

# ANNUAL REPORT 2018-19

## PŪRONGO Ā TAU 2018-19



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**MASTERTON**  
DISTRICT COUNCIL

TE KAUNIHERA Ā-ROHE O WHAKAORIORI







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# MAYOR AND CHIEF EXECUTIVE'S FOREWORD

## KŌRERO WHAKATAKI A TE KOROMATUA ME TE TUMUAKI

E ngā lwi, e ngā karangataha, te iti me te rahi, tēnā koutou, tēnā tātou.

The end of the financial year provides a valuable opportunity to reflect on both achievements and challenges we have faced as a Council. Every year we set targets for our performance – this report outlines our achievements against targets set for Year 1 of the 2018-28 Long-Term Plan. You can see our performance against these targets, and details of our financial performance, throughout the rest of this document.

We spent a lot of time in early 2018 developing the Long-Term Plan and working to understand our community's priorities. As a result, we committed to key projects and work on these projects kicked off in the 2018-19 financial year.

The Town Centre Revamp is one example. After three years of engagement and consultation with the community, the Council adopted the Town Centre Strategy in August 2018. This set the scene for the priority areas for development throughout the Masterton Central Business District. Change isn't easy, and there is understandable caution around what the revamp will mean for our town. We are looking forward to seeing this work, and collaboration with the community and business owners, continue.

We also progressed work on potential future options for Masterton's Town Hall. This is arguably one of the biggest decisions Masterton District Council will make in the near future. To help better inform decision-making we invested in additional research to understand what sort of facility would best suit the needs of our community and the level of demand that exists. We also looked deeper into what such a development was likely to cost. With this additional information to hand, we have decided to test our community's appetite for such investment, and at what level, through a formal consultation.

Other key achievements include investing in a range of existing assets and bringing them up to an acceptable standard for future use. This includes the rejuvenation of Queen Elizabeth Park, earthquake strengthening of the cricket grandstand, upgrading the outdoor pool, and refurbishing various sports facilities, including the Athletics and Cycling Masterton building at the Colin Pugh Sports Bowl and the Douglas Villa clubrooms.

We also reviewed two of our most significant contracts, for parks and open spaces and roading maintenance. Reviewing contracts like these to ensure ratepayers are getting good value for money is a significant task, so it is positive to have completed both reviews and made changes that will have a positive outcome for Masterton.

Collaboration with other Councils has also been crucial as we supported the Greater Wellington Regional Council on community engagement on the Te Kauru floodplain maps and worked with South Wairarapa and Carterton district councils to review joint bylaws.

On the infrastructure front, it was great to see more than 100 people at the Homebush Wastewater Treatment Plant open day in October 2018. The council is responsible for a lot of 'behind the scenes' work and it's important the community gets to see what is involved in managing 13 million litres of wastewater every day. Towards the end of the financial year we were in the midst of rolling out recycling wheelie bins – another significant service that involves a lot of work behind the scenes.

Two significant achievements were celebrated during the year that will have positive impacts beyond the Masterton district. In November, we were part of the launch of the Wairarapa Economic Development Strategy which focuses on an aspirational goal to offer the best of rural and urban living. And, in February

this year, it was a big moment for Masterton to be named as a refugee resettlement location. The Council supported the community in advocating for this to happen. The opportunity to provide homes for people displaced by war and disaster will have long-lasting positive impacts on the region.

In addition to these positive achievements, the year also brought challenges for both Masterton District Council and the Wairarapa region. News of Taratahi Institute of Agriculture being placed into liquidation was upsetting, and demonstrated the importance of the Wairarapa Economic Development Strategy's focus on training and education.

It's also important to acknowledge the loss of two members of the Masterton community in the aircraft collision south of Hood Aerodrome in June 2019. The accident was a tremendous shock and loss not only to their whānau and friends but also the community.

Events such as this remind us of the importance of our whānau, friends and community. The Masterton community is strong, inclusive and pulls together in times of sadness and crisis. This is a community we can be proud of and one which Masterton District Council strives to serve as effectively and efficiently as possible.



A handwritten signature in black ink, appearing to read 'Lyn Patterson'.

Lyn Patterson,  
Mayor

A handwritten signature in black ink, appearing to read 'Kath Ross'.

Kath Ross,  
Chief Executive

# OUR VISION AND COMMUNITY OUTCOMES

## TE MOEMOEĀ ME NGĀ HUA A TE HAPORI

The vision and community outcomes that we committed to as part of the 2018-28 Long-Term Plan are:

### MASTERTON/WHAKAORIORI: PROVIDING THE BEST OF RURAL, PROVINCIAL LIVING



#### AN ENGAGED AND EMPOWERED COMMUNITY

Masterton/Whakaoriori is a positive, strong, inclusive and self-determining community, with equitable opportunities for everyone.



#### PRIDE IN OUR IDENTITY AND HERITAGE

Masterton/Whakaoriori values the place and role of tangata whenua, and is proud of our cultural identity and heritage.



#### A SUSTAINABLE AND HEALTHY ENVIRONMENT

Masterton/Whakaoriori has rivers we can swim in and drink from, clean air to breathe, green and blue spaces that we can enjoy and share with future generations.



#### A THRIVING AND RESILIENT ECONOMY

Masterton/Whakaoriori has a strong, sustainable economy that supports our people and places.



#### EFFICIENT AND EFFECTIVE INFRASTRUCTURE

Masterton/Whakaoriori has high-quality and cost-effective infrastructure that meets the current and future needs of our community.



# OUR YEAR IN REVIEW

## AROTAKENGA O TE TAU



# KEY HIGHLIGHTS

## NGĀ KAUPAPA TĪPAKO



### AN ENGAGED AND EMPOWERED COMMUNITY

- **POSITIVE AGEING STRATEGY** for the Wairarapa region adopted in May 2019.
- Support for **NEIGHBOURHOOD PLANNING PROJECTS** across the Eastside, Lansdowne, Upper Plain and Solway areas.
- Support for **VILLAGE PLANNING PROJECTS** in Riversdale and Castlepoint.
- Approximately 400 children participated in our **DIGITAL AFTER-SCHOOL LEARNING PROGRAMMES** at the Masterton District Library.
- Our Animal Services team worked with dog owners, the SPCA and wider community to **REHOME 18 DOGS** and **RETURN 191 DOGS TO THEIR OWNERS**.



### PRIDE IN OUR IDENTITY AND HERITAGE

- The Wairarapa Archive's '**100 YEARS 100 LIVES**' book was launched in November 2018.
- **ARTS, CULTURE AND HERITAGE STRATEGY** adopted in June 2019.
- **WAI FEST 2019** was held on 6 February 2019 at Queen Elizabeth Park, with **5,000 – 6,000 PEOPLE IN ATTENDANCE**.
- We were involved with and/or funded a number of **LOCAL EVENTS** in 2018-19, including the Block Party 2018, Christmas on Queen 2018, Wings over Wairarapa 2019, and Manga Maha, Awa Kotahi', 'Many streams, one river' multimedia exhibition project.



## A SUSTAINABLE AND HEALTHY ENVIRONMENT

- **4.4 BILLION LITRES OF SAFE DRINKING WATER** supplied to the community.
- Recertification achieved for our **CERTIFIED EMISSIONS MEASUREMENT AND REDUCTION SCHEME (CEMARS)**.
- Phase 1 complete for the **LANSLOWNE RECREATION TRAILS WETLANDS RESTORATION PROJECT**.
- **SIX COMMUNITY PLANTING DAYS HELD**, resulting in the planting of more than 5,000 eco sourced plants and 72 canopy trees.



## A THRIVING AND RESILIENT ECONOMY

- **WAIRARAPA ECONOMIC DEVELOPMENT STRATEGY** adopted in October 2018.
- Phase 1 of the **TOWN CENTRE REVAMP** project completed.
- **SECURING OVER \$900,000** through a Provincial Growth Fund application, which will enable the Ngā Pūmanawa Tūpuna initiative to get Wairarapa rangatahi work-ready.
- Taking our **MY MASTERTON** campaign to the **AUCKLAND HOME SHOW** resulting in one-on-one contact with more than 2,200 Aucklanders.



## EFFICIENT AND EFFECTIVE INFRASTRUCTURE

- **UPGRADE OF LIDO POOL** at Trust House Recreation Centre completed.
- **PHASE 1 SEISMIC/EARTHQUAKE STRENGTHENING** completed for the Masterton District Library building and the Sir Brian Lochore Grandstand at Memorial Park.
- **ROOF REPAIRS AND REPLACEMENTS** completed at Panama Village.
- Renewals of **1.9KM OF SEWER MAINS** and **3.6KM OF WATER MAINS**.
- Resealed **34.1KM OF ROADWAY** and resurfaced **7.4KM OF FOOTPATH**.

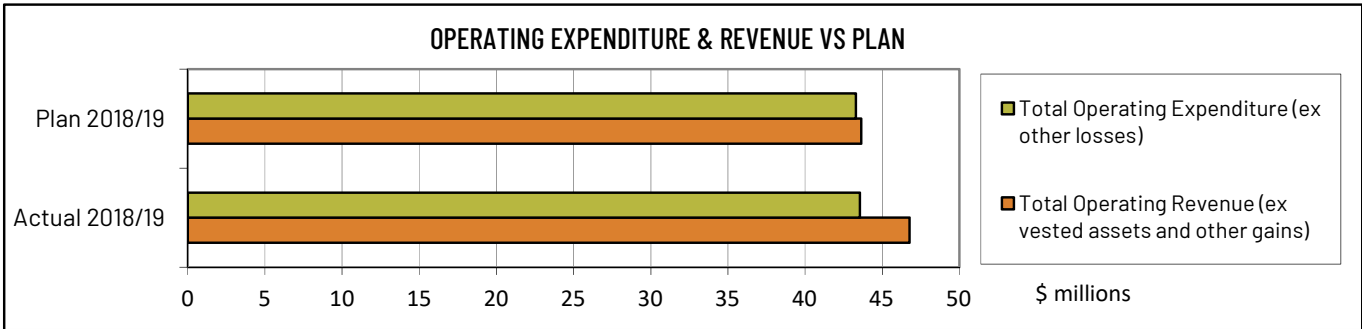


Over the past 12 months, we've been busy planning and delivering projects committed to as part of the Long-Term Plan. Examples include progressing the Town Centre Revamp project and rejuvenation of Queen Elizabeth Park; promoting the roll-out of the new kerbside recycling wheelie bins and investing in an e-waste service at our transfer station.

We have adopted three key strategies (Positive Ageing, Economic Development, Arts, Culture and Heritage) that align with our Wellbeing Strategy *He Hiringa Tangata, He Hiringa Whenua*.

The financial result is close to, or better than, planned across most activity areas. Operating expenditure, excluding other losses, is \$43.56 million compared to the \$43.28 million figure in the Long-Term Plan. The accounting surplus is \$2.5 million compared to \$0.38 million. This good result has been achieved largely through higher than expected levels of income from roading subsidies and financial contributions from subdivisions.

The graph below shows the financial performance compared to the Long-Term Plan for 2018-19. In summary, expenditure is close to plan, income is ahead of plan.



Rates revenue made up 61 per cent of operating revenue and rates arrears were 1.3 per cent of the amount levied. The rates arrears reduced in value outstanding and in the number of properties with arrears.

Three major operating contracts for maintenance of roads, parks and open spaces, and utility services have been let through a re-tendering process. An essential part of the roading and utility services contracts is to support improved levels of service and efficiencies via new technologies and monitoring and reporting systems. The parks and open spaces contract is focused on a collaborative model for improved service delivery.

We have continued to deliver on our maintenance and renewal programmes for roads and other assets within the road corridor - water supplies, wastewater systems and stormwater assets.

We're catching up on our maintenance and renewals of our district facilities as evidenced in the list on the previous page. Of particular note are the completion of earthquake strengthening work on the Memorial Park grandstand, the Library, and the Recreation Centre pool hall ducting.



We have spent nearly 84.5 per cent of the capital expenditure programme including the purchase of a new office building to house the Council's administrative functions (Waiata House). A number of capital projects were started in 2018-19 and were still in progress at 30 June 2019. These include:

- Library Learning Centre (90 per cent complete, only landscaping work to finish)
- Queen Elizabeth Park rejuvenation – Lake of Remembrance surrounds (50 per cent complete)
- Queen Elizabeth Park grandstand – strengthening, upgrading and extending (70 per cent complete)
- Solway Crescent urbanisation – completing the balance of the length (30 per cent complete).

We completed \$5.7 million of roading renewal and upgrading work (excluding vested assets and Town Centre revamp). This included 20.8 per cent more than planned on subsidised work. Some contracts were carried over from the previous year (kerb renewal contract, streetlighting upgrades), and there were higher costs for some work, such as road marking. We received more subsidy income from New Zealand Transport Agency (NZTA) than planned to complete the work.

Two major projects have had project planning and consultation work carried out during the year:

- The Town Centre revamp project involved a number of concept trials (parklets) and design work has been completed on three main upgrade options.
- The Civic Centre project has included a market demand study, and costings have been refined for different options, including building new or retaining some portion of the old civic building. Further consultation on options will take place in 2019-20.

A number of capital projects that were allowed for in year one of the Long-Term Plan but were not able to be started, have been carried over into the 2019-20 year's capital programme. Examples of these include the roofing of the transfer station, Castlepoint eastern toilet block upgrade, and Henley Lake intake improvements.

The level of subdivision activity and new residential building has remained high during the year. This is seen in financial contributions from developers being \$1.76 million or \$1.1 million more than planned. Income from building consent fees was \$1.13 million or 14 per cent more than planned.





We are working with organisations that have recently been successful in securing funding from the Provincial Growth Fund (PGF) to support local level initiatives and key issues facing our district. Examples include:

- the \$900,000+ committed towards the Ngā Pūmanawa Tūpuna initiative delivered by Youth, Education, Training and Employment (YETE) to get Wairarapa rangatahi work-ready; and
- Phase 1 of the Wairarapa Community Water Storage (Wakamoekau) project, which secured \$800,000 PGF funding to build on earlier investigation work.

We have done a lot in, for and with our communities over the last 12 months. We have provided financial assistance in the form of grants to community groups through our Community Development, Events, and Arts funds. Our well-beings budget expenditure totalled \$3 million and we have participated in, and supported, a number of local events such as Wings Over Wairarapa 2019, the Block Party 2018, and Christmas on Queen 2018 as well as holding Waifest 2019 – our annual Waitangi Day celebrations. We have held six community planting days to restore wilderness and riparian areas and supported a youth-led social enterprise.

We provided continued support for neighbourhood planning in the Eastside, Lansdowne, Upper Plain and Solway communities to grow leadership capacity of communities to empower them to make changes they want to see in their neighbourhoods. In Masterton East, a night light and drinking fountain were installed at McJorow Park as part of this work. Village planning has also been supported for both Castlepoint and Riversdale.

We have met 72 per cent of our targets for non-financial performance measures. Highlights from this area include a reduction by half in the number of complaints received about our wastewater services compared to 2017-18, and a reduction in the number of complaints about drinking water. We also achieved more than the required number of assessments of licensed premises.

## HEALTH AND SAFETY / A DIVERSE AND INCLUSIVE WORKPLACE

We value our people and aim to provide a safe, inclusive and healthy environment for them. During the year we have focused on strengthening our health and safety culture across all aspects of the organisation by growing our Health and Safety Committee to include better representation across all work groups, undertaking health and safety training, and adopting a safety framework.

We value a diverse and inclusive workplace. Our Good Employer Policy, reviewed in January 2019, reflects our commitment to diversity and inclusion. We are also a member of Diversity Works, the national organisation that supports businesses to develop diverse and inclusive workplaces.

## A COLLABORATIVE APPROACH

### Engagement with Iwi and Māori Communities

We are committed to developing and maintaining positive working relationships with tangata whenua, taura here, and other Māori communities in the Masterton district.

The Iwi Governance Forum provides advice and support that enhances the way in which we work with Iwi and Māori communities. The forum includes representatives from Rangitāne o Wairarapa and Kahungunu ki Wairarapa, elected members (including the Mayor) and the Chief Executive.

In 2018-19, representatives from Kahungunu ki Wairarapa and Rangitāne o Wairarapa were members on the Infrastructural Services, Community Wellbeing and Strategic Planning and Policy Committees with full speaking and voting rights. We also have Iwi representation on our Henley Lake and Homebush Working Group.

We engaged with Iwi and Māori communities in the development of the Wairarapa Region Positive Ageing Strategy and the revised 2019-24 Arts, Culture and Heritage Strategy via workshops, surveys and informal meetings. We also have met with Iwi representatives regarding the Town Centre Revamp project and have Iwi representation on the project reference group.

### Collaboration with other Local Authorities and Bodies

We have continued to work collaboratively with the Carterton and South Wairarapa District Councils, and the Greater Wellington Regional Council throughout the year. We participate in quarterly combined Council meetings to discuss joint projects and matters of common interest.

We collectively developed the Wairarapa Economic Development Strategy and action plan, and are working with Iwi, stakeholders and the community to deliver it.

We have shared services for GIS services, civil defence, and managing the joint solid waste contract. These shared service arrangements have continued to be undertaken and operated in an effective manner.

Our Wairarapa Policy Working Group Committee, comprised of elected members from the three Wairarapa councils, worked together on the bylaw review and revision of our gambling policies.

We have also participated in a number of regional committees including:

- Civil Defence Emergency Management Committee
- Ruamāhanga Whaitua Committee
- Remutaka Hill Road Committee
- Te Kauru Upper Ruamāhanga River Floodplain Management Committee
- Wellington Regional Transport Committee
- Wellington Regional Strategy Committee
- Wellington Region Climate Change Working Group
- Wellington Region Waste Management and Minimisation Joint Committee

## DEVELOPMENT AND FINANCIAL CONTRIBUTIONS

We charge financial contributions using the provisions of the Resource Management Act 1991, the Wairarapa Combined District Plan and our Development and Financial Contributions Policy.

This year we levied and/or collected \$1.756 million, which has been recognised as revenue in the period to 30 June 2019. This is less than the \$2.185 million collected in the previous financial year but still above plan.

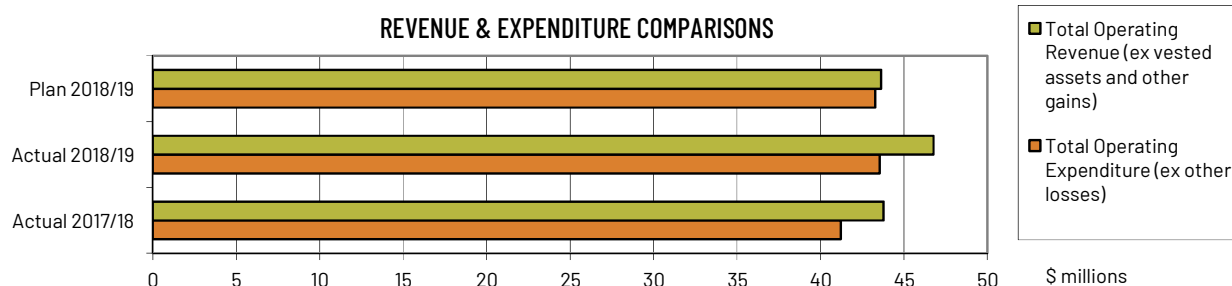
Financial contributions have been set aside as part of Special Funds and Reserves designated for parks and reserves, infrastructure, parking, development, and roading upgrades. The majority of these contributions are not specifically required to be spent on one locality or project, so have no residual liability associated with them.



