation, the graph required by Schedule 5 of the *Local Government (Financial Reporting and Prudence) Regulations 2014* cannot be produced.

### DEBT SERVICING BENCHMARK

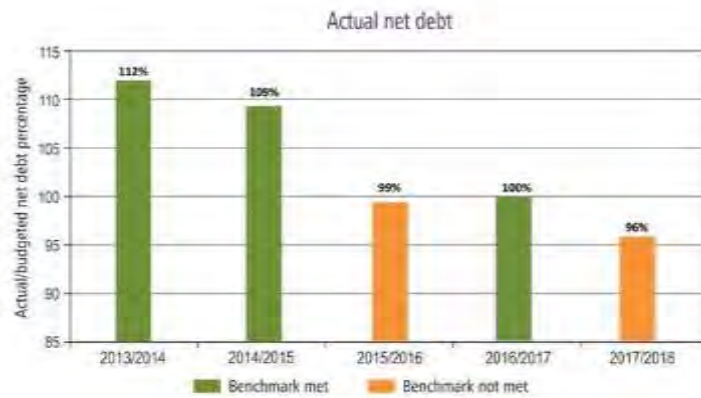
The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the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

During the period 2013/2014 to 2017/2018, the Council had no external public debt and, consequently no borrowing costs.



### DEBT CONTROL BENCHMARK

The following graph displays the Council’s actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables). The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



During the period 2013/2014 to 2017/2018, the Council had no external public debt. As such this benchmark is recording actual net financial assets as a proportion of planned net financial assets. That is, as the Council has no external public debt, this benchmark is meaningless and should not be relied upon for anything other than compliance with the *Local Government (Financial Reporting and Prudence) Regulations 2014*. For the Council, the debt control benchmark is met if its actual net assets, financial assets (excluding trade and other receivables) less financial liabilities, equals or is more than its planned net assets.



### OPERATIONS CONTROL BENCHMARK

This graph displays the Council’s actual net cash flow from operations as a proportion of its planned net cash flow from operations. The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.