## FINANCIAL STATISTICS

Last Year					
Actual 2017/18		Actual 2018/19		Plan 2018/19	
	Total Expenditure (incl Capital items)				
\$ 51,183,783		\$ 58,554,352		\$ 58,807,277	
\$ 27,842,012	Funded by: Net Rates Revenue*	\$ 29,520,911	50%	\$ 29,459,396	50%
\$ 4,736,141	Roading Subsidies	\$ 5,721,680	10%	\$ 4,983,638	8%
\$11,211,446	Other Revenue	\$11,529,731	20%	\$ 9,214,119	16%
\$ 936,018	Loans	\$ 4,034,401	7%	\$ 3,415,000	6%
\$ 6,458,166	Reserve Funds	\$ 7,747,629	13%	\$ 11,735,124	20%
\$ 51,183,783		\$ 58,554,352		\$ 58,807,277	

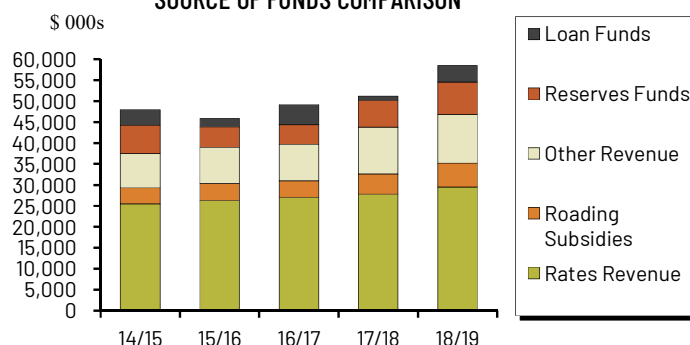
\*Includes Riversdale Beach sewerage scheme capital contributions



### SOURCE OF FUNDS 2018/19

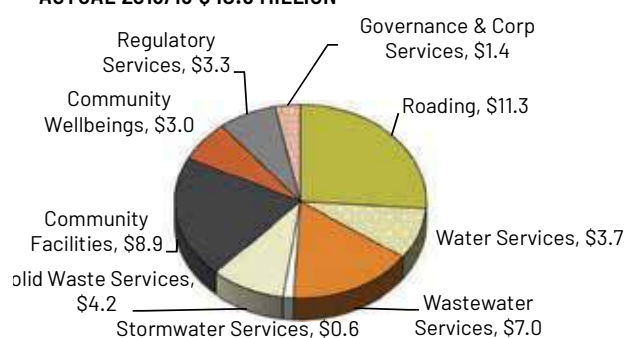


### SOURCE OF FUNDS COMPARISON

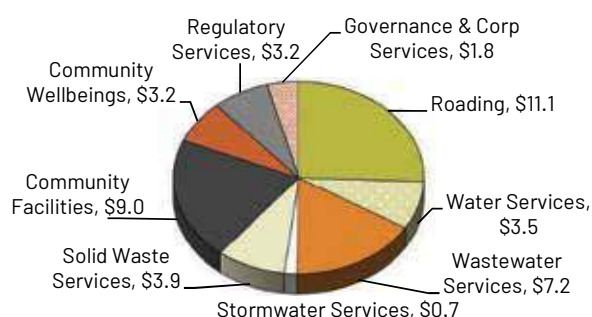


### PERATING EXPENDITURE BY ACTIVITY

#### ACTUAL 2018/19 \$43.5 MILLION



#### PLAN 2018/19 \$43.3 MILLION

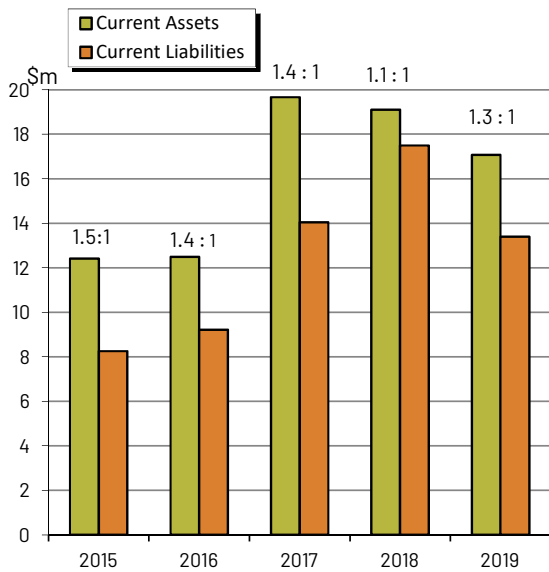


### Financial Ratios

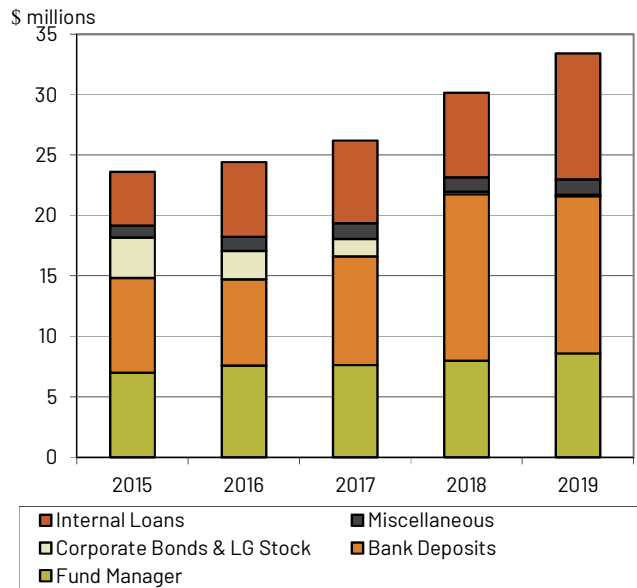
	2016/17	2017/18	2018/19	Plan 18/19
Current Ratio	1.4	1.1	1.3	1.2
Liquidity Ratio	1.4	1.1	1.2	1.2
Long Term Debt (external) per rateable property	\$4,387	\$4,181	\$4,001	\$4,273
Long Term Debt (external) per capita	\$2,198	\$2,063	\$1,961	\$2,103
Interest costs as % of rates revenue	9.7%	9.4%	8.9%	8.8%
Debt servicing costs as % of rates revenue	17.2%	34.7%	15.8%	15.7%
Reserve Funds as % of rates revenue	88.8%	97.4%	101.7%	70.7%
Investments (external) as % of rates revenue	97.3%	83.4%	82.7%	54.1%
Rates receivable as % of rates levied	1.5%	1.5%	1.3%	1.5%
Net External Debt as % of operating revenue	82.6%	66.0%	57.9%	88.0%

## FINANCIAL STATISTICS

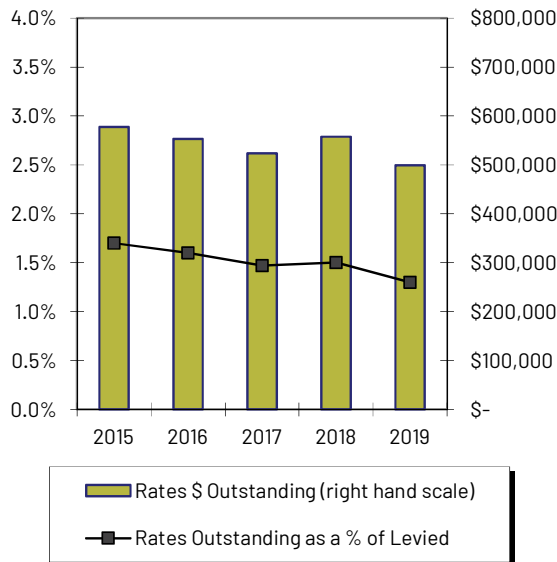
### CURRENT ASSETS TO CURRENT LIABILITIES



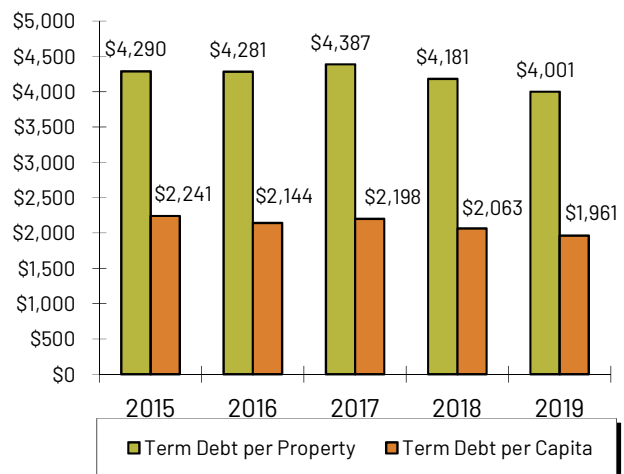
### INVESTMENTS



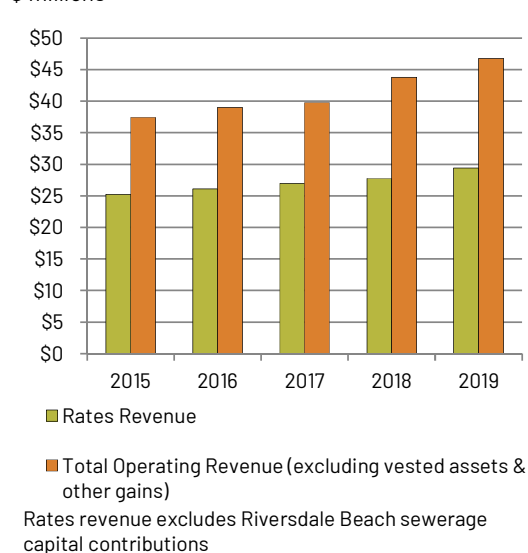
### RATES ARREARS



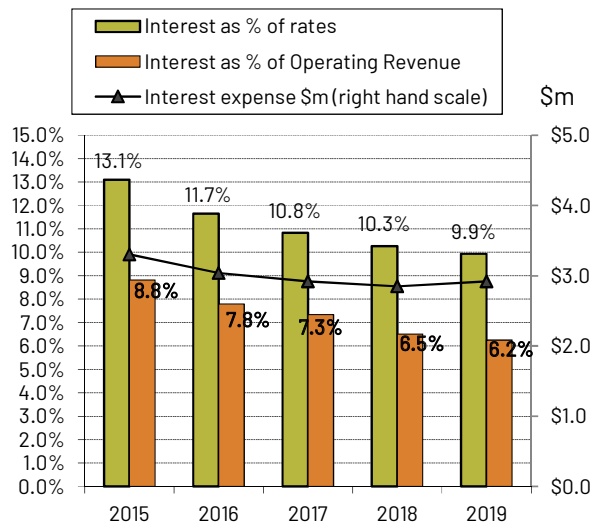
### TERM LIABILITIES (EXTERNAL) PER RATEPAYER AND PER CAPITA



### RATES & TOTAL REVENUE



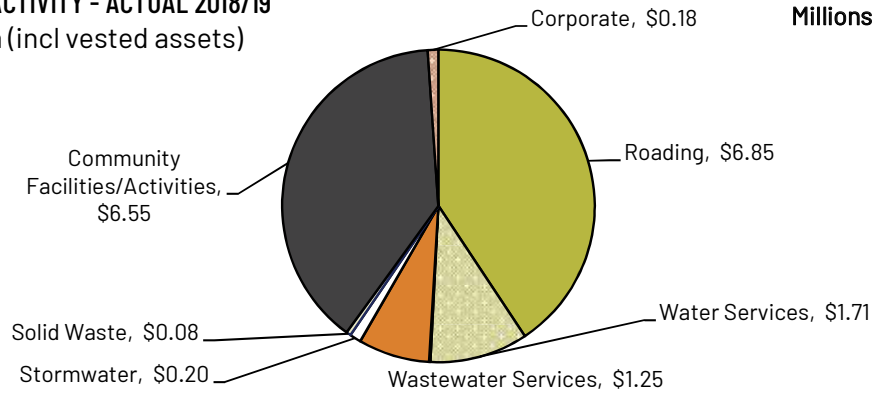
### INTEREST (EXTERNAL & INTERNAL) AS A % OF RATES REVENUE & OPERATING REVENUE



## FINANCIAL STATISTICS

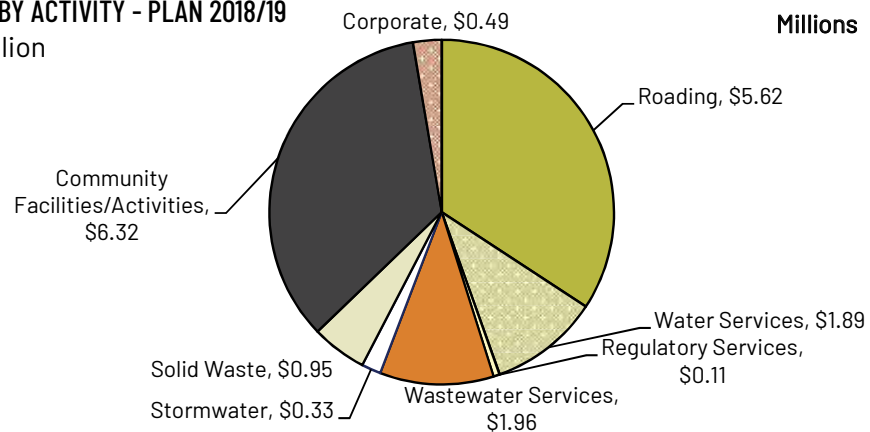
### CAPITAL EXPENDITURE BY ACTIVITY - ACTUAL 2018/19

Total Value \$16.8 million (incl vested assets)



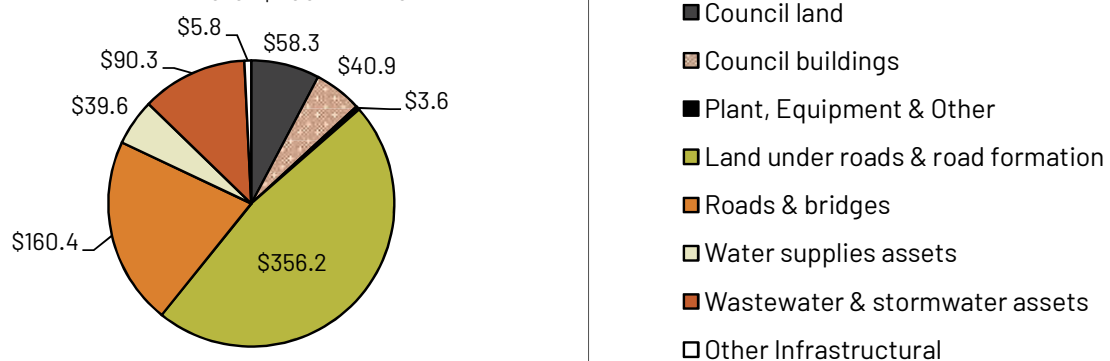
### CAPITAL EXPENDITURE BY ACTIVITY - PLAN 2018/19

Total Value \$18.3 million

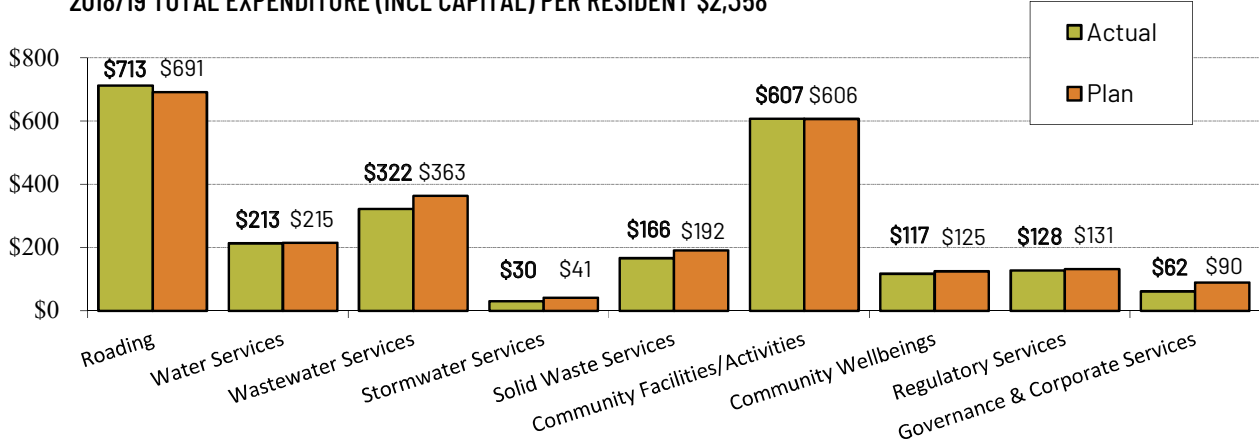


### COMPOSITION OF COUNCIL PROPERTY, PLANT & EQUIPMENT

Total \$755.2 million



### 2018/19 TOTAL EXPENDITURE (INCL CAPITAL) PER RESIDENT \$2,358





# STATEMENTS OF SERVICE PERFORMANCE TAUĀKĪ PAEARU MAHI



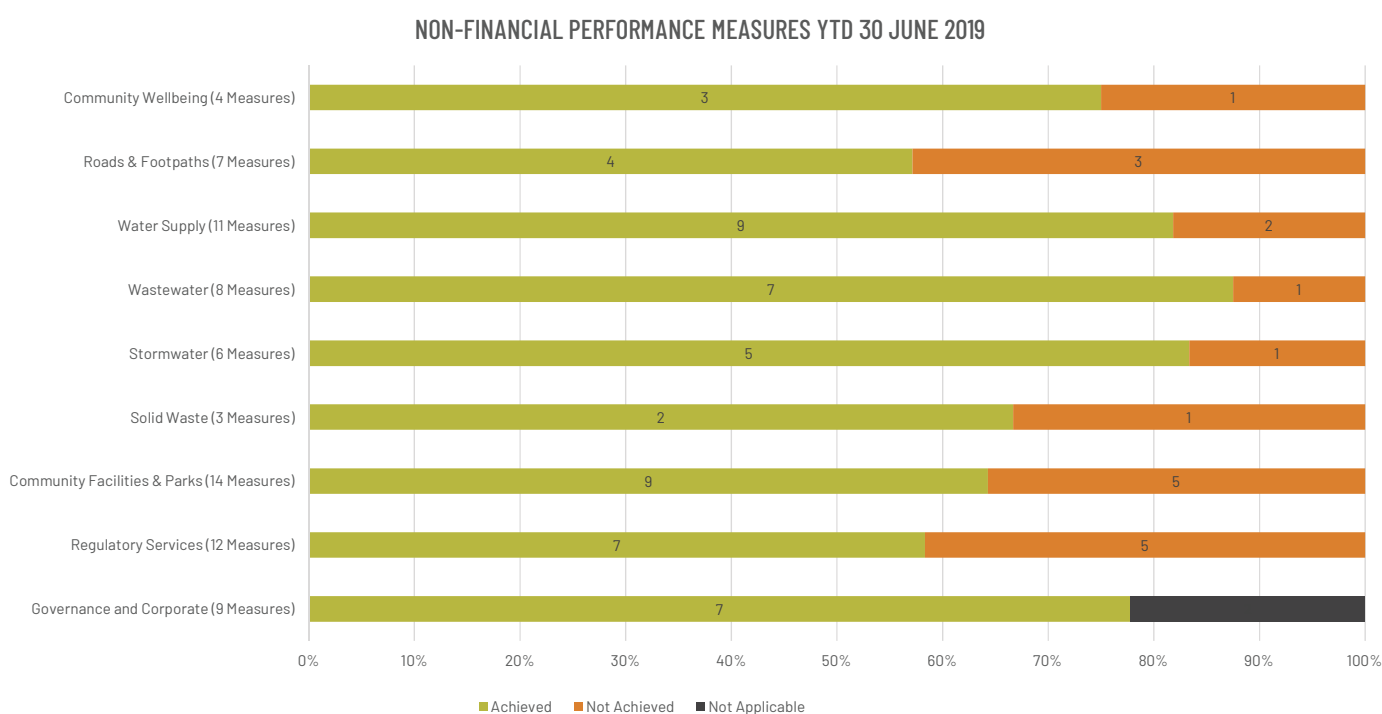
# NON-FINANCIAL PERFORMANCE

## PAEARU MAHI KORE PUTEA

Our 2018-28 Long-Term Plan defines the level of service we aim to achieve for each of our nine activity areas. Performance targets are set to assist us to measure how well we are delivering that level of service.

The Long-Term Plan includes 74 performance targets. The number was reduced and refined to make them more meaningful to our community compared with what we had before.

The graph below shows that we achieved 53 (71.6 per cent) of our targets and did not achieve 19 (25.7 per cent). Two targets (2.7 per cent) were reported as not applicable. As this is the first year of reporting against the 2018-28 Long-Term Plan, a meaningful comparison to the previous year is not available.



Full details of performance targets are provided in the following activity area reports.

## RESIDENT SATISFACTION

The National Research Bureau (NRB) undertakes a survey of Masterton district residents on our behalf to help gauge how satisfied the community is with Council services. Performance is also measured against peer group (based on similarly constituted Local Authorities) and national averages. The NRB survey has been conducted annually since 2002, with the exception of 2013. Following the completion of the 2018 survey, a decision was made to change the frequency of the survey. The next survey is scheduled to be undertaken in 2020 to inform our long-term planning and will take place every three years after that. The 2018 survey results and 10-year averages are available in the 2017-18 Annual Report.

# COMMUNITY WELLBEING



## WHAT WE DO

We support Community Wellbeing by initiating and supporting projects and partnerships that foster community capacity, celebrate diversity and culture, protect our natural heritage and grow the local economy.

Our Wellbeing Strategy *He Hiringa Tangata, He Hiringa Whenua* outlines the Council's vision for each of the four wellbeings: social, cultural, environmental and economic. Supporting this strategy is a three-year Implementation Plan (2018-21) that outlines the projects we will deliver as we work towards realising our vision for community wellbeing. 2018-19 was year one of implementing the Wellbeing Strategy Implementation Plan.

We also provide funding via partnership agreements with local organisations such as Aratoi – Wairarapa Museum of Art and History, Destination Wairarapa, Connecting Communities Wairarapa, and Sport Wellington Wairarapa.

## WHAT WE ACHIEVED IN 2018-19

Community Wellbeing projects that were completed in 2018-19 include:

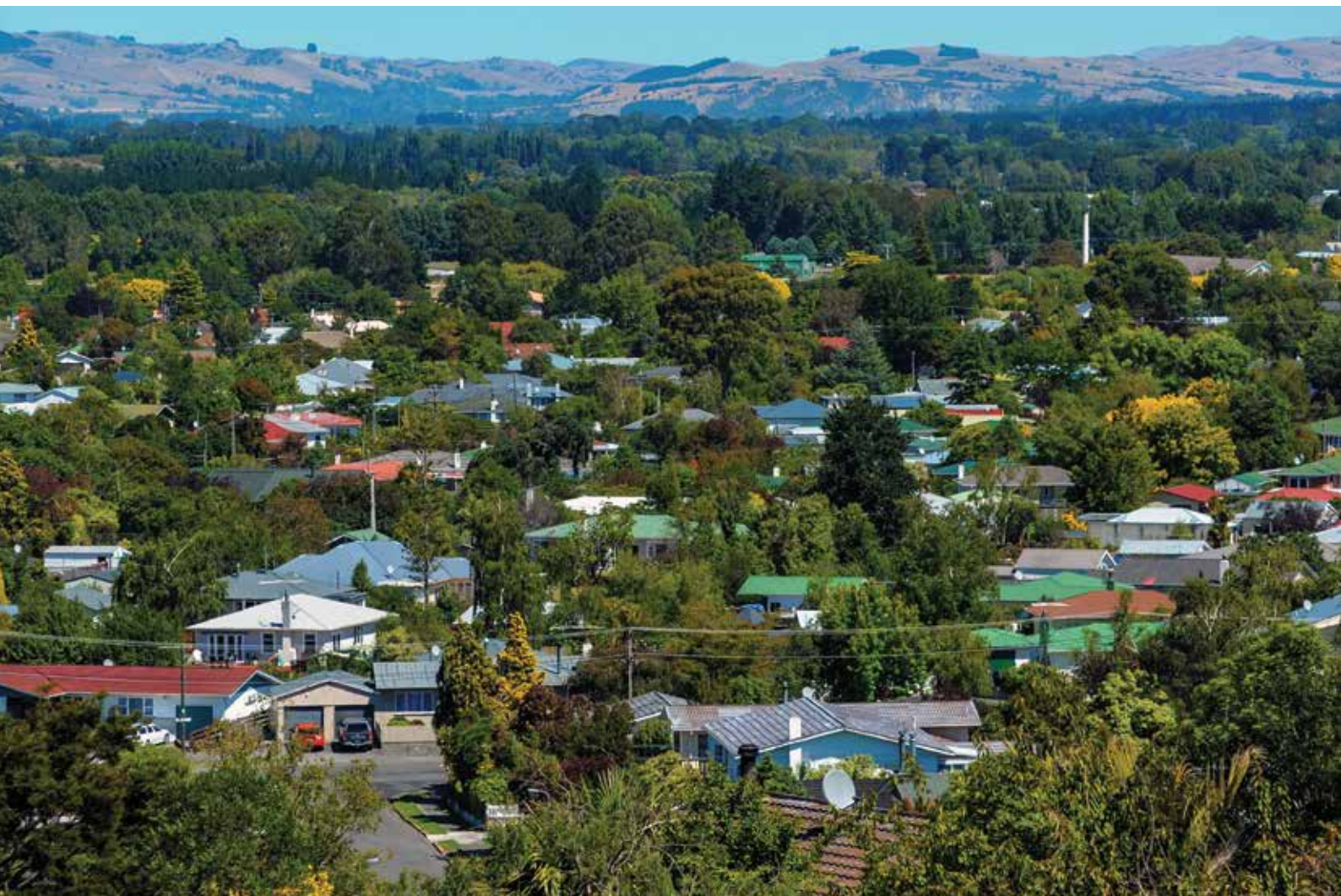
- Development and adoption of the Wellbeing Strategy Implementation Plan.
- A revised Arts, Culture and Heritage Strategy. The strategy builds on progress made since 2005, and aligns with *He Hiringa Tangata, He Hiringa Whenua*.
- A Positive Ageing Strategy and Implementation Plan for the Wairarapa. The strategy was developed to support the region's ageing population. A coordinator, based at the Carterton District Council, has been appointed to support the three councils in the implementation of this strategy.
- A mobile Smoke Survey was undertaken in Masterton's urban area. The study will help us and GWRC better understand which areas within the broader Masterton urban airshed are most affected by poor air quality, enabling more targeted action. Initiatives to improve air quality will be explored in the next financial year.
- A housing stocktake was undertaken with Connecting Communities as the first stage of research towards the development of a housing strategy for Masterton and a housing plan for the region.
- The three Wairarapa councils, in collaboration with Greater Wellington Regional Council, adopted a Wairarapa Economic Development Strategy (WEDS) in October 2018. A Programme Manager was appointed in January 2019 to oversee the implementation of the strategy's action plan.
- The Governance and Wairarapa Regional Skills Group (Mayor Lyn Patterson is a member) completed an assessment of primary sector skills required in the Wairarapa (now and into the future), examined training options and prepared an application for government funding (\$60,000) to support future training delivery.



In addition to the projects that were completed, we also undertook the following:

### Social Wellbeing/Development

- We continued to support neighbourhood/village planning. In Masterton East, a night light was installed at McJorow Park, allowing court games to be played in the evening. A permanent drinking fountain was also installed. A Park Kaitiaki ('Guardian') was appointed for McJorow Park, in conjunction with the local community, to take responsibility for oversight and care of the park. A new neighbourhood planning group has also been established in the Upper Plain area, and the Solway neighbourhood group has been undertaking planning for their area. We also continued to provide village planning support to Castlepoint and Riversdale.
- Community Development, Events, and Arts funding was provided to a number of individuals, community groups and organisations over the 2018-19 year:
  - Community Development Fund – 35 out of 39 applicants were allocated community development funding. The grants, ranging from \$400 to \$8,000, provided assistance towards operating expenses, training, programmes and community needs related projects.
  - Community Events Fund – 24 out of 27 applicants were allocated community events funding. Eighteen applications were from returning organisations and nine were first time applicants. Funding applications were for sporting, community, arts, cultural and economic related events.
  - Masterton Arts Fund – Six out of 11 applicants were allocated Masterton Arts Funding. All six received a grant of \$2,000. The grants were for film talks, shows, poetry, studio hire for artists, Toi Māori (Māori art) and Masterton photography.
- We were successful in securing funding to support a youth-led social enterprise in Masterton, through a Department of Internal Affairs and Ministry of Youth Development partnership fund. We also provided support for the Masterton district to be selected as one of the new refugee resettlement areas. A tender process led by Immigration New Zealand will identify an appropriate community organisation to provide support services to refugees for an initial settlement period.







### Cultural Wellbeing/Development

- The District Archivist and Wairarapa Archive staff contributed to the community-led multimedia exhibition project 'Manga Maha, Awa Kotahi', 'Many streams, one river'. This project focused on reconnecting the Wairarapa community with its waterways and advocated for the rivers of the Wairarapa region. The exhibition was held at Aratoi from 30 March to 26 May 2019.
- Integrating tangata whenua values, language and culture into the business of council is one of the priorities identified in *He Hiringa Tangata, He Hiringa Whenua*. Initiatives undertaken in 2018-19 to contribute towards this strategic priority included holding pōwhiri for new staff, an internal Māori language programme He Korowai Wairua, and internal activities promoting Te Wiki o te Reo Māori 2018 (Māori Language Week 2018).
- Waifest 2019 was held on 6 February 2019 at Queen Elizabeth Park. Waifest 2019 had a large entertainment stage with 10 different performing groups, a total of 30 food and community organisation information stalls, a kaumātua lounge and a wide range of children's activities. All performers were from our local community, apart from the headline act, Three Houses Down with General Fiyah. An estimated 5,000 – 6,000 people attended the event.
- The Wairarapa Archive's '100 years 100 Lives' book was launched at Aratoi in November 2018. This book documents the social history of Wairarapa's involvement in World War One, focusing on the stories of 100 service men and women and residents.

### Environmental Wellbeing/Development

- The Council endorsed the Electric Vehicle (EV) Support Strategy for the Wellington Region on 26 June 2019 and adopted specific elements of the strategy considered appropriate for us at this time. The purpose of the strategy is to enable a coordinated approach for supporting EV adoption in the region, with an overarching long-term vision of replacing fossil fuels for road transport in the region with renewable energy options. Looking ahead, EV charging stations will be installed at Waiata House.
- We were re-certified in May 2019 under Enviro-Mark's Certified Emissions Measurement and Reduction Scheme (CEMARS), officially recognising that we are actively working to measure and manage our carbon footprint.
- An 'Environmental Day Out' was held in August 2018 to promote ways in which we assist in reducing the district's environmental impact. A selection of students from local schools visited the Masterton Recycling Centre, Homebush Wastewater Treatment Plant, and the Masterton Water Treatment Plant.

### Economic Wellbeing/Development

- We attended the Auckland Home Show on 5-9 September 2018 to promote the Masterton district to families and people who are looking at buying a home in the future.
- Over \$900,000 of funding was secured via the Provincial Growth Fund for the Ngā Pūmanawa Tūpuna project for the Wairarapa Region. Ngā Pūmanawa Tūpuna is a work-readiness programme for rangatahi targeting the development of the essential soft-skills and habits necessary for success in the world of work. This project is being led by a local training provider Youth, Education, Training and Employment (YETE).





## HOW WELL WE PERFORMED

Three (75 per cent) of the four performance measures for this activity were achieved in 2018-19.

Masterton's economy continued to see steady growth during the year, increasing by 2.3 per cent compared to the previous year. This is slightly ahead of the Wellington region which had growth of 2.1 per cent. Key drivers for this growth are an increasing population, which leads to greater housing demand, consumer spending, and tourism activity.

In the 2018-28 Long-Term Plan, we acknowledged the importance of taking action on climate change and have been working to minimise our environmental impact. One initiative is to lessen our organisation's carbon emissions and we saw a reduction over the year. Ongoing energy efficiency projects will enable us to continue to improve in this area.

There were six days in 2018 where monitored sites at Herbert and Pownall Streets recorded air pollution levels greater than the limits set in the National Environmental Standards for Air Quality (NES-AQ). This is the same number as recorded in 2017, meaning we did not achieve our target of reducing the number of exceedance days.

Improving air quality is a key priority and we aim to achieve no more than one exceedance per year by 2021. We know this will be a challenge. The exceedance days all occur in winter and primarily relate to the wide use of wood burning fires for home heating.

We are taking steps to reduce air pollution. A review of the Air Quality Management Plan will be progressed in 2020. The plan will provide a framework for our response to air quality challenges and key actions.

We have also worked with GWRC throughout the year to support the Better Burning campaign, to help inform our community about safer and more efficient ways of heating their homes. GWRC also offers financial assistance to Masterton residents to replace their old woodburners and open fires with clean heating appliances, such as heat pumps.

The Community Wellbeing budget totalled \$3.2 million of expenditure spread across the four areas of activity. Actual expenditure was \$3 million with the underspending largely in the environmental initiatives area where some grants and projects that were allowed for in the plan were not required.

## WHAT WE DO: ENHANCE THE WELLBEING OF OUR PEOPLE

Measure	2017-18 Result	2018-19 Target	2018-19 Result
Number of air quality exceedances	Six exceedance days were recorded in the 2017 calendar year, which is five breaches of the NES-AQ standard (National Environmental Standards for Air Quality)	Reduction in the number of exceedances compared to the previous year	<b>Not Achieved</b> Six exceedance days were recorded in the 2018 calendar year, which is five breaches of the NES-AQ standard.  One day per 12-month period is known as a permissible exceedance.  Refer to the 'How well we performed' section above for further information.
CO2 emissions per head of population (measured in tonnes of carbon dioxide equivalent - tCO2e)	0.035 (tCO2e) per head of population (based on population estimate of 23,352)	Reduction in CO2 emissions per head of population compared to baseline.	<b>Achieved</b> 0.029 (tCO2e) per head of population (based on population estimate of 25,700)  This is a reduction of 0.006 (tCO2e) compared to the baseline
Percentage of staff that have completed He Korowai Wairua, MDC's introductory Māori language and tikanga Māori programme	As at 31/12/2017, seven of 92 permanent staff (7.6 per cent) had completed the programme	Increase in the proportion of staff who have completed the programme	<b>Achieved</b> 20 of 105 permanent staff (19 per cent) completed the programme
Masterton Gross Domestic Product (GDP) percentage change relative to Wellington region GDP	New measure	GDP equal to or greater than Wellington region average	<b>Achieved</b> GDP growth estimate of 2.3 per cent for Masterton, compared to 2.1 per cent for the Wellington region



## COST OF SERVICE STATEMENT

Community Wellbeing			
2017/18		2018/19	2018/19
Actual		Actual	Plan
\$	Operating Costs	\$	\$
1,375,578	Community development	1,292,811	1,369,302
454,777	Arts & culture	480,918	500,812
971,339	Economic development & promotion	1,003,213	1,014,652
114,880	* Environmental initiatives	180,846	304,268
-	Depreciation	51,962	43,107
<b>2,916,574</b>		<b>3,009,750</b>	<b>3,232,140</b>
	<b>Operating Revenue</b>		
15,899	Government grants	19,738	400
22,347	Creative NZ grants	30,069	22,000
10,026	Events grants & other recoveries	65,173	6,000
25,000	Internal recoveries	50,337	75,337
<b>73,272</b>		<b>165,316</b>	<b>103,737</b>
	<b>Appropriations</b>		
(601,341)	Transfers from reserves	(382,313)	(489,000)
36,000	Transfers to reserves	122,933	-
16,262	Provision for loan repayments	14,065	14,065
(13,380)	Depreciation not rates funded	(14,065)	(14,065)
<b>\$2,280,843</b>	<b>Rates Requirement</b>	<b>\$2,585,054</b>	<b>\$2,639,403</b>

\* Note Environmental Initiatives were part of Community Development costs in 2017/18.

Community Wellbeing			
Rates Requirement Summary			
2017/18		2018/19	2018/19
Actual		Actual	Plan
\$	Activity	\$	\$
962,718	Community Development	980,242	994,956
432,430	Arts and Culture	481,113	486,423
885,696	Economic Development and Promotion	987,867	993,757
-	Environmental Initiatives	135,831	164,268
<b>\$2,280,843</b>	<b>Rates Requirement</b>	<b>\$2,585,054</b>	<b>\$2,639,403</b>

\* Note Community Development included in 2017/18 has now been shifted to Community Wellbeing.





## Community Wellbeing

### Capital Expenditure Summary

2017/18		2018/19	2018/19
Actual		Actual	Plan
\$	Economic Development & Promotion	\$	\$
31,545	CBD security cameras	18,050	20,000
42,085	Christmas Decorations	6,318	20,000
2,243	Town Square	-	-
-	Solway Showgrounds dump station	-	70,000
-	Street Tree Signage	-	32,000
300,000	Sculpture (Vested asset)	-	-
<b>375,873</b>		<b>24,368</b>	<b>142,000</b>
	<b>Capital Funding</b>		
-	Loan funds	-	-
(300,000)	Vested assets	-	-
(9,360)	External contrib.	-	-
(66,513)	Transfers from reserves	(24,368)	(142,000)
<b>(\$375,873)</b>		<b>(\$24,368)</b>	<b>(\$142,000)</b>

# ROADS, STREETS, FOOTPATHS AND PARKING AREAS



## WHAT WE DO

We provide a safe and efficient local transport network throughout the Masterton district. This involves the construction, management and maintenance of road, street and footpath networks including pavements, bridges, traffic services, on and off-street parking and streetlights.

## WHAT WE ACHIEVED IN 2018-19

During the year we have continued to focus on delivering projects and ongoing maintenance that improve our road network. Highlights and key activities from 2018-19 include:

- Adoption of a Town Centre Strategy in August 2018. We completed Phase 1 of the Town Centre Revamp project that involved placemaking initiatives to trial and demonstrate temporary change, creativity and space activation within the town centre. A Town Centre Revamp website was also created to keep the community informed and continues to be well visited when significant announcements are made.
- 34.1km of sealing activity was completed on the road network and 7.4kms of sealed footpath was resurfaced.
- Rehabilitation of 2.9km of sealed road pavement.
- Construction of 4.4km of shared lime paths on rural roadway.
- Renewal of 1km of kerb and channelling on urban streets.
- Installation of traffic calming on four streets on the Eastside (Church Street, River Road, Clyde Street and Cameron Cres).
- Improvements to the Tauweru Bridge on Masterton Stronvar Road to accommodate high productivity motor vehicles. The primary route to Ngaumu Forest is now suitable for loads of up to 50 tonnes.
- Flood damage repairs on Knights Bridge abutment.

## HOW WELL WE PERFORMED

Four (57 per cent) of the seven performance measures for this activity were achieved in 2018-19.

We delivered our road resurfacing programme and maintained the quality of the local network.

It was pleasing to see a reduction in the number of fatalities and serious injury crashes on our roads. While Council cannot control all the factors that contribute to road crashes, we do have an important role to play. We take our commitment to road safety seriously and will continue to deliver improvements that make our roads safer, advocate to central government and to support education initiatives.

There was a slight reduction in the number of cyclists recorded using our urban roading network, down four per cent compared to the previous year. Four kilometres of shared paths were installed on Upper Plain Road and Gordon Street during 2018-19, creating a better link from lifestyle areas to the two primary schools in the area and to the town. These are likely to encourage more commuter and recreational cycling that may not be captured by the monitoring survey.



Ninety-three percent of footpaths met or exceeded the defined level of service, four per cent less than the target. We know that our community has high expectations for footpaths, and to meet this we have invested an additional \$100,000 for footpath renewals in each year of the 2018-28 Long-Term Plan. To return this percentage to a higher level, we have planned an increased work programme over the next two years of the Long-Term Plan.

The operating expenditure of \$11.3 million was very close to the level planned. The renewals programme of \$5.3 million was \$500k more than planned due to contracts carried over from the previous year, and higher costs on some work such as roadmarking. We continue to use NZTA's subsidy (57 per cent) for much of our programme, which means we get work done at less cost to ratepayers.

Three upgrade projects featured during the year. Additional LED streetlighting was completed (with a subsidy rate of 85 per cent), a contract to upgrade Solway Crescent to urban street standard was underway at year end and we spent \$220k on consultation and design for the Town Centre revamp.

Retendering of the road maintenance contract (to start 1 July 2019) consumed a large amount of staff time. Options for joint contracts with Carterton and South Wairarapa District Council were explored, however the new contracting arrangements resulted in us having a standalone contract. We will look at the option of combining our road activities again in the next contract round.



## WHAT WE DO: PROVIDE SAFE AND WELL-MAINTAINED ROADING, FOOTPATH AND ON-ROAD CYCLING NETWORKS

Measure	2017-18 Result	2018-19 Target	2018-19 Result
Number of fatalities and serious injury crashes on the local road network	Four fatalities and 14 serious injuries (2017-18)	Reduction in fatalities and serious injury crashes compared to previous year	<b>Achieved</b> Two fatalities and eight serious injury crashes.
Average quality of ride on a sealed local road network, measured by smooth travel exposure	92 per cent	Maintain or improve on 90 per cent	<b>Achieved</b> 94 per cent network smooth travel exposure (as at 12 July 2019).
Percentage of sealed local road network that is resurfaced	5.9 per cent	Maintain within 5-7 per cent	<b>Achieved</b> 6.3 per cent Resurfaced 34.1 km of the total 538 km sealed local road network.
Percentage of footpaths where the condition falls within the level of service defined in MDC's Asset Management Plan	96 per cent	97 per cent of footpaths are rated excellent, good or fair	<b>Not Achieved</b> 93 per cent 150 km of 161.3 km of the footpath network surveyed between 2016 and 2018 is condition rated excellent, good or fair. An increased footpath renewal programme is planned for the next two years to achieve this target.
Percentage of urgent customer service requests responded to within 2 days	99 per cent	95 per cent	<b>Achieved</b> 98 per cent 421 of 430 urgent requests were responded to within two days.
Percentage of non-urgent customer service requests responded to within the timeframes specified in MDC's Asset Management Plan and placed on appropriate maintenance programme	76 per cent	80 per cent	<b>Not Achieved</b> 76 per cent 595 of 785 non-urgent requests were responded to within specified timelines. Many non-urgent matters need further investigation to clarify the request before a meaningful response can be given, resulting in delays to response times.
Number of cyclists using our urban roading network	184 counted during annual survey in November 2017	Increase on previous year	<b>Not Achieved</b> 176 counted during annual survey conducted between 16-25 October 2018. Four monitoring sites were manually surveyed for cycle usage over both the 2-hour morning and afternoon peaks.

## COST OF SERVICE STATEMENT

Roads, Streets, Footpaths & Parking Areas				
2017/18			2018/19	2018/19
Actual			Actual	Plan
\$	Operating Costs		\$	\$
4,066,360	Road maintenance - subsidised		4,785,125	4,331,385
1,264,004	Road maintenance - non subsidised		1,203,590	1,220,445
555,546	Flood damage provision		403,199	500,000
4,748,141	Depreciation		4,934,106	5,096,378
<b>10,634,052</b>			<b>11,326,021</b>	<b>11,148,209</b>
	<b>Operating Revenue</b>			
2,276,048	NZ Transport Agency subsidy (on maint.)*		2,597,978	2,383,278
206,095	Local authority petrol tax		213,241	195,000
475,123	Roading contributions (ex developers)		398,534	160,000
106,637	Other recoveries		69,077	86,170
<b>3,063,902</b>			<b>3,278,830</b>	<b>2,824,448</b>
	<b>Appropriations</b>			
832,323	Transfers to reserves		448,534	160,000
(75,000)	Transfers from reserves		(63,621)	(75,000)
31,130	Provision for loan repayments		36,338	36,348
(3,872,060)	Depreciation not rates funded**		(4,310,556)	(4,352,006)
<b>4,486,543</b>	<b>Rates Requirement (Operational)</b>		<b>4,157,886</b>	<b>4,093,102</b>

\* Further subsidy revenue is shown in the Capital Expenditure Summary.

\*\* Most depreciation is reversed in lieu of renewals expenditure which is shown in the Capital Expenditure Summary. It is funded by rates revenue and NZTA subsidies.

Roads, Streets, Footpaths & Parking Areas				
Rates Requirement Summary				
2017/18			2018/19	2018/19
Actual	Activity		Actual	Plan
\$			\$	\$
4,132,333	Subsidised roading		4,436,377	4,412,334
1,214,541	Non-subsidised roading (urban)		1,067,542	1,163,048
231,272	Non-subsidised roading (rural)		172,006	192,395
238,885	Flood damage		173,376	215,000
<b>\$5,817,031</b>	<b>Rates Requirement</b>		<b>\$5,849,301</b>	<b>\$5,982,777</b>







## Roads, Streets, Footpaths & Parking Areas

### Capital Expenditure Summary

2017/18 Actual \$		2018/19 Actual \$	2018/19 Plan \$
	<b>Roading</b>		
2,105,412	Asset renewals - Rural roading programme	2,778,872	2,459,100
654,772	Asset renewals - Urban roading programme	1,049,371	764,744
-	Asset renewals - Bridges	-	53,790
52,470	Urban footpath upgrades (non subsidised)	1,035	250,000
-	Urban footpath upgrades (subsidised)	513,338	400,000
4,500	Land purchase for roading strip	4,348	-
752,262	Upgrade to LED streetlighting	107,107	-
6,847	Car park renewals & signage	4,800	190,807
-	Carpark Lighting - safety initiative	-	80,000
433,974	Roading minor improvements	978,878	814,400
-	Roading - Solway Cres Improvements	275,817	580,000
179,498	CBD upgrade	221,240	500,000
-	CBD Recycling Bins	-	10,000
-	Cycleways	-	70,000
-	Streetscape & neighbourhood design	-	100,000
1,760,688	Vested roading assets ex subdivision	810,489	-
937,620	Vested assets - land under roads	102,780	-
<b>6,888,043</b>		<b>6,848,074</b>	<b>6,272,841</b>
	<b>Capital Funding</b>		
(2,460,093)	NZ Transport Agency subsidy (on renewals)	(3,123,702)	(2,600,359)
(399,154)	Transfers from reserves	(1,119,688)	(1,782,807)
(2,698,308)	Vested assets (ex developers)	(913,269)	-
<b>(5,557,555)</b>		<b>(5,156,659)</b>	<b>(4,383,166)</b>
<b>\$1,330,488</b>	<b>Rates Requirement (Capital)</b>	<b>1,691,415</b>	<b>\$1,889,675</b>



# WATER SUPPLIES (URBAN AND RURAL)



## WHAT WE DO

Water is provided to the urban reticulation system and the Waingawa industrial area. In rural areas, we support the provision of nondrinking and water race supplies as well as a small number of communally-owned water schemes. We own and maintain a network of water mains, trunk mains, tanks, reservoirs and water treatment facilities at Kaituna and Tinui.

## WHAT WE ACHIEVED IN 2018-19

Highlights and key activities from 2018-19 include:

- 4.4 billion litres of safe drinking water supplied to the community.
- Continued access to a separate fluoride-free water supply.
- 3.6km of water mains renewed in Masterton to prevent water lost through leakage.
- Preparation work continued for upcoming installation of smart water meters planned in the next financial year.
- Support for Phase 1 of the Wairarapa Community Water Storage (Wakamoekau) project. In May 2019, Water Wairarapa secured \$800,000 PGF funding to build on earlier investigation work.

## HOW WELL WE PERFORMED

Nine (82 per cent) of the 11 performance measures for this activity were achieved in 2018-19.

We supplied 4.4 billion litres of safe water to urban households during the year. This equates to 609 litres per person per day, 6 per cent less than the previous year. This reduction was partly due to higher than average rainfall during the summer.

Over the past two years the number of complaints received about drinking water has dropped by 38 per cent.

Response times for non-urgent call outs significantly improved this year, with staff on site within one hour of notification and issues resolved within just under two hours of notification.

There was a slight increase in the percentage of real water loss from Council's reticulation system. Water loss is identified as a key issue in the 2018-28 Long-Term Plan and we have committed to providing additional funding of \$600,000 each year to repair watermains and will be installing smart water meters over the next two years, which will enable leaks to be identified more easily.

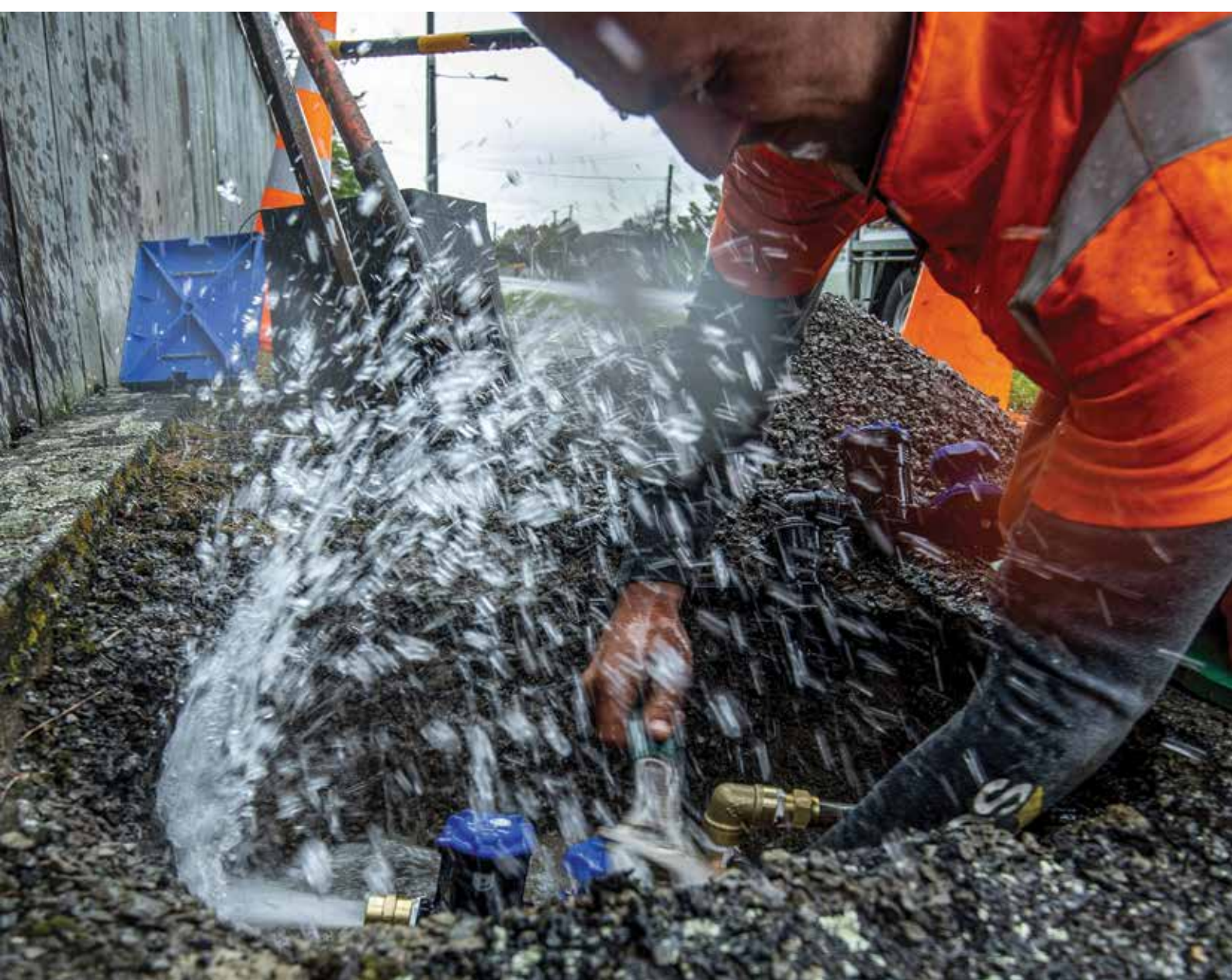
Eighty percent of the work planned for repairing our watermains in 2018-19 was completed. The remaining 20 per cent of the work is behind schedule due to contractors having limited resources available and there being added competition for that resource from increased subdivision work in the private sector.

Operating expenditure for the urban water supply was \$3.5 million compared to a budget of \$3.38 million, 3.7 per cent more than planned due to slightly increased water treatment and pipework costs.

## WHAT WE DO: DELIVER SAFE DRINKING WATER EFFICIENTLY AND EFFECTIVELY TO URBAN HOUSEHOLDS

Measure	2017-18 Result	2018-19 Target	2018-19 Result
Number of complaints received about drinking water clarity, taste, odour, pressure or flow, continuity of supply, or MDC's response to any of these issue	4 complaints per 1,000 connections (35 complaints)	Less than or equal to 6 complaints per 1,000 connections	<b>Achieved</b> 3.2 complaints per 1,000 connections (29 complaints)
<b>Response time to call-outs to a fault or unplanned interruption to MDC's networked reticulation system:</b>			
a) attendance at urgent call-outs (from notification to arrival on site)	39 minutes	60 minutes or less	<b>Achieved</b> 24 minutes
b) resolution of urgent call-outs (from notification to confirmation of resolution)	152 minutes	480 minutes or less	<b>Achieved</b> 231 minutes
c) attendance at non-urgent call-outs (from notification to arrival on site)	3 days	7 days or less	<b>Achieved</b> 60 minutes
d) resolution of non-urgent call-outs (from notification to confirmation of resolution)	5 days	3 months or less	<b>Achieved</b> 115 minutes
<b>Council's drinking water supply complies with:</b>			
a) Part 4 of the Drinking Water Standards (bacteria compliance criteria)	Fully compliant	Fully compliant	<b>Achieved</b> Fully compliant
b) Part 5 of the Drinking Water Standards (protozoal compliance criteria)	Fully compliant	Fully compliant	<b>Achieved</b> Fully compliant
Percentage of real water loss from MDC's reticulation system (calculated using minimum night flow)	36 per cent	Reduction on previous year	<b>Not Achieved</b> 37 per cent Installation of water meters will better enable leaks to be located and repaired.

Average consumption of drinking water per day per resident within the district	646 litres/ person/day	Reduction on previous year	<b>Achieved</b> 609 litres per person per day
Alternative water supply is provided when shutdown exceeds 24 hours	No shutdown exceeded 24 hours	Less than or equal to 1 per 1,000 connections	<b>Achieved</b> No shutdown exceeded 24 hours.
Percentage of water pipe renewals completed	New measure	90 per cent of planned work	<b>Not Achieved</b> 80 per cent Some planned renewal works were not completed, due to contractors having limited resource and there being added competition for resource from increased subdivision work in the private sector.





## COST OF SERVICE STATEMENT

Urban Water Supply				
2017/18			2018/19	2018/19
Actual			Actual	Plan
\$	Operating Costs		\$	\$
1,198,066	Water treatment costs		1,271,554	1,198,018
806,730	Water reticulation costs		960,834	953,078
1,268,595	Depreciation		1,271,478	1,229,234
<b>3,273,391</b>			<b>3,503,866</b>	<b>3,380,330</b>
	<b>Operating Revenue</b>			
185,378	User charges		256,685	200,000
134,300	Internal Recoveries		125,000	123,900
<b>319,678</b>			<b>381,686</b>	<b>323,900</b>
	<b>Appropriations</b>			
-	Transfer from reserves		(50,000)	-
76,341	Provision for loan repayment		99,837	97,637
(33,745)	Reverse depreciation		(30,000)	(30,000)
<b>\$2,996,310</b>	<b>Rates Requirement</b>		<b>\$3,142,018</b>	<b>\$3,124,067</b>

Rural Water Supplies				
2017/18			2018/19	2018/19
Actual			Actual	Plan
\$	Operating Costs		\$	\$
266,198	Rural water supplies & races		277,540	216,177
64,210	Depreciation & decline in service		68,219	67,440
<b>330,408</b>			<b>345,759</b>	<b>283,617</b>
	<b>Operating Revenue</b>			
<b>208,879</b>	Rural water scheme charges		<b>200,288</b>	<b>195,400</b>
	<b>Appropriations</b>			
(50,537)	Transfer from reserves		(36,733)	-
22,599	Transfer to reserves		-	8,629
4,254	Provision for loan repayment		5,112	5,114
-	Reverse depreciation		(7,116)	(7,116)
<b>\$97,844</b>	<b>Rates Requirement</b>		<b>\$106,735</b>	<b>\$94,844</b>





## Water Supplies

### Rates Requirement Summary

2017/18 Actual \$	Activity	2018/19 Actual \$	2018/19 Plan \$
2,996,310	Masterton urban water supply	3,142,018	3,124,067
33,746	Tinui water supply	47,468	34,881
46,494	Opaki water race	51,099	47,809
17,604	Miscellaneous rural water costs	8,167	12,154
<b>\$3,094,154</b>	<b>Rates Requirement</b>	<b>\$3,248,752</b>	<b>\$3,218,911</b>

## Water Supplies

### Capital Expenditure Summary

2017/18 Actual \$	Activity	2018/19 Actual \$	2018/19 Plan \$
<b>Urban water treatment</b>			
139,449	Water treatment plant & equip. renewals	185,725	140,000
17,604	Water treatment - buildings & grounds	8,613	30,000
-	Fluoride-free water access	11,260	30,000
<b>157,052</b>		<b>205,598</b>	<b>200,000</b>
<b>Urban water reticulation</b>			
839,162	Water mains & trunk main upgrades	1,168,868	1,400,000
185,893	Water connections replacements	166,875	200,000
443,792	Assets vested by subdividers	112,000	-
<b>1,468,847</b>		<b>1,447,743</b>	<b>1,600,000</b>
<b>Rural water reticulation</b>			
36,103	Wainuioru water supply renewals	48,383	30,000
11,940	Tinui water supply upgrades	-	-
3,578	Tauweru water supply renewals	-	-
-	Opaki water race consent renewal	-	24,500
20,004	Castlepoint water supply upgrade	5,337	33,500
<b>71,625</b>		<b>53,720</b>	<b>88,000</b>
<b>1,697,525</b>	<b>Total Water Supplies capital expenditure</b>	<b>1,707,061</b>	<b>1,888,000</b>
<b>Capital Funding</b>			
(262,052)	Loan funds	-	(600,000)
(10,572)	External funds	(5,712)	-
(443,792)	Assets vested by subdividers	(112,000)	-
(981,108)	Transfer from reserves	(1,589,350)	(1,288,000)
<b>(1,697,525)</b>		<b>(1,707,061)</b>	<b>(1,888,000)</b>

# WASTEWATER SERVICES



## WHAT WE DO

Wastewater services are provided to approximately 8,880 residential, commercial and industrial properties in the urban area, Waingawa industrial area, Riversdale, Castlepoint and Tinui. This includes maintaining our network of pipes, pump stations, treatment plants, wetland cells and a waste stabilisation pond.

## WHAT WE ACHIEVED IN 2018-19

Key achievements in 2018-19 include the completion of 1.9km of sewer main renewals to ensure performance of our wastewater system.

## HOW WELL WE PERFORMED

Seven (88 per cent) of the eight performance measures for this activity were achieved in 2018-19.

We delivered our wastewater services in full compliance with resource consent requirements.

The number of complaints about our wastewater service reduced by almost half compared to the previous year. This is a great result for us. In 2018, Council committed to taking responsibility for all private lateral sewer connection pipes. This has allowed us to address renewal issues and ensure levels of service are maintained, which has resulted in less complaints.

Eighty percent of the planned wastewater pipe renewals in 2018-19 were completed, 10 per cent

below the target. This is another area where we face challenges due to a lack of contractor availability given increased subdivision works in the private sector.

Operating costs of Masterton's wastewater system were \$6.34 million compared to the planned level of \$6.65 million, 4.7 per cent less than planned. Cost savings were achieved through reduced numbers of maintenance callouts and lower costs of operating the wastewater treatment plant's baleage operation. As at 30 June 2019, \$113,750 worth of baleage remained available for sale.

Unspent rates funding has been carried forward in reserve funds, to be applied in the 2019-20 financial year.

Capital expenditure on reticulation renewals was 67 per cent of the value planned, again due to the availability of contractors. Planned expenditure on the extension of the irrigation area on the Homebush farm was not progressed as quickly as anticipated, but we have good opportunities to explore next year.

The rural sewerage schemes at Riversdale Beach and Castlepoint have operated well during the year. Operating costs for Riversdale Beach were higher than expected, with some equipment failures, but capital contributions have run ahead of the level planned, which will enable us to do further improvement work in the years ahead.

## WHAT WE DO: DELIVER SAFE AND ACCEPTABLE SYSTEMS FOR THE COLLECTION, TRANSFER AND DISPOSAL OF WASTEWATER

Measure	2017-18 Result	2018-19 Target	2018-19 Result
Number of complaints received about sewerage odour, system faults, system blockages, MDC's response to issues with its sewerage system	10.44 complaints per 1,000 connections (94 complaints)	Less than or equal to 8 complaints per 1,000 connections	Achieved 5.44 complaints per 1,000 connections (49 complaints)
<b>Median response time to sewerage overflows resulting from a blockage or other fault to MDC's sewerage system:</b>			
a) attendance (from time of notification to the time service personnel arrive onsite)	29 minutes	6 hours or less	Achieved 34 minutes
b) resolution (from time of notification to the time service personnel confirm resolution)	85 minutes	12 hours or less	Achieved 170 minutes
Number of dry weather sewerage overflows from MDC's sewerage system	0.2 per 1,000 connections (2 overflows)	Less than or equal to 2 per 1,000 connections	Achieved 0.33 per 1,000 connections (3 overflows)
Compliance with MDC's resource consents for discharge from its sewerage system, measured by the number of abatement notices, infringement notices, enforcement orders or convictions received by MDC in relation to those consents	One infringement notice received	100 per cent - no consent breaches	Achieved 100 per cent compliance No consent breaches
Alternative system provided where loss of service exceeds 24 hours	0 per 1,000	Less than or equal to 1 per 1,000 connections	Achieved 0.22 per 1,000 connections 2 portaloos were deployed on 27/11/2018 and removed on 29/11/2018
Percentage of wastewater pipe renewals completed	New Measure	90 per cent of planned work	Not Achieved 80 per cent Some planned renewal works were not completed due to a lack of contractor availability given increased subdivision works in the private sector.

## WHAT WE DO: FOCUS ON MINIMISING THE ENVIRONMENTAL IMPACT OF OUR WASTEWATER SERVICE

Measure	2017-18 Result	2018-19 Target	2018-19 Result
Recreation quality of the Ruamāhanga River water, downstream of Homebush Wastewater Treatment Plant (known as the Cliffs)	Suitability of Swimming Grade: Low Risk	Long-term improvement trend, with no decline in water quality from baseline (Suitability of Swimming Grade: Low Risk)	Achieved Suitability of Swimming Grade: Low Risk

## COST OF SERVICE STATEMENT

### Wastewater Services - urban

2017/18 Actual		2018/19 Actual	2018/19 Plan
\$	Operating Costs	\$	\$
1,159,510	Sewerage reticulation	1,105,431	1,264,189
3,261,159	Wastewater treatment	3,018,649	3,207,282
2,185,049	Depreciation	2,212,430	2,176,354
<b>6,605,718</b>		<b>6,336,510</b>	<b>6,647,825</b>
	<b>Operating Revenue</b>		
<b>386,861</b>	User charges & other revenue	<b>305,244</b>	<b>360,000</b>
	<b>Appropriations</b>		
-	Transfer to reserves	260,000	-
(130,000)	Transfer from reserves	(130,000)	(130,000)
1,463,565	Provision for loan repayments	1,732,374	1,732,677
(1,146,220)	Reverse depreciation not rates funded	(1,096,000)	(1,096,000)
<b>\$6,406,203</b>	<b>Rates Requirement</b>	<b>\$6,797,640</b>	<b>\$6,794,502</b>

### Wastewater Services - rural schemes

2017/18 Actual		2018/19 Actual	2018/19 Plan
\$	Operating Costs	\$	\$
61,694	Castlepoint sewerage scheme	58,437	64,165
200,224	Riversdale sewerage scheme	267,920	201,138
10,422	Tinui sewerage scheme	11,721	13,792
286,511	Depreciation	293,338	283,311
<b>558,851</b>		<b>631,416</b>	<b>562,406</b>
	<b>Operating Revenue</b>		
80,640	Capital Contribution & other revenue	126,364	75,150 *
8,933	Internal Recoveries	2,150	8,000 *
<b>89,573</b>		<b>128,514</b>	<b>83,150</b>
	<b>Appropriations</b>		
(80,580)	Transfer from reserves	(50,000)	(50,000)
162,928	Loan Repayment	130,195	129,938
(209,656)	Reverse depreciation not rates funded	(220,461)	(248,620)
<b>\$341,970</b>	<b>Rates Requirement (Operational)</b>	<b>\$362,635</b>	<b>\$310,574</b>

\* Note Plan restated due to an error in classification between internal and external income.



## Wastewater Services

### Rates Requirement Summary

2017/18		2018/19	2018/19
Actual		Actual	Plan
\$	Activity	\$	\$
6,406,203	Urban sewerage system	6,797,640	6,794,502
75,348	Castlepoint sewerage scheme	58,296	64,381
160,211	Riversdale Beach sewerage scheme	167,586	165,708
93,830	Riversdale & Tinui capital contributions	121,784	64,165
12,581	Tinui sewerage scheme	14,970	16,320
<b>\$6,748,173</b>	<b>Rates Requirement</b>	<b>\$7,160,275</b>	<b>\$7,105,076</b>

## Wastewater Services

### Capital Expenditure Summary

2017/18		2018/19	2018/19
Actual		Actual	Plan
\$	Urban Wastewater system	\$	\$
71,025	Homebush treatment plant renewals	83,742	70,000
974,108	Sewerage reticulation mains renewals	771,602	1,150,000
-	Network investigations	-	50,000
102,793	Homebush treatment plant upgrade	130,245	610,000
39,261	New sewer connections	14,392	-
630,173	Assets vested by subdividers	166,404	-
<b>1,817,360</b>		<b>1,166,386</b>	<b>1,880,000</b>
	<b>Rural Wastewater schemes</b>		
39,325	Riversdale Beach sewerage scheme	6,765	15,000
-	Tinui sewerage scheme	5,513	-
4,408	Castlepoint sewerage scheme	66,856	60,000
<b>43,732</b>		<b>79,133</b>	<b>75,000</b>
<b>1,861,092</b>	<b>Total</b>	<b>1,245,519</b>	<b>1,955,000</b>
	<b>Capital Funding</b>		
(142,118)	Loan funds	(130,245)	(580,000)
(37,528)	External funds	(9,422)	-
(630,173)	Assets vested by subdividers	(166,404)	-
(1,051,273)	Transfer from reserves	(939,448)	(1,375,000)
<b>(1,861,092)</b>		<b>(1,245,519)</b>	<b>(1,955,000)</b>
<b>\$0</b>	<b>Rates Requirement (Capital Contributions)</b>	<b>\$0</b>	<b>\$0</b>

# STORMWATER



## WHAT WE DO

We own and maintain a network of pipes, manholes and river stopbanks along the Waipoua and Ruamāhanga Rivers. We also contribute to designated stopbank protection works on the Waipoua, Waingawa and Ruamāhanga Rivers.

## WHAT WE ACHIEVED IN 2018-19

Highlights and key activities from 2018-19 include:

- Upgrade of stormwater pipes further progressed in Jones Place and Alton Grove.
- Upgrade of stormwater drains undertaken at three locations in Totara Street and Lansdowne Crescent.
- Upper Plain cut-off drain cleaned out.





## HOW WELL WE PERFORMED

Five (83 per cent) of the six performance measures for this activity were achieved in 2018-19.

We delivered our stormwater systems in full compliance with resource consent requirements.

The number of complaints received about the stormwater system dropped by 75 per cent compared to the previous year. This is likely due to there being no significant rain events during 2018-19.

Only 30 per cent of the planned stormwater renewals were completed during the year, 60 per cent behind target. As with water and wastewater, we faced challenges in securing

contractors to complete this work, given the limited resource available in the district and competition related to increased subdivision work. In addition, some work was delayed due to negotiations with property owners about site access.

Due to the above, capital renewals expenditure was below the planned level. Operating costs were also less than planned, as less cleaning and flushing work was needed.

Looking ahead to next year we will be developing a Stormwater Strategy, which will ensure we meet our community's vision to manage the district's stormwater and to adapt to the changing environment.

### WHAT WE DO: DELIVER STORMWATER SYSTEMS EFFICIENTLY AND EFFECTIVELY TO PROTECT PUBLIC HEALTH AND PRIVATE PROPERTY

Measure	2017-18 Result	2018-19 Target	2018-19 Result
Percentage of stormwater renewals completed	New measure	90 per cent of planned work	<b>Not Achieved</b> 30 per cent Planned renewal works were not completed due to a lack of contractor availability given increased subdivision works in the private sector
Number of flooding events that occur in the district	1 event	10 events or less	<b>Achieved</b> None
For each flooding event, the number of habitable floors affected	None	Less than or equal to 1 per 1,000 connections	<b>Achieved</b> None
Compliance with MDC's resource consents for discharge from its stormwater system, measured by the number of abatement notices, infringement notices, enforcement orders or convictions received by MDC in relation to those consents.	100 per cent	100 per cent - no consent breaches	<b>Achieved</b> 100 per cent compliance, no consent breaches
Number of complaints received about the performance of MDC's stormwater system	5.11 complaints per 1,000 connections (46 complaints)	Less than or equal to 2 complaints per 1,000 connections	<b>Achieved</b> 1.33 complaints per 1,000 connections (12 complaints)
Median response time to attend a flooding event (from time of notification to the time service personnel arrive onsite)	34 minutes	60 minutes or less	<b>Achieved</b> 28 minutes



## COST OF SERVICE STATEMENT

Stormwater				
2017/18 Actual			2018/19 Actual	2018/19 Plan
\$	Operating Costs		\$	\$
301,990	Stormwater		277,565	407,404
293,562	Depreciation		299,237	292,436
<b>595,552</b>			<b>576,802</b>	<b>699,840</b>
	<b>Operating Revenue</b>			
-	User charges & other revenue		-	-
	<b>Appropriations</b>			
(125,000)	Transfer from reserves		(81,761)	(205,000)
150,975	Provision for loan repayment		29,183	29,201
(150,977)	Reverse depreciation not rates funded		(29,000)	(29,000)
<b>\$470,550</b>	<b>Rates Requirement</b>		<b>\$495,224</b>	<b>\$495,041</b>

Stormwater				
Capital Expenditure Summary				
2017/18 Actual			2018/19 Actual	2018/19 Plan
\$	Stormwater		\$	\$
115,135	Stormwater renewals & upgrades		25,052	330,000
432,936	Assets vested by subdividers		174,879	-
<b>548,071</b>			<b>199,931</b>	<b>330,000</b>
	<b>Capital Funding</b>			
(115,135)	Transfer from reserves		(25,052)	(330,000)
(432,936)	Assets vested by subdividers		(174,879)	-
<b>(548,071)</b>			<b>(199,931)</b>	<b>(330,000)</b>



# SOLID WASTE MANAGEMENT



## WHAT WE DO

The current refuse collection and transfer station operations, gate fee collection, composting, and recycling services at Nursery Road, and in rural areas, are carried out under performance-based contracts let by competitive tender to the private sector. We own, maintain and manage a main transfer and recycling station (Nursery Road) and three rural transfer stations (Tinui, Castlepoint and Riversdale), including associated buildings and the weighbridge at the urban landfill.

## WHAT WE ACHIEVED IN 2018-19

Highlights and key activities from 2018-19 include:

- Establishment of the e-waste drop off service at the Nursery Road Transfer and Recycling Station.
- Securing clay cover material for the covering of the closed Nursery Road landfill.
- Planning and promoting the roll out of the new kerbside recycling wheelie bin service.

## HOW WELL WE PERFORMED

Two (67 per cent) of the three performance measures for this activity were achieved in 2018-19.

The delivery of our solid waste service was fully compliant with all resource consent requirements.

Despite the number of call-backs for the non-collection of rubbish bags more than doubling compared to the previous year (29 in 2018-19 compared to 13 in 2017-18), the overall number is low relative to the number of properties (9,079) that receive our kerbside and recycling collection service.

Waste volumes transferred to landfill were more than planned, generating 8.5 per cent more revenue from user charges than planned. The direct costs of transporting and dumping that waste are also above the planned levels. The opportunity to purchase clay for cover material for the closed Nursery Road landfill was taken during the year. The \$189,000 cost was not planned but was able to be funded from money built up in prior years for that purpose.

We faced challenges during the year following China's decision to significantly reduce the types of waste and recycling items it accepts. This is significant as China has been the biggest buyer of New Zealand's waste and recyclables. Other South East Asian countries have also banned many waste and recyclable products from entering their countries, meaning there are diminished markets to sell to, and those markets are saturated from stock piles from across New Zealand and the rest of the world. We will continue to work with our solid waste contractor to determine an equitable way to address the impacts and risks.

Our solid waste contractor has invested \$3 million in a Materials Recovery Facility (MRF), which will be housed indoor at Masterton's Nursery Road Transfer Station. The MRF will receive, separate and prepare recyclable materials from all three Wairarapa councils for on selling to end-user manufacturers. The MRF will start operation in early October 2019.

## WHAT WE DO: PROVIDE SOLID WASTE SOLUTIONS ACROSS THE DISTRICT

Measure	2017-18 Result	2018-19 Target	2018-19 Result
Number of call-backs due to non-collection of official rubbish bag in each weekly collection	13 call-backs	Improvement on previous year	Not Achieved 29 call-backs  This measure will continue to be monitored to determine any patterns.
Tonnage of waste transferred to landfill per head of population	0.59 tonne per head of population 15,203 tonnes of waste transferred (estimated population as at 30/6/18: 25,700)	Reduction on previous year	Achieved 0.56 tonne per head of population 14,264 tonnes of waste transferred (6 per cent less than the previous year) (estimated population as at 30/6/19: 25,700)
Urban and rural transfer stations, recycling, composting facilities and landfills operate within approved resource consent conditions	Minor non-compliance	100 per cent compliance	Achieved 100 per cent compliance  Operations of all sites complied with resource consent conditions, and GWRC issued compliance reports for each site.



## COST OF SERVICE STATEMENT

Solid Waste Services			
2017/18 Actual \$		2018/19 Actual \$	2018/19 Plan \$
	<b>Operating Costs</b>		
389,232	Urban refuse collection costs	399,917	426,310
2,329,227	Transfer station operation & refuse disposal	2,422,843	2,204,552
1,122,807	Waste minimisation (incl recyc.& composting)	1,243,753	1,197,753
249,290	Rural refuse operations	258,961	248,925
<b>4,090,555</b>		<b>4,325,474</b>	<b>4,077,539</b>
	<b>Operating Revenue</b>		
2,608,044	User charges - external	2,722,089	2,438,405
164,437	User charges - internal	172,082	197,520
94,910	Recoveries - waste levy	97,076	95,000
381,856	Recoveries from bag sales	377,182	372,810
<b>3,249,247</b>		<b>3,368,429</b>	<b>3,103,735</b>
	<b>Appropriations</b>		
-	Transfers from reserves	(105,000)	(20,000)
126,000	Transfers to reserves	100,000	-
97,482	Provision for loan repayment	111,669	111,707
(78,914)	Reverse depreciation not rates funded	(80,000)	(80,000)
<b>\$985,877</b>	<b>Rates Requirement</b>	<b>\$983,715</b>	<b>\$985,511</b>

Solid Waste Services			
Rates Requirement Summary			
2017/18 Actual \$	Activity	2018/19 Actual \$	2018/19 Plan \$
415,367	Refuse & recycling collections	434,843	465,181
21,433	Refuse transfer station & landfill	(91,316)	(52,867)
316,959	Waste minimisation (recycling & composting)	397,361	340,045
232,118	Rural refuse services	242,826	233,152
<b>\$985,877</b>	<b>Rates Requirement</b>	<b>\$983,714</b>	<b>\$985,511</b>

Solid Waste Services			
Capital Expenditure Summary			
2017/18 Actual \$		2018/19 Actual \$	2018/19 Plan \$
	<b>Solid Waste Management</b>		
-	Recycling Wheely Bins	-	535,000
-	Nursery Road land fill capping	-	20,000
15,580	Transfer station roof & upgrades	79,241	350,000
<b>15,580</b>		<b>79,241</b>	<b>905,000</b>
	<b>Capital Funding</b>		
-	Loan funds	-	(885,000)
(11,502)	External funds	-	-
(4,078)	Transfer from reserves	(79,241)	(20,000)
<b>(15,580)</b>		<b>(79,241)</b>	<b>(905,000)</b>



# COMMUNITY FACILITIES AND PARKS



## WHAT WE DO

We provide and support a wide range of facilities and parks throughout the district for use by the community. The facilities we provide include:

- The library and archive
- Property (74 senior housing units, 13 public toilets, seven rural halls, rural holding paddocks, small roadside forestry blocks, Mawley Park camping ground and other rental properties)
- 215 hectares of urban and rural parks, reserves and sportsfields
- The Trust House Recreation Centre (including a stadium and a range of indoor and outdoor pools)
- Four cemeteries
- The Masterton Airport (Hood Aerodrome).

We are also responsible for the municipal building and town hall, although these are currently closed to the community due to risks associated with the buildings' low earthquake rating.

## WHAT WE ACHIEVED IN 2018-19

Highlights and key activities from 2018-19 include:

### Library and Archive

- A total of 220 modems were distributed and 88 people received training to use a Spark Jump modem, providing families with low cost access to the Internet at home. Twenty-eight Stepping Up courses were delivered to the community that covered training on internet security, introduction to tablets and smartphones, online banking and Microsoft and Google products.
- Support services were provided to the community as required to use the no-cost computers and Wi-Fi to access online services and information.
- Digital Inclusion for Seniors training was provided, enabling access to services and a space for their volunteer group within the Library.





## Property

- We completed the purchase of Waiata House in February. Planning work continued from that time for the move into the new building, where the majority of staff will be housed. We have retained our public facing presence at 161 Queen Street where the community can conduct day to day council business.
- Phase 1 earthquake strengthening of the Masterton District Library building was completed. This work was carried out with no disruption to library services.
- The upgrade of the historic Queen Elizabeth Park Grandstand has been further progressed. The upgrade involves seismic strengthening, restoration and improvements to the building interior, and extension and upgrade of the building changing rooms facility.
- Maintenance of the clubroom building at the Colin Pugh Sportsbowl has been progressed. This work has involved re-roofing, seismic strengthening of free-standing block wall elements in the change room, as well as cladding and drainage repairs.
- Urgent roof repairs and replacements have been completed for senior housing at Panama Village. Double-glazing of six units at Laurent Place has also been undertaken.
- A new contract was established with a greater emphasis on supporting connected community living at Panama Village.
- Phase 1 seismic strengthening of the Sir Brian Lochore Grandstand at Memorial Park was completed. This work focused on the installation of new exterior bracing elements.
- Urgent cladding repairs to the Jubilee Fire Hall were completed.
- Replacement of hammer cage nets and intensive cleaning of the artificial track at the Colin Pugh Sports Bowl has been completed.
- Major repairs to the Queen Elizabeth Park depot building were initiated, including repairs to roof and guttering, interior fitout and renewal of the parking and storage lot outside.
- Civic centre market demand analysis completed.

## Parks, Reserves and Sportsfields

- A service delivery review (section 17A) was undertaken resulting in a new parks and open spaces maintenance contract being awarded to the incumbent, Recreational Services.
- Stage 5 of the Queen Elizabeth Park Rejuvenation project is in the construction phase. The promenade, seating and planting have been completed between the boatshed and café and this is now open to the public.
- Completion of Phase 1 of the Lansdowne Recreation Trails Wetlands Restoration Project in collaboration with community, GWRC and Department of Conservation (DOC).
- To support Government's billion trees initiative, 72 canopy trees were planted in our parks, reserves and streets.
- Six community planting days were held to restore five wilderness and riparian areas, resulting in the planting of over 5,000 eco sourced plants and one for planting 1,500 daffodil bulbs at Henley Lake.
- The 'northern approach' flower beds were redesigned and replanted using drought tolerant species for water conservation.
- Queen Elizabeth Park was awarded a 'Green Flag' by the NZRA. This award is given to parks that are recognised as being a safe, well-managed and welcoming spaces for the community.

## Trust House Recreation Centre

- Seismic strengthening of the HVAC ducting (heat and air handling system) was completed.
- The hydroslide chute was repaired and strengthened, and the ride was smoothed for better user experience.
- A major upgrade of the Lido Pool was completed. This work included fitting a PVC liner to the pool, new drainage channels, gratings, pipework, and new balance tanks installed in the outdoor pool complex.
- A successful partnership with Lakeview School and Belgravia Leisure enabled free summer outdoor swimming at the Lakeview School Pool during January 2019 while the outdoor pool complex at the Recreation Centre was closed.

- A maintenance contract for the facility was let and implemented to undertake daily checks, essential repairs and preventative maintenance.
- The Learn to Swim programme continued, with Lakeview School subscribing in February 2019.
- Victor Thompson, a Trust House Recreation Centre employee, was named the NZ Recreation Association (NZRA) Lifeguard of the Year for 2018.

### **Masterton Airport (Hood Aerodrome)**

- Our first public open day was held on 27 October 2018 with excellent turnout and positive public feedback. It was a great opportunity for the community to explore aviation collections on site and meet with operators, clubs, and pilots.
- Hood Aerodrome hosted the regional gliding championships and national aerobatics championships in March 2019. The aerobatics have become an annual fixture at Hood attracting interest from across the region.
- Sport and Vintage Aviation Society have been holding pilot training weekends at Hood Aerodrome where the public can observe and enjoy these unique machines.
- The first phase of the Hood Aerodrome Master Plan was completed with a layout developed for the north-western precinct.
- Council approved the release of the first tranche of new hangar sites to market.

## **HOW WELL WE PERFORMED**

Nine (64 per cent) of the 14 performance measures for this activity were achieved in 2018-19.

We continued to increase the library and archive activities, programmes, and events delivered to our community. This included information and community support services, such as Justice of the Peace and Digital Inclusion for Seniors, outreach visits to rest homes, after school digital programming, a knitting and craft group, and new book clubs.

Our Summer Reading Programme was a success once again with positive feedback from parents and numbers participating similar to the previous year.

There appeared to be a decline in the number of people using the library space and in website visitor numbers. A new people counting system was implemented in May 2018 to improve the accuracy of recording visitor numbers to the library. This year's result will provide us with a more accurate baseline for the future. Recording of website visits was interrupted due to the implementation of the new website and online catalogue.

We saw a 70 per cent drop in the number of people using our free online computer services and a much smaller one per cent drop in the use of free Wai-Fi sessions. This is partly due to computer access sessions being extended from 30 minutes to 45 minutes per session, which reduces the number of sessions available each day. This change was made in response to community requests for longer sessions to allow more complex tasks such as writing CVs or accessing government services, to be completed in one transaction. Another reason for the drop could be the 200 modems distributed to families as part of the Spark Jump programmes delivered at the library.

We continued to provide facilities and open spaces which were well used by our community such as activities and events in our parks, sportsgrounds and at the War Memorial Stadium, recreational trails and Hood Aerodrome. Sports teams use our War Memorial Stadium as an alternative venue during the winter season for training, as do a number of small rural schools for a range of sports programmes and school events. We also now offer the facility for birthday parties.

The number of under-12s enrolled in swim school fell by 21 per cent compared to the previous year. All but one local school has committed to participate in the learn to swim programmes in the 2020 calendar year, which should result in increased enrolments.



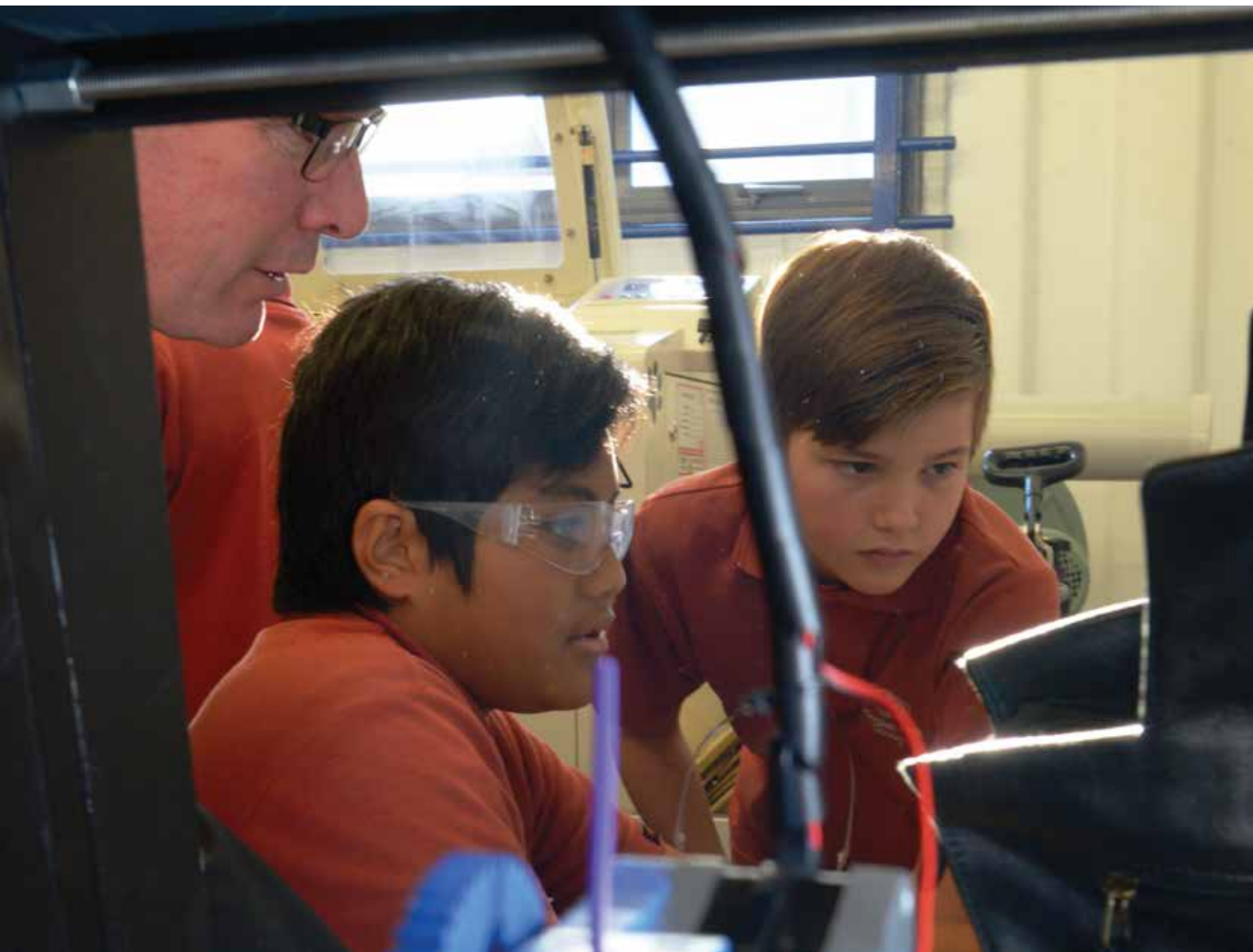


## WHAT WE DO: DELIVER A LIBRARY AND ARCHIVE SERVICE WITH ENGAGING AND RELEVANT ACTIVITIES

Measure	2017-18 Result	2018-19 Target	2018-19 Result
Number of library and archive engagements with our community	New measure Baseline: 280 structured activities and events 181,957 people used the library space 91,779 website visits	Increasing over time, and at least baseline	<b>Not Achieved</b> 708 structured activities and events 158,867 people used the library space 51,524 website visits
Number of literacy programmes offered (including library promotions and digital literacy)	New measure Baseline: 224 programmes	Increasing over time, and at least baseline	<b>Achieved</b> 612 programmes (noting all library programming has a literary or information component)  The recording of the programming has changed this calendar year to reflect the need to accurately record all activities for performance reporting. This is reported to the National data collections for Public Libraries of NZ.
Number of children participating in the Summer Reading Programme	New measure Baseline: 317 completed, 375 registered	Increasing over time, and at least baseline	<b>Not Achieved</b> 314 completed, 390 registered Maximum number of participants is 375. A higher number of registrations are accepted in anticipation of actual participant numbers being less.
Number of people using free online services per head of population	New measure Baseline: 3.8 free online sessions per head of population (96,712 total sessions) Estimated population as at 30/6/17: 25,200	Free online sessions increasing over time, and at least baseline	<b>Not Achieved</b> 1.2 free online sessions per head of population (31,076 total sessions) Estimated population as at 30/6/19: 25,700 Distributed 220 Spark Jump modems to people without home internet access, reducing demand for free services



	<p>New measure</p> <p>Baseline: 1.2 free Wai-Fi sessions per head of population</p> <p>(30,800 total sessions)</p> <p>Estimated population as at 30/6/17: 25,200</p>	<p>Free Wai-Fi sessions increasing over time, and at least baseline</p>	<p><b>Achieved</b></p> <p>1.2 free Wai-Fi sessions per head of population</p> <p>(30,412 total sessions)</p> <p>Estimated population as at 30/6/19: 25,700</p> <p>Includes 13,140 e-centre sessions; 1,481 Te Awhina WiFi sessions; and 15,791 Library WiFi sessions.</p>
<p>Number of archive feature stories/ publications (media and online)</p>	<p>New measure</p> <p>An average of 14.1 archive feature stories/ publications per year over the previous 10 years.</p>	<p>Average of 1 per month or 12 per annum</p>	<p><b>Achieved</b></p> <p>126 stories, average of 10.5 per month</p> <p>The 100 stories completed as part of "100 Years 100 Lives" features with the Wairarapa Times-Age increased numbers</p>
<p>Cemetery records accessed online</p>	<p>New measure</p> <p>Baseline: 7,447</p>	<p>Maintain baseline</p>	<p><b>Achieved</b></p> <p>9,667 cemetery records accessed online</p>



## WHAT WE DO: PROVIDE COMMUNITY FACILITIES AND OPEN SPACES THAT SUPPORT A RANGE OF CULTURAL AND RECREATIONAL NEEDS FOR OUR COMMUNITY AND VISITORS

Measure	2017-18 Result	2018-19 Target	2018-19 Result
Number of structured activities/events in MDC's parks and sportsgrounds	New measure	Increasing utilisation over time	<b>Achieved</b> 359 Baseline has been established
Number of people using the recreational trails that are part of our parks and reserves network	New measure	Increasing utilisation over time	<b>Achieved</b> 312,440 Baseline has been established. Based on an average of 856 counts per day.
Number of structured activities/events that have been run in the War Memorial Stadium	New measure Baseline: 19 events	Increasing utilisation over time	<b>Achieved</b> 52 Activities and events have included sports team training, birthday parties; basketball and netball games; Futsal and Schools indoor programme.
Number of landings at Hood Aerodrome	9,549	Increasing over time and at least baseline	<b>Achieved</b> 10,890
Number of new hangars at Hood Aerodrome	New measure Baseline: 19 hangars	Increase in hangars over time	<b>Not Achieved</b> No new hangars. There are four sites on market as of 30 June 2019.
Ratio of average MDC senior housing weekly rent compared to average private sector rent	New measure Baseline: Senior housing rental equates to 41.9 per cent of the market rental for a one-bedroom flat	Maintain senior housing rentals at no more than 60 per cent of the market rental for a one-bed flat	<b>Achieved</b> 47 per cent of market rent. Average rent for MDC senior housing units is \$99.04 per week, compared to median market rent of \$210 per week for a one bedroom flat in Masterton Reference from Tenancy Services and is for the period 1 Jan 2019 - 30 Jun 2019
Number of under-12s enrolled in Learn to Swim programmes	589 swim school enrolments	Annual increase	<b>Not Achieved</b> 465 swim school enrolments The reduction in figures may be due to year 8 students completing the programme last year while they were in year 7.

## COST OF SERVICE STATEMENT

Parks, Reserves & Sportsfields			
2017/18		2018/19	2018/19
Actual		Actual	Plan
\$		\$	\$
<b>Operating Costs</b>			
1,536,795	Parks & Reserves maintenance	1,766,693	1,793,991
516,115	Sportsfields maintenance	527,130	542,015
447,009	Depreciation	640,967	458,394
<b>2,499,920</b>		<b>2,934,790</b>	<b>2,794,400</b>
<b>Operating Revenue</b>			
35,612	Miscellaneous parks revenue	45,786	35,300
22,393	Sportsground rentals	56,525	37,740
<b>58,006</b>		<b>102,311</b>	<b>73,040</b>
<b>Appropriations</b>			
(139,900)	Transfers from reserves - project funding	(203,953)	(254,000)
61,000	Transfer to reserves	3,256	-
70,560	Provision for loan repayments	81,202	81,554
(48,314)	Depreciation not rates funded	(205,000)	(90,000)
<b>\$2,385,261</b>	<b>Rates Requirement</b>	<b>\$2,507,985</b>	<b>\$2,458,914</b>

Trust House Recreation Centre			
2017/18		2018/19	2018/19
Actual		Actual	Plan
\$		\$	\$
<b>Operating Costs</b>			
589,961	Recreation centre operating costs*	693,825	669,656
473,052	Depreciation	558,864	477,214
<b>1,063,013</b>		<b>1,252,689</b>	<b>1,146,870</b>
<b>Operating Revenue</b>			
<b>94,101</b>	Miscellaneous facility revenue	<b>35,831</b>	<b>35,000</b>
<b>Appropriations</b>			
-	Transfers from reserves	(34,000)	-
66,470	Transfers to reserves	-	-
21,885	Loan repayments	24,018	24,013
(136,885)	Depreciation not rates funded	(270,000)	(200,000)
<b>\$920,381</b>	<b>Rates Requirement</b>	<b>\$936,876</b>	<b>\$935,883</b>

\* Costs are net of user charge recoveries which go to the facility management contractor.

## Library & Archive

2017/18 Actual \$		2018/19 Actual \$	2018/19 Plan \$
	<b>Operating Costs</b>		
1,423,147	Operating costs - Library	1,451,102	1,411,512
318,329	Operating costs - Archive	359,763	358,356
201,434	Depreciation - books	215,460	190,000
110,579	Depreciation - bldg, furniture & equipment	82,156	100,943
<b>2,053,489</b>		<b>2,108,482</b>	<b>2,060,811</b>
	<b>Operating Revenue</b>		
36,189	Grants & donations	45,203	27,400
67,348	User charges & other recoveries	66,116	78,600
<b>103,537</b>		<b>111,320</b>	<b>106,000</b>
	<b>Appropriations</b>		
(33,300)	Reverse depreciation	(37,700)	(20,000)
<b>\$1,916,652</b>	<b>Rates Requirement</b>	<b>\$1,959,462</b>	<b>\$1,934,811</b>

### Analysis of Rates Requirement

1,598,352	Library	1,605,718	1,581,557
318,300	Archive	353,744	353,254
<b>\$1,916,652</b>		<b>\$1,959,462</b>	<b>\$1,934,811</b>

## Property

2017/18 Actual \$		2018/19 Actual \$	2018/19 Plan \$
	<b>Operating Costs</b>		
669,885	District Building	731,420	866,690
400,804	Housing for the Elderly	429,186	379,447
849,709	Other Property	743,942	784,410
458,978	Mawley Holiday Park	440,129	434,528
716,262	Depreciation	818,807	957,217
<b>3,095,638</b>		<b>3,163,484</b>	<b>3,422,291</b>
	<b>Operating Revenue</b>		
4,198	Rental revenue - Halls & Dist. Bldg	3,363	3,350
393,257	Rental revenue - Housing for the Elderly	444,732	413,920
256,737	Rental revenue - Other Property	247,324	253,432
443,307	Mawley Holiday Park	463,881	414,000
70,000	Internal recoveries - forestry	52,000	52,000
370,827	Internal recoveries - office rental	396,383	392,875
<b>1,538,325</b>		<b>1,607,683</b>	<b>1,529,577</b>
	<b>Appropriations</b>		
(586,088)	Transfers from reserves	(28,492)	(35,000)
90,000	Transfers to reserves	252,245	-
585,110	Provisions for loan repayments	243,583	242,765
(342,460)	Depreciation not rates funded	(409,713)	(516,713)
<b>\$1,303,875</b>	<b>Rates Requirement</b>	<b>\$1,613,425</b>	<b>\$1,583,766</b>



### Cemeteries

2017/18		2018/19	2018/19
Actual		Actual	Plan
\$		\$	\$
<b>Operating Costs</b>			
123,035	Cemeteries operating and maintenance	126,343	160,863
4,477	Depreciation	5,747	4,350
<b>127,512</b>		<b>132,089</b>	<b>165,213</b>
<b>Operating Revenue</b>			
82,836	Burial fees and sale of plots	74,509	70,980
<b>82,836</b>		<b>74,509</b>	<b>70,980</b>
<b>Appropriations</b>			
-	Transfers from reserves	(992)	(5,000)
20,000	Transfers to reserves	19,000	-
<b>\$64,676</b>	<b>Rates Requirement</b>	<b>\$75,588</b>	<b>\$89,233</b>

### Masterton Airport (Hood Aerodrome)

2017/18		2018/19	2018/19
Actual		Actual	Plan
\$		\$	\$
<b>Operating Costs</b>			
296,448	Airport operation & maintenance	319,235	310,502
78,658	Depreciation	83,547	79,220
<b>375,106</b>		<b>402,781</b>	<b>389,722</b>
<b>Operating Revenue</b>			
197,280	Leases and other revenue	207,024	206,000
14,000	Internal recoveries	14,000	14,000
<b>211,280</b>		<b>221,024</b>	<b>220,000</b>
<b>Appropriations</b>			
(22,000)	Transfers from reserves	(30,000)	(30,000)
94,397	Provision for loan repayments	104,502	104,516
(50,000)	Reverse depreciation not rates funded	(65,000)	(65,000)
<b>\$186,222</b>	<b>Rates Requirement</b>	<b>\$191,260</b>	<b>\$179,238</b>



## Community Facilities & Activities

### Rates Requirement Summary

2017/18 Actual \$	Activity	2018/19 Actual \$	2018/19 Plan \$
2,385,261	Parks, reserves & sportsfields	2,507,985	2,458,914
920,381	Trust House Recreation Centre	936,876	935,883
64,676	Cemeteries	75,588	89,233
426,239	District building	755,032	748,162
37,483	Housing for the elderly	48,908	40,830
311,143	Other rental properties	267,678	265,641
295,914	Public conveniences	315,009	307,761
106,657	Rural halls	140,931	99,759
14,657	Forestry	3,184	22,198
111,783	Mawley Holiday Park	82,682	99,416
186,222	Airport	191,260	179,238
1,598,352	Library	1,605,718	1,581,557
318,300	Archives	353,744	353,254
<b>\$6,777,068</b>	<b>Rates Requirement</b>	<b>\$7,284,596</b>	<b>\$7,181,845</b>

\* Note Community Services included in 2017/18 has now been shifted to Community Wellbeing.



## Community Facilities & Activities

### Capital Expenditure Summary

2017/18		2018/19	2018/19
Actual	Parks, Reserves & Sportsfields	Actual	Plan
\$		\$	\$
44,784	Queen Elizabeth Park rejuvenation	347,459	750,000
-	QE Park - Irrigation System	9,815	15,000
17,787	Recreation trails extended	8,269	102,000
-	Upgrade facilities - (including playgrounds)	60,520	175,183
-	Colin Pugh Sports Bowl	53,171	61,200
6,420	Rural Reserves upgrades	-	-
39,510	McJorrow Park playground	-	-
10,749	Street trees renewal & new	7,628	16,750
-	Henley Lake building upgrades	-	206,000
38,189	Henley Lake - intake upgrade	5,965	450,000
23,878	QE Park cricket grandstand upgrade	367,559	400,000
204,252	Sports facilities upgrades	87,750	470,400
6,471	QE Park cricket wicket replacement	-	-
63,502	Chinese pagoda	19,775	-
9,428	Flow meter telemetry	-	-
-	Parks & open spaces signage	-	20,000
800,000	Netball facility upgrade	-	50,000
<b>1,264,969</b>		<b>967,912</b>	<b>2,716,533</b>
	<b>Trust House Recreation Centre</b>		
97,146	Pools plant & equipment renewals	18,138	15,000
-	Upgrade Building & Services	257,705	188,280
-	Outdoor pools renewals	359,745	250,000
<b>97,146</b>		<b>635,588</b>	<b>453,280</b>
	<b>Cemeteries</b>		
45,006	Cemetery renovations & extensions	-	20,000
<b>45,006</b>		<b>-</b>	<b>20,000</b>
	<b>District Building</b>		
-	New Events Centre	182,858	1,000,000
8,193	Facilities & equipment	4,598	10,000
12,747	Building upgrades & office renovations	186,314	300,000
-	Emergency generator	53,224	50,000
<b>20,940</b>		<b>426,995</b>	<b>1,360,000</b>
	<b>Housing for the Elderly</b>		
76,090	Pensioner housing upgrades	135,372	231,570
<b>76,090</b>		<b>135,372</b>	<b>231,570</b>
<b>\$1,504,153</b>		<b>\$2,165,867</b>	<b>\$4,781,383</b>
	<b>Capital Funding</b>		
(1,449,928)	Transfer from reserves	1,576,615	(3,395,983)
(38,189)	Loan funds	(3,600,000)	(1,235,000)
(16,037)	External contrib.	(142,483)	(150,400)
<b>(\$1,504,153)</b>		<b>(\$2,165,867)</b>	<b>(\$4,781,383)</b>



## Community Facilities & Activities (continued)

### Capital Expenditure Summary

2017/18 Actual		2018/19 Actual	2018/19 Plan
\$	Other Property	\$	\$
9,226	Public conveniences upgrade	3,680	50,800
4,890	Castlepoint Toilet upgrade	4,956	240,000
50,252	Rental & Other property upgrades	40,697	102,534
-	Asbestos Removal - all property	-	50,000
-	Earthquake strengthen Council buildings	-	-
400,000	Waiata House purchase	3,600,000	-
-	Riversdale Beach toilets upgrade	-	16,000
104,453	Mawley Park facility upgrades	24,404	50,000
-	Rural hall upgrades	-	15,000
60,562	Vested land	-	-
<b>629,383</b>		<b>3,673,738</b>	<b>524,334</b>
	<b>Library &amp; Archive</b>		
178,246	Book stock renewals	230,928	190,000
48,071	Computer system upgrades	69,199	73,000
-	Library Learning Centre	293,410	260,000
11,377	Library roof replacement	-	-
-	Building and furniture upgrades	61,699	36,000
-	Archive renewals (incl. IT)	-	125,000
<b>237,694</b>		<b>655,236</b>	<b>684,000</b>
	<b>Airport</b>		
11,428	Airport upgrades	5,531	115,000
-	Runway light replacement	-	150,000
-	Hanger area expansion	50,745	100,000
<b>11,428</b>		<b>56,277</b>	<b>365,000</b>
<b>\$878,505</b>		<b>\$4,385,251</b>	<b>\$1,573,334</b>
	<b>Capital Funding</b>		
(493,659)	Loan funds	(304,156)	(115,000)
(60,562)	Vested assets	-	-
(324,283)	Transfers from reserves	(4,041,095)	(1,458,334)
-	External contrib.	(40,000)	-
<b>(\$878,505)</b>		<b>(\$4,385,251)</b>	<b>(1,573,334)</b>



# REGULATORY SERVICES



## WHAT WE DO

We provide regulatory services in order to sustainably manage the development and protection of natural and physical resources and to protect the safety and wellbeing of the community.

Regulatory Services involves delivering on our responsibilities under legislation, including:

- Resource management and planning
- Building control
- Environmental health and alcohol licencing
- Parking control
- Animal control
- Civil defence and emergency management

## WHAT WE ACHIEVED IN 2018-19

Highlights and key activities from 2018-19 include:

### Resource Management and Planning

- Processed high volumes of resource consents for subdivision in the urban area for residential use and checking building consents for planning implications.
- Processed high volumes (446) of Land Information Memorandums (LIMs).

### Building Services

- Maintained Accreditation Council (IANZ) accreditation for the building team following the assessment in November 2018.
- Processed 761 building consents with an average processing time of 12 days.

### Environmental Health, Alcohol Licensing and Bylaws (including Parking Services)

- All planned Food Act transitions completed by the due date of 28 February 2019, and 129 food verifications were completed.
- Sixty-four licensed premises were assessed for safe sale and/or service.
- Work undertaken to progress the development of a Quality Management System to support a good quality food verification service.

### Animal Services

- Ninety-four dog owners achieved 'Responsible Dog Owner Status' and received a discounted registration fee for meeting our responsible dog owner criteria.
- Second 'Dogs in Togs' event held on 6 April 2019 at Lakeview School, providing dog owners and their dogs with a day out swimming.
- Two 'Doggy Day Out' events held to engage with dog owners and provide a service to microchip and register dogs.
- Eighteen dogs rehomed (either by us or the SPCA) and 191 dogs returned to their owners.

### Civil Defence And Emergency Management

Civil defence and emergency management is about keeping our communities safe and prepared to respond and recover from emergencies. This area is largely managed externally by the Wellington Regional Emergency Management Office (WREMO), and we contribute funding and staff support on behalf of the Masterton district. We also host the Emergency Operations Centre (EOC), which services the Wairarapa Region.

The WREMO has been working in the community to promote community hubs where residents can provide volunteer support to the community in the event of an emergency. Further information, including specific performance measures, are available in WREMO's Annual Report.



## HOW WELL WE PERFORMED

Seven (58 per cent) of the 12 performance measures for this activity were achieved in 2018-19.

We know how important people's pets and working dogs are to them. The Animal Services team continued to work hard during the year to ensure that impounded dogs were returned to their owners or, where that wasn't possible, rehomed.

There was a slight decrease in the overall number of dog attacks, although the number of attacks on people (as opposed to attacks on animals) increased. During the year we have focused on education and engaged with the community about dog safety and to promote responsible ownership. We have also promoted our services and reminded the community that we are available 365 days a year to respond to incidents. It is important that we are notified of all incidents as soon as possible, so we can prevent further attacks.

We completed 236 inspections or verifications across food premises, personal services businesses and alcohol licensed premises, to ensure they were operating safely and responsibly and in accordance with national legislation and local bylaws. A key part of this work included supporting food businesses to transition to operation under the Food Act 2014. While this created extra work, which meant a small proportion of verifications were not completed, all food businesses have now successfully transitioned. This means our community can have even greater assurance that the food they eat from restaurants and other food businesses is safe.

Our Planning and Building teams were also kept busy. Resource consent applications increased by 48 per cent compared to the previous year. There was a five per cent drop in the number of building consents received overall, but more inspections were required. Inspections increased by 77 per cent, with 4,653 completed in 2018-19 compared to 2,617 in the previous year. Despite the increased workload, 96 per cent of building consents and 100 per cent of resource consents were processed on time.

We continued to work with commercial building owners to ensure the buildings in our community are safe. We have adopted a systematic approach to identify earthquake-prone buildings and will continue to develop a profile of our district and work with building owners to ensure they meet their commitments under legislation.

Sixty-seven percent of commercial buildings have a current Building Warrant of Fitness (BWOF). Additional resource will enable us to dedicate more time to focus on increasing the number of current BWOFs.

Reserves and infrastructure contributions from developers were \$1.26 million compared to the \$440,000 in the Long-Term Plan, reflecting the high level of subdivision activity during the year.

Building development income of \$1.13 million was 14 per cent more than planned, reflecting the continuing high level of activity in residential building. Costs in this area are 21 per cent more than planned, partly due to higher processing costs related to the high volumes of consents and partly due to legal costs incurred in defending liability claims.



## WHAT WE DO: DELIVER FAIR, APPROPRIATE AND CUSTOMER-FRIENDLY REGULATORY SERVICES THAT SUPPORT COMMUNITY HEALTH AND SAFETY

Measure	2017-18 Result	2018-19 Target	2018-19 Result
Number of dog attacks (on people and stock) in our district	New measure Baseline: 65 attacks 17 dog attacks on people and 48 attacks on stock, domestic animals or poultry (average over the previous three years)	Reducing over time and no more than baseline	Achieved 63 attacks 24 attacks on people and 39 attacks on stock, domestic animals or poultry
Number of 'responsible owners' of dogs	New measure	Increasing number of 'responsible owners'	Achieved 94 responsible owners
Number of pet/working dogs reunited with their owner or rehomed	New measure Baseline: 207	Increasing over time and at least baseline	Achieved 209 191 returned to owners, 18 rehomed (by MDC or the SPCA)
Proportion of known food premises scheduled for assessment or verification in the current financial year that were assessed or verified of safe sale and/or service	81 per cent of scheduled assessments completed	At least one inspection per known premise scheduled for assessment or verification in that year	Not Achieved 92 per cent 129 of 140 scheduled verifications completed All final Food Act transitions were completed by the end of February 2019 deadline This resulted in longer inspection times and required additional staff resourcing
Proportion of known personal services (hair, beauty etc) premises scheduled for assessment or inspection in the current financial year that were assessed or verified of safe sale and/or service	66 per cent of scheduled assessments completed (note this figure included camping grounds, offensive trade licenses, etc)	At least one inspection per known premise scheduled for assessment in that year	Not Achieved 84 per cent 43 of 51 required inspections completed. This is an improvement on the previous year despite not being achieved. Eight inspections were not completed due to premises not being open or unavailable at scheduled times. These will be rescheduled in 2019-20.

Proportion of known licensed premises assessed or inspected of safe sale and/or service	50 per cent of premises assessed	At least one inspection per known premise scheduled for assessment in that year	<p>Achieved</p> <p>100 per cent</p> <p>There were 32 premises that required assessment in 2018-19. All 32 were completed.</p> <p>In addition to this, a further 32 licensed premises were assessed.</p> <p>In total, 64 inspections were completed in this financial year.</p>
Percentage of consents processed within statutory timeframes	<p>98 per cent</p> <p>789 of 804 building consents received were processed within statutory timeframes</p> <p>(average of 13 working days)</p>	99 per cent	<p>Not Achieved</p> <p>96 per cent</p> <p>729 of 761 building consents received were processed within statutory timeframes.</p> <p>(average of 12 working days)</p> <p>The volume of consents and available resources had an impact on results for the year.</p>
	<p>97 per cent of non-notified resource consents</p> <p>100 per cent of notified resource consents</p>		<p>Achieved</p> <p>100 per cent of resource consents processed within statutory timeframes</p> <p>(195 resource consents received).</p>
Percentage of building consent applicants that were satisfied with consent process and customer service received	New measure	Improving over time, and at least baseline	<p>Achieved</p> <p>79 per cent for building.</p>
Percentage of planning consent applicants that were satisfied with consent process and customer service received	New measure	Improving over time, and at least baseline	<p>Not Achieved</p> <p>A survey to inform satisfaction with consent process and customer service received was undertaken, but this focused on building consents as opposed to planning consents. The baseline for planning will be established in the coming year.</p>

Measure	2017-18 Result	2018-19 Target	2018-19 Result
Percentage of commercial buildings that have a current Building Warrant of Fitness (BWOF)	72 per cent 259 of 360 BWOFs current	At least 80 per cent	Not Achieved 67 per cent 267 of 398 BWOFs were received and correct. 131 were outstanding or incorrect. The volume of consents and available resources impacted results for the year.
Percentage of notified potentially Earthquake-Prone (EQP) priority buildings where the owners have responded to advise action or have remediated the EQP status of their building	New measure	Annual increase, with 100 per cent by the legislative deadline of 2025	Achieved 17 per cent Baseline has been established. Owners that have received a potentially earthquake-prone building notice: 12 Owners that have either strengthened or demolished: 2

## COST OF SERVICE STATEMENT

Resource Management & Planning				
2017/18 Actual		2018/19 Actual		2018/19 Plan
\$	Operating Costs	\$		\$
562,744	Resource management & planning	524,328		596,076
166,216	River scheme contributions	150,265		149,570
7,701	Wairarapa District Plan (MDC share)	46,747		110,000
<b>736,662</b>		<b>721,340</b>		<b>855,646</b>
Operating Revenue				
125,457	User charges - consent fees & recoveries	143,063		97,700
1,610,354	Reserves & infrastructure contributions	1,258,006		440,000
<b>1,735,811</b>		<b>1,401,068</b>		<b>537,700</b>
Appropriations				
(22,287)	Transfers from reserves	(80,802)		(101,500)
161,000	Transfer to reserves	270,000		120,001
1,610,354	Transfer to reserves - various contributions	1,258,006		439,999
<b>\$749,917</b>	<b>Rates Requirement</b>	<b>\$767,476</b>		<b>\$776,446</b>



## Building Development

2017/18 Actual \$		2018/19 Actual \$	2018/19 Plan \$
<b>Operating Costs</b>			
1,290,143	Building Services costs	1,622,335	1,323,777
5,295	Project - Earthquake assessments	4,119	20,000
<b>\$1,295,438</b>		<b>\$1,626,454</b>	<b>\$1,343,777</b>
<b>Operating Revenue</b>			
1,161,984	Consent fees & charges	1,130,725	989,076
-	Internal Recoveries	-	0
<b>\$1,161,984</b>		<b>\$1,130,725</b>	<b>\$989,076</b>
<b>Appropriations</b>			
-	Transfers from reserves	(20,000)	(20,000)
170,000	Transfer to reserves	-	-
<b>\$303,453</b>	<b>Rates Requirement</b>	<b>\$475,730</b>	<b>\$334,701</b>

## Environmental Health & Licensing

2017/18 Actual \$		2018/19 Actual \$	2018/19 Plan \$
<b>Operating Costs</b>			
633,817	Environmental health & licensing costs	623,742	638,325
143,600	Alcohol Act enforcement activities	135,408	176,708
<b>777,417</b>		<b>759,150</b>	<b>815,033</b>
<b>Operating Revenue</b>			
52,388	License fees & charges	60,588	65,955
92,006	Alcohol licensing fees & charges	74,224	89,390
266,167	Internal recoveries	256,308	252,751
<b>410,561</b>		<b>391,120</b>	<b>408,096</b>
<b>Appropriations</b>			
-	Transfer to reserves - project funding	25,000	-
<b>\$366,856</b>	<b>Rates Requirement</b>	<b>\$393,030</b>	<b>\$406,937</b>





### Animal Services

2017/18		2018/19	2018/19
Actual		Actual	Plan
\$	Operating Costs	\$	\$
384,813	Dog control services incl. pound	409,261	415,053
	<b>Operating Revenue</b>		
368,897	Dog registration fees & other revenue	368,622	351,850
	<b>Appropriations</b>		
-	Transfers from reserves	(2,233)	-
13,173	Transfer to reserves	30,000	10,000
(1,232)	Depreciation not rates funded	-	-
<b>\$27,856</b>	<b>Rates Requirement</b>	<b>\$68,406</b>	<b>\$73,203</b>

### Emergency Management

2017/18		2018/19	2018/19
Actual		Actual	Plan
\$	Operating Costs	\$	\$
94,066	Emergency management costs	119,479	152,620
108,042	WREMO CD/EM costs (MDC Share)	124,631	122,000
<b>202,108</b>		<b>244,109</b>	<b>274,620</b>
	<b>Operating Revenue</b>		
22,322	Misc. recoveries - CD/EM Wairarapa	39,486	34,500
	<b>Appropriations</b>		
-	Transfer from reserves - project funding	-	(30,000)
5,000	Transfer to reserves - self insurance	8,236	5,000
<b>\$184,786</b>	<b>Rates Requirement</b>	<b>\$212,860</b>	<b>\$215,120</b>



### Parking Services

2017/18		2018/19	2018/19
Actual \$	Operating Costs	Actual \$	Plan \$
165,707	Parking control costs	166,022	163,152
16,844	Depreciation - meters	16,844	17,206
<b>182,551</b>		<b>182,866</b>	<b>180,358</b>
	<b>Operating Revenue</b>		
<b>240,327</b>	Parking meters and fines	<b>252,691</b>	<b>230,500</b>
	<b>Appropriations</b>		
<b>(\$57,776)</b>	<b>Rates Requirement (surplus)</b>	<b>(\$69,825)</b>	<b>(\$50,142)</b>

### Regulatory Services

#### Rates Requirement Summary

2017/18		2018/19	2018/19
Actual \$	Activity	Actual \$	Plan \$
583,701	Resource Management & Planning	617,210	626,876
166,216	River Scheme contributions	150,265	149,570
303,453	Building Services	475,730	334,701
366,856	Environmental Health & Licensing	393,030	406,937
(57,776)	Parking Services	(69,825)	(50,142)
27,856	Animal Services	68,406	73,203
184,786	Emergency Management	212,860	215,120
<b>\$1,575,093</b>	<b>Rates Requirement</b>	<b>\$1,847,675</b>	<b>\$1,756,265</b>



## Regulatory Services

### Capital Expenditure Summary

2017/18		2018/19	2018/19
Actual		Actual	Plan
\$	Regulatory Services	\$	\$
-	Emergency Management equipment	-	35,000
11,834	Environmental Health equipment	-	8,000
14,285	Animal Services equipment	4,495	31,500
-	Animal & Bylaws Signage	-	10,000
-	Parking equipment	-	20,000
-	Building Control Equipment	-	4,000
<b>\$26,119</b>		<b>\$4,495</b>	<b>\$108,500</b>
	<b>Capital Funding</b>		
(26,119)	Transfer from reserves	(4,495)	(108,500)
<b>(\$26,119)</b>		<b>(\$4,495)</b>	<b>(\$108,500)</b>

Note Pool Vehicles included under Regulatory Services last year has been shifted to Internal Functions

## REGULATORY SERVICES

### Alcohol Act & Alcohol Licensing

The figures reported below are included within the activity Environmental Health & Licensing Cost of Service Statement (above). Separate disclosure below is per the requirements of Sale and Supply of Alcohol (Fees) Regulations 2013 s19 (1).

2017/18		2018/19	2018/19
Actual		Actual	Plan
\$	Operating Costs	\$	\$
290	District Licensing Committee costs	-	13,000
133,540	Inspector Operations	128,381	155,208
9,770	Alcohol Act enforcement activities	7,027	8,500
<b>143,600</b>	<b>Total Alcohol licensing costs</b>	<b>135,408</b>	<b>176,708</b>
	<b>Operating Revenue</b>		
92,006	Alcohol Act Licensing fees & charges	74,224	89,390
<b>\$51,594</b>	<b>Rates Requirement</b>	<b>\$61,184</b>	<b>\$87,318</b>



# GOVERNANCE AND CORPORATE SERVICES



## WHAT WE DO

We provide support to elected members by facilitating Council and Committee meetings, publishing agendas and making them available to the public, supporting Iwi-Council relationships, consulting with the community on key decisions, and running the local body election process every three years.

The corporate activity supports the organisation through various professional services including human resources, communications, finance, IT, policy and strategic planning, corporate planning and reporting, project management, elected member support, general administration, and senior leadership.

## WHAT WE ACHIEVED IN 2018-19

Key achievements in 2018-19 include:

- A review of the Wairarapa Consolidated Bylaw was completed, with the bylaws adopted by Council on 26 June 2019. The Wairarapa community was consulted on the proposed bylaws between 4 March and 5 April 2019, and 27 submissions were received. A joint hearing with all three Wairarapa councils was held on 1 May 2019, with six submissions presented.
- A review of the Wairarapa Gambling and TAB Venues Policies was completed, with Council adopting a revised policy on 26 June 2019. Formal consultation was undertaken between 15 April and 15 May 2019, and 15 submissions were received. A formal hearing was held on 5 June 2019, with three submissions presented.
- The Annual Plan 2019-20 was completed and adopted by Council on 26 June 2019.
- We made a number of submissions over the last 12 months, including to:
  - the Department of the Prime Minister and Cabinet (DPMC) on its proposed Child and Youth Wellbeing Strategy;
  - the Ministry for the Environment on the proposed mandatory phase out of single-use plastic shopping bags and the Zero Carbon Bill;
  - GWRC on the Whaitua Implementation Plan, Proposed Regional Pest Management Plan 2019-2039, and the Fees Increase Proposal that affect resource consenting monitoring costs; and
  - the New Zealand Transport Agency on the Masterton to Carterton, SH2 Safe Roads Engagement.







## HOW WELL WE PERFORMED

Seven (78 per cent) of the nine performance measures for this activity were achieved in 2018-19, with one not achieved and the other not applicable.

Improving efficiency was a key focus during the year. We increased the number of rates invoices sent out via email and more people made payments online. This makes things easier for our community and means we can provide a greater level of service.

We are also working to ensure our policies are up to date. While all the policies we are required to have under legislation are current, there are a number of other policies that need to be reviewed or developed, which will enable greater efficiency.

The decision was made not to consult on the 2019-20 Annual Plan as there were no significant or material differences from the content of year two of the 2018-28 Long-Term Plan. This is why the measure for this has been reported as not applicable. While we didn't formally consult, we did hold two engagement opportunities where the community could discuss projects with elected members.

Our community is diverse, and we want to make sure everyone has an opportunity to have their say. We are always looking for new ways to genuinely engage with our community, beyond what we're required to do under legislation. In 2018-19 we sought the community's views on a wide range of topics. Examples include seeking feedback about the entrances to our town, attending Waifest to gauge opinions on upcoming projects, holding community workshops on the bylaw review, a targeted stakeholder workshop for the review of the Arts, Culture and Heritage Strategy and stakeholder meetings with local businesses about the town centre revamp.

The costs of Governance and Corporate Services have run very close to plan. The allocation of corporate services costs across the organisation at \$3.86 million, was 1.6 per cent more than planned.



## WHAT WE DO: DELIVER HIGH QUALITY CUSTOMER SERVICE TO OUR COMMUNITY AND PROVIDE OPPORTUNITIES FOR PARTICIPATING IN COUNCIL DECISION-MAKING

Measure	2017-18 Result	2018-19 Target	2018-19 Result
Annual staff turnover (excluding fixed term appointments)	New measure Baseline: 11 per cent	Within 5-15 per cent	Achieved 12.3 per cent
Ratio of compliments to complaints as a reflection of customer satisfaction with the service received from our frontline teams	New measure Baseline: 1.15 compliments for every one complaint 148 compliments, 129 complaints	Improving over time and at least baseline (1.15 to 1)	Achieved 4.2 compliments for every one complaint 104 compliments, 25 complaints
Percentage of rates invoices emailed (instead of posted)	New measure Baseline: 14 per cent 1,790 of 12,425 rated properties		Achieved 15.5 per cent 1,974 of 12,704 rated properties
Transactions completed electronically (via our website)	New measure Baseline: 83.5 per cent of transactions were electronic in the year ending 30/6/17 Mostly automatic payments or direct debits	Increase over time, with no decline from baseline	Achieved 85.5 per cent of transactions were electronic
Number of learning opportunities (training sessions/forums/conferences) elected members have attended	New measure	Increase over time and at least maintain the baseline	Achieved 17 learning opportunities attended by elected members Baseline established
Proportion of policies in our register that are current	52 per cent current	Annual improvement, with 95 per cent by Year 3	Achieved 56 per cent current
Media coverage of MDC decisions and activities	New measure	Improve the ratio of positive to negative media coverage over time, and at least maintain the baseline.	Achieved 1.2 positive for every one negative 104 positive, 87 negative
The diversity of people who had their say on MDC's Annual or Long-Term Plan	New measure	Increase in the percentage of respondents who identify as Māori or Other Increase in the percentage of respondents aged under 50	Not Applicable Consultation was not undertaken on the 2019-20 Annual Plan, as no significant issues were identified

## COST OF SERVICE STATEMENT

Governance				
2017/18			2018/19	2018/19
Actual	Operating Costs		Actual	Plan
\$			\$	\$
396,092	Mayor & Councillors' remuneration		419,725	421,045
51,146	Reporting & consultation		36,490	47,000
58,803	Wairarapa governance costs (MDC share)		-	-
6,712	Election costs		23,949	25,000
601,346	Operating expenses		583,616	596,233
<b>1,114,099</b>			<b>1,063,781</b>	<b>1,089,278</b>
	<b>Operating Revenue</b>			
456,155	Internal allocation of governance costs		429,015	435,711
-	Misc. Income		1,244	-
<b>456,155</b>			<b>430,259</b>	<b>435,711</b>
	<b>Appropriations</b>			
(6,712)	Transfers from reserves		-	-
33,000	Transfers to reserves		10,000	-
<b>\$684,232</b>	<b>Rates Requirement</b>		<b>\$643,522</b>	<b>\$653,567</b>

Roading Advisory Services				
2017/18			2018/19	2018/19
Actual	Operating Costs		Actual	Plan
\$			\$	\$
704,870	Professional staff & operating costs		715,200	710,829
5,244	Depreciation		11,356	2,550
<b>710,115</b>			<b>726,556</b>	<b>713,379</b>
	<b>Operating Revenue</b>			
526,530	Prof. services - subsidised roading		585,317	544,249
118,361	Prof. services - non-subsidised roading		83,087	95,619
30,341	Prof. services - other Council activities		39,650	24,511
33,453	External revenue		18,502	54,000
<b>708,685</b>			<b>726,556</b>	<b>718,379</b>
	<b>Appropriations</b>			
-	Transfer to reserves		-	5,000
<b>\$1,430</b>	<b>Rates Requirement</b>		<b>\$0</b>	<b>\$0</b>

Asset & Project Management				
2017/18			2018/19	2018/19
Actual	Operating Costs		Actual	Plan
\$			\$	\$
<b>1,383,803</b>	Professional staff & operating costs		<b>1,428,421</b>	<b>1,445,816</b>
	<b>Operating Revenue</b>			
1,352,220	Internal charges & recoveries		1,400,444	1,425,816
31,584	External recoveries		27,978	20,000
<b>1,383,803</b>			<b>1,428,421</b>	<b>1,445,816</b>
	<b>Appropriations</b>			
<b>\$0</b>	<b>Rates Requirement</b>		<b>\$0</b>	<b>\$0</b>

## Corporate Services

2017/18 Actual		2018/19 Actual	2018/19 Plan
\$		\$	\$
	<b>Operating Costs</b>		
1,348,508	Management & administration	1,246,401	1,295,918
1,381,163	Financial management	1,381,593	1,311,478
449,678	Strategic Planning	602,499	562,341
525,531	Information systems	600,392	569,962
472,370	Communications & Promotion	468,471	439,617
356,322	Human Resources	404,986	391,783
190,967	Council Vehicle Fleet Costs	199,786	168,655
<b>4,724,537</b>		<b>4,904,127</b>	<b>4,739,753</b>
	<b>Operating Revenue</b>		
222,090	Miscellaneous revenue & recoveries	226,296	205,152
749,633	Interest revenue (external)	1,159,637	686,000
245,170	Interest revenue (on internal loans)	283,022	415,471
25,281	Other Internal recoveries	9,969	13,185
3,919,738	Support services allocated internally	3,862,712	3,801,290
187,784	Council Vehicle Fleet Recovery	199,786	168,655
<b>5,349,697</b>		<b>5,741,423</b>	<b>5,289,753</b>
	<b>Appropriations</b>		
(22,867)	Transfer (from) reserves	(17,500)	(40,000)
20,000	Transfers to reserves (c/fwd funds)	-	-
631,209	Transfer to reserves - interest	854,795	590,000
<b>\$3,182</b>	<b>Rates Requirement</b>	<b>\$0</b>	<b>\$0</b>

## Internal Functions

### Capital Expenditure Summary

2017/18 Actual		2018/19 Actual	2018/19 Plan
\$		\$	\$
	<b>Roading Advisory Services</b>		
12,555	Survey Equipment	-	-
	<b>Asset Management</b>		
-	Asset management system & equipment	-	10,000
	<b>Corporate Services</b>		
62,623	IT equipment replacement	132,650	150,000
7,800	GIS aerial photos & data capture	-	-
5,317	Website Upgrade	-	-
-	IT Council Meetings Info System	12,355	40,000
89,968	Pool Vehicle replacement	39,100	150,000
<b>178,263</b>		<b>184,106</b>	<b>350,000</b>
	<b>Capital Funding</b>		
<b>(178,263)</b>	<b>Transfer from reserves</b>	<b>(184,106)</b>	<b>(350,000)</b>

Note: Pool Vehicles included under Regulatory Services last year has been shifted to Internal Functions



# FINANCIAL REPORTS

## NGĀ PŪRONGO PUTEA



# REPORTING AS REQUIRED BY THE LOCAL GOVERNMENT (FINANCIAL REPORTING AND PRUDENCE) REGULATIONS 2014

## LOCAL GOVERNMENT ACT 2002 - FINANCIAL DISCLOSURES

The Local Government Act 2002 sets out a number of disclosure requirements for Councils over and above the generally accepted accounting practice (GAAP) information. New disclosures were added in legislative changes and additions to the Local Government (Financial Reporting and Prudence) Regulations 2014.

### NETWORK ASSETS

Schedule 6 of the Regulations requires the Council to add to the information currently disclosed under GAAP, to enable separate disclosure for each of the five network infrastructures (water supply; sewerage; stormwater; roads and footpaths; and flood protection and control works). In addition, water supply and sewerage are to be separated between treatment plant and facilities and other assets. Also, any asset additions are to be split between assets constructed by the Council and those transferred to (or vested in) the Council.

Most of the detail required to comply with these regulations can be found in Notes 12 and 13 to the Financial Statements. Additional information on the replacement values of network assets is disclosed below.

Optimised Replacement Value of network assets is as follows:

as at 30 June 2019	\$ millions	Optimised Replacement Values	Optimised Depreciated Replacement Values
Roads & footpaths (includes bridges & culverts, excludes land)		561.35	430.42
Water treatment plant & facilities - Masterton		21.11	8.29
Water reticulation (including rural supplies)		66.26	31.34
Sewerage treatment plant & facilities - Masterton		36.23	32.3
Sewerage reticulation - Masterton		92.04	29.99
Sewerage systems - rural*		10.72	8.43
Stormwater assets		28.18	15.65
Flood protection & control works		5.62	3.96
		<u>\$ 821.5</u>	<u>\$ 560.4</u>

Notes: excludes land values associated with the assets.

Infrastructural assets were revalued as at 30 June 2017

\* Rural sewerage systems at Riversdale Beach, Castlepoint and Tinui have not been split into treatment and reticulation components, but the value split is estimated at 29/71 (treatment/retic).

### RATING BASE INFORMATION

The Local Government Act (Amendment No.3) includes a clause 30A in Schedule 10. The information below satisfies the disclosure requirements of that clause and adds comparative information for the current year, value of rates income and average rates.

30 June 2019

Number of rating units within the District	12,500
Capital Value of rating units as at 30 June 2019	\$5,981.3 million
Land Value of rating units as at 30 June 2019	\$3,055.6 million
Rates income for 2019/20 (per 2019/20 Annual Plan)	\$31,823,763 (excl GST & capital contribution rates)
Average rates income per rating unit	\$2,545.90 (excl GST)

30 June 2018

Number of rating units within the District	12,373
Capital Value of rating units as at 30 June 2018	\$5,844.0 million
Land Value of rating units as at 30 June 2018	\$3,015.6 million
Rates income for 2018/19 (per 2018-28 LTP)	\$29,924,231 (excl GST & capital contribution rates)
Average rates income per rating unit	\$2,418.50 (excl GST)

## INSURANCE INFORMATION

Local Government Act (Amendment No.3) clause 31A in Schedule 10 requires disclosure of information relating to the insurance of assets.

The cost of the Canterbury earthquakes has highlighted the importance of good risk management and the part insurance and/or risk financing plays when it comes to rebuilding public assets. In many instances, Councils can provide services in the future only through the continuing use of their assets. Public entities have had to think carefully about how they are managing their risks and how they are using the insurance and risk finance options available to them.

Set out below is detail of the Council's insurance of assets, under the prescribed three headings.

### Insurance of Assets – for the year ending 30 June 2019

Asset values from Statement of Financial Position	Carrying value 1 July 2019	All values in \$000's
Property, plant and equipment	102,729	
Infrastructural assets	652,439	
Forestry	536	
Investment properties	2,668	
	758,372	
Less:		
Land component of operational assets	58,256	
Land under roads & road formation	356,556	
	414,812	
<b>Net Non-Financial Assets (excluding land)</b>	<b>\$ 343,560</b>	
<b>Insurance Arrangements 2018/19</b>		
Material damage cover for buildings, plant, contents	\$ 126,678	Cover spread over 5 insurers, \$5k excess, covers 230 buildings or assets, of which 45 are insured for indemnity value only, the balance for full reinstatement value, contents cover totals \$5.0 million, earthquake claims are subject to higher deductibles. The policy is shared with CDC & SWDC.
Motor vehicle insurance cover - value estimate	\$ 650	Insured for market value, carrying value assumed here.
Forestry (standing timber) cover	\$ 675	Cover for trees declared value for fire, windstorm value \$17.5k, deductible of 1.5% of declared value
<b>Risk Sharing Arrangements</b>		
Cover for infrastructural assets as a member of LAPP (underground assets)	\$ 222,298	This is the replacement value (ORV) of assets listed on the LAPP Fund schedule for 2017/18. LAPP cover equated to 40% ie \$88,919k, with a deductible of \$600k. LAPP factor up the ORV for additional costs of recovery and had reinsurance to cover up to \$100m through the course of 2018/19. The Government's disaster recovery plan commits to paying 60% of the costs of recovering from a disaster, with a deductible for Masterton DC of \$355k.
Cover for roading assets (subsidised)	\$ 273,991	This is the replacement value of all roading assets that would be subject to NZTA subsidies, including bridges and culverts, but excluding land and formation value. The NZTA subsidy on flood and other roading network damage is 57%, but a sliding scale would see that increase depending on the severity of the event. Council's share of the recovery costs on these assets would be met from existing budgets, the flood damage fund, bridge depn funds, general capital funds and raising new debt
<b>Assets Self-insured</b>		
Airport runway & taxiways	\$ 4,065	Masterton airport's runway and taxiways are not covered by insurance. The risk of damage is low and it is expected that in the event of an earthquake causing damage, the cost of repair would be done from Council's general reserves.
Non-subsidised roading (CBD paving, street furniture, berms, car parks and street trees)	\$ 12,028	This is the replacement value of roading assets which are not subject to NZTA subsidy. The risk of damage to these assets is low and other than depreciation funds held, no specific insurance cover is provided for.

The Council has no insurances relating to financial or intangible assets



## BENCHMARKS - PER LG (FINANCIAL REPORTING AND PRUDENCE) REGULATIONS 2014

### RATES AFFORDABILITY BENCHMARKS

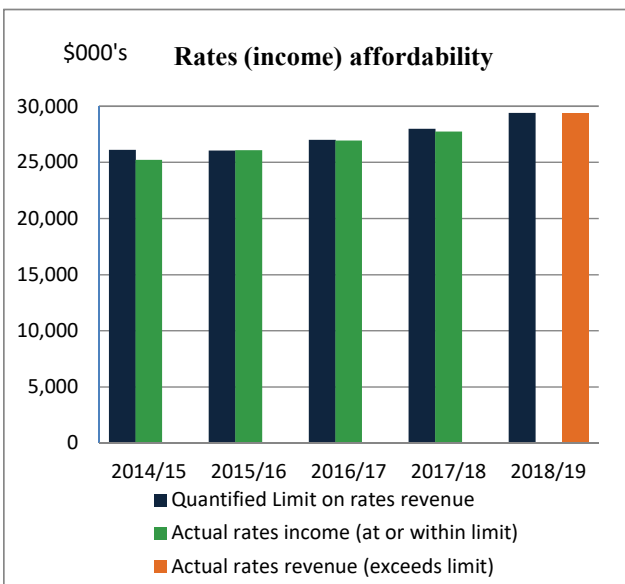
The Council meets this benchmark if:

1. The actual rates revenue equals or is less than each quantified limit on rates; and

2. Actual rates increases equal or are less than each quantified limit on rates increases.

#### Rates (income) affordability

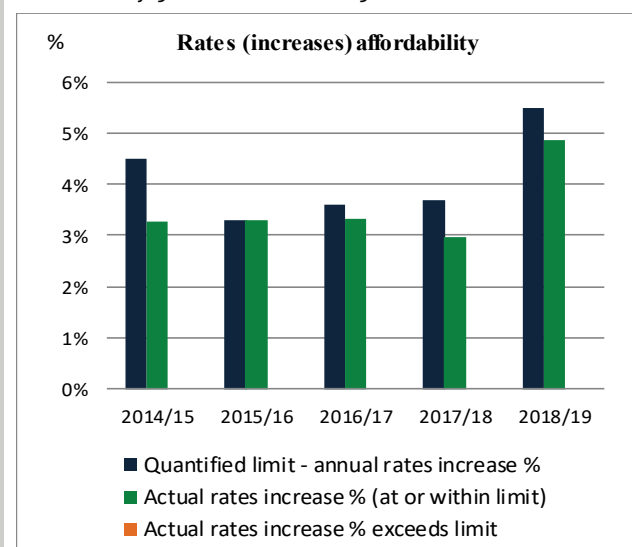
This graph compares the Council's actual revenue from rates, with the rates revenue limit forecast in the Long-Term Plan.



The rates income signalled in the 2012 and 2015 LTPs were modified in subsequent Annual Plans.

#### Rates (increases) affordability

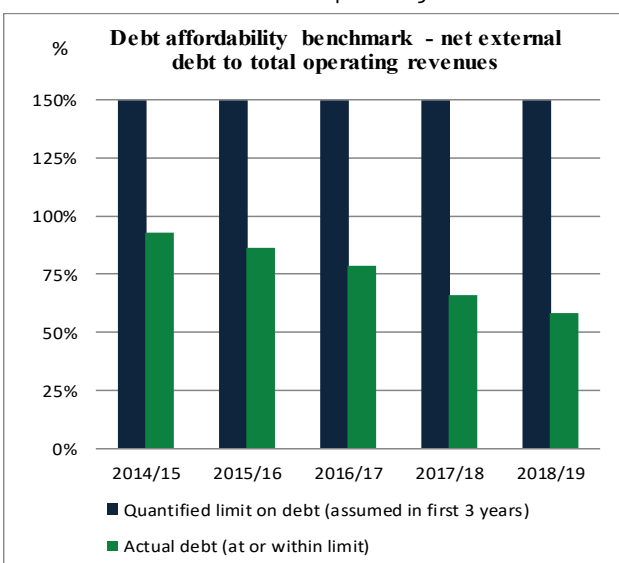
This graph compares the Council's actual rates increases with a quantified limit on rates increases included in the 2015 & 2018 financial strategy and LTP. The limit is that rates increases will be within the LGCI increase, plus 1% or 3.5% (from 2018) and are after taking into account the effect of any growth in the rating base.



### DEBT AFFORDABILITY BENCHMARKS

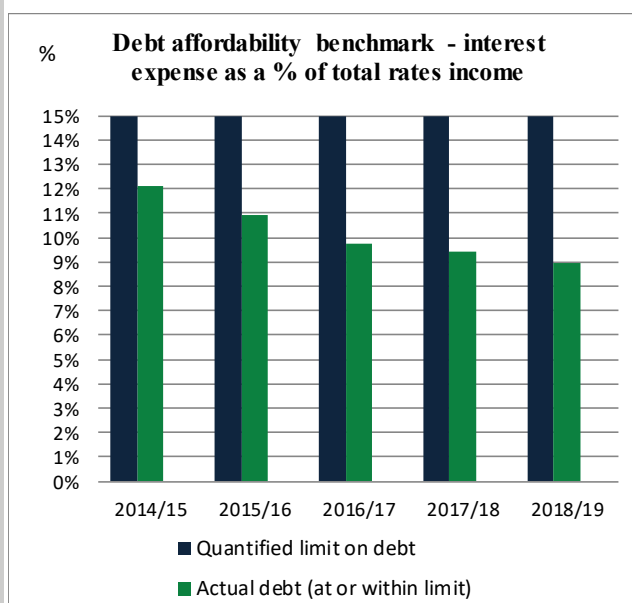
The Council meets the debt affordability benchmarks if its actual borrowing and borrowing costs are within the Council's quantified limits for borrowing, as set in the LTP.

The graph below compares the Council's actual borrowing with the quantified limit: Net External Debt<sup>(1)</sup> not to exceed 150% of Total Operating Revenues<sup>(2)</sup>.



(1) Net External Debt is defined as gross external debt (aggregate borrowings of the council, including any capitalised finance leases and financial guarantees provided to third parties) less any financial assets (excluding trade and other receivables).

The graph below compares the Council's actual borrowing cost with the quantified limit: Interest expense on external debt not to exceed 15% of total rates income.

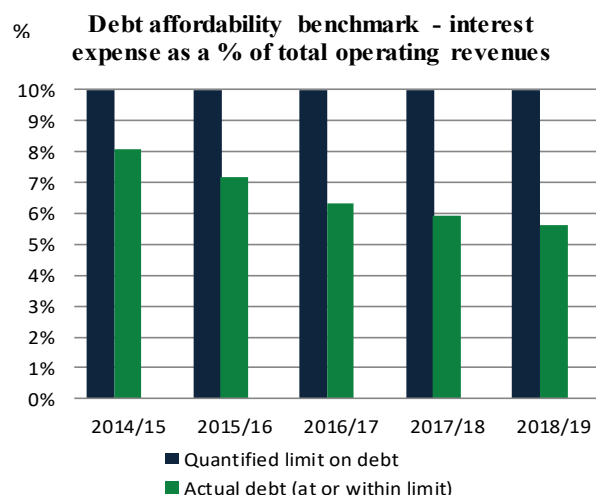


(2) Operating Revenue is as per the Statement of Comprehensive Revenue & Expense - all earnings including financial contributions, but excluding vested assets.

## DEBT AFFORDABILITY BENCHMARKS (CONTINUED)

The graph to the right compares the Council's actual borrowing cost with the quantified limit: Interest expense on external debt not to exceed 10% of total operating revenues (1).

(1) Operating revenue is defined as earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue but excluding vested assets.



## BALANCED BUDGET BENCHMARK

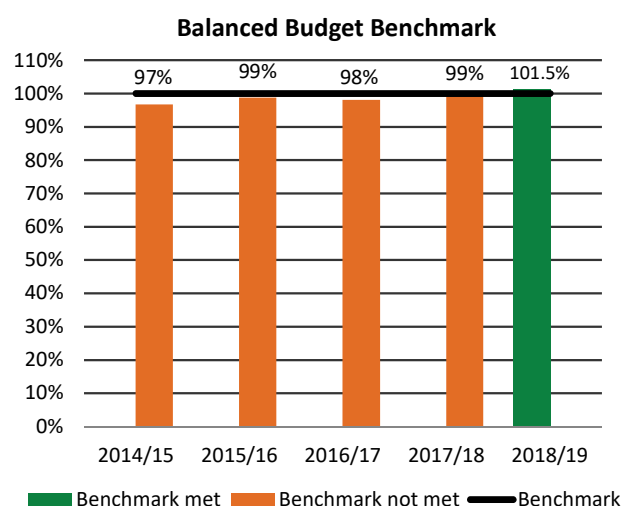
The graph below shows the Council's operating revenue as a proportion of operating expenses. The Council meets this benchmark if its revenue equals or is greater than its operating expenses.

As per the regulations, Operating Revenue definition excludes financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment. Operating Expenses excludes losses on derivative financial instruments and any losses on revaluation of property, plant, or

Notes:

Operating expenses include the losses from writing down the residual values of assets that have been renewed.

These write-downs are not budgeted for or funded, hence, using the above definition, a small deficit results each year.



## ESSENTIAL SERVICES BENCHMARK

The graph below to the right shows 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 those network services.

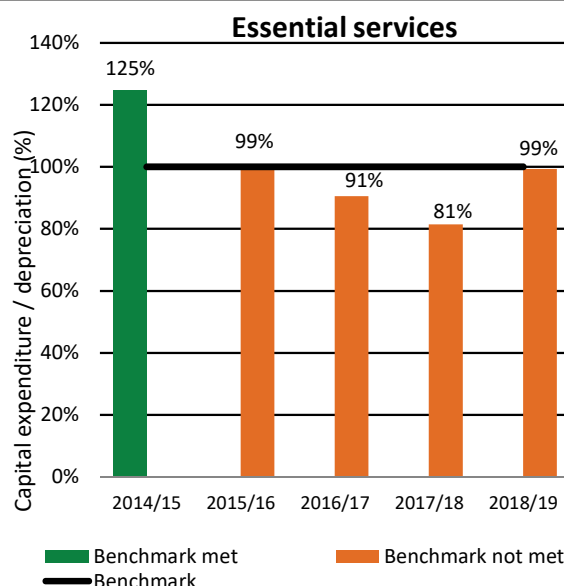
Notes:

Essential services are: roads and footpaths, water supplies, sewerage systems and stormwater systems. Capital expenditure on the Homebush wastewater plant has influenced the result in 2014/2015.

2018/19 capital and renewals expenditure on Roading of \$5.9m was more than depreciation of \$4.9m. Some renewals work that could not be completed last year end has been completed this year.

The water & wastewater reticulation networks had \$2.3m of renewals expenditure compared to depreciation of \$2.5m.

With the Homebush wastewater plant only completed in 2015 and the Riversdale wastewater sytem built in 2012, the renewals expenditure needs will be lower than the depreciation booked against those assets for many years, making this benchmark difficult to achieve.



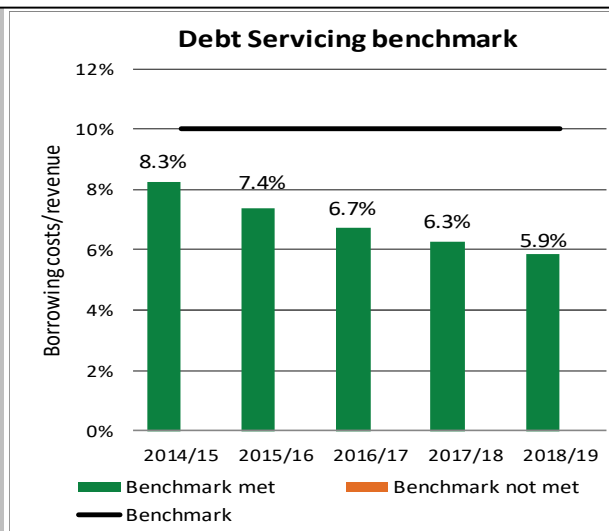
## DEBT SERVICING BENCHMARK

The graph on the right shows the Council's borrowing costs as a proportion of operating revenue, as required by the regulations. The benchmark to stay within is 10%.

This measure differs from the Council's debt affordability benchmark as Operating Revenue definition excludes financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment.

Notes:

The decline in the last two years has been the result of a lower level of capital expenditure funded by debt and declining interest rates.



## DEBT CONTROL BENCHMARK

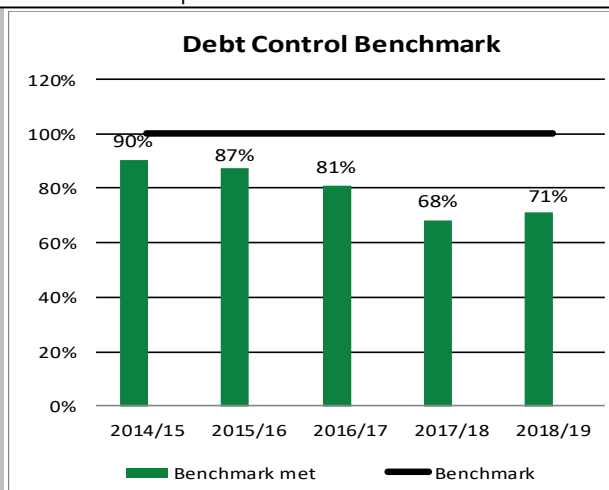
The following graph displays the Council's actual net debt as a proportion of planned net debt. The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

Notes:

Delays in some capital projects have resulted in debt being below the level planned and funds on hand are higher than planned (reserve funds not drawn on).

Funds on hand (that off-set debt in the Net Debt calculation) are higher than planned due to better than expected financial contributions.

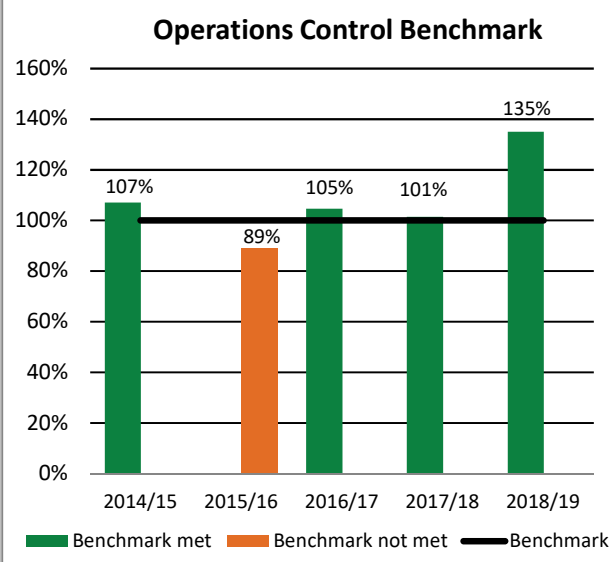


## OPERATIONS CONTROL BENCHMARK

The graph below shows the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. The Council meets the benchmark when actual net cash flow from operations equals or is greater than its planned net cash flow from operations.

Notes:

The Council's cashflow from operation's has been consistently better than planned over the last 5 years, except for 2015/16 when a receivable at year end from NZTA of some \$1.3m meant net cash from operating was adversely affected.





# FUNDING IMPACT STATEMENTS

As per the Local Government Act 2002 (Schedule 10, sec 26) the Council is required to produce an audited funding impact statement for the Council and for each group of activities comparing the information in the required format with the Long-Term Plan. Set out below and on the following 12 pages are the funding impact statements in the required format. Both Plan, Long-Term Plan and prior year comparatives are shown where required.

<b>COUNCIL</b>	<b>2017-18 Annual Plan \$000s</b>	<b>2017-18 Actual \$000s</b>	<b>2018-19 LTP \$000s</b>	<b>2018-19 Actual \$000s</b>
<b>Sources of Operating Funding</b>				
General rates, uniform charges, rates penalties*	200	200	200	196
Targeted rates (excluding water by meter)*	27,632	27,642	29,259	29,325
Subsidies and grants (for operating)	2,444	2,481	2,562	2,866
Fees & charges (incl metered water)	7,191	7,659	7,189	7,800
Interest & dividends	774	765	698	1,174
Other receipts (incl petrol tax & fines)	290	312	296	334
<b>Total operating funding (A)</b>	<b>38,531</b>	<b>39,059</b>	<b>40,203</b>	<b>41,695</b>
<b>Applications of Operating Funding</b>				
Payments to staff and suppliers	27,234	27,328	28,948	29,030
Finance costs	2,879	2,615	2,598	2,638
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>30,113</b>	<b>29,943</b>	<b>31,546</b>	<b>31,668</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>8,418</b>	<b>9,116</b>	<b>8,657</b>	<b>10,027</b>
<b>Sources of Capital Funding</b>				
Subsidies & grants for capital expenditure	2,546	2,485	2,600	3,306
Development & financial contributions	549	2,185	682	1,756
Increase /(decrease) in debt	6,112	(7,028)	1,415	(2,027)
Gross proceeds from sale of assets	-	496	-	161
Lump sum contributions	-	4,625	-	1,382
Other dedicated capital funding	204	-	150	-
<b>Total sources of capital funding (C)</b>	<b>9,411</b>	<b>2,764</b>	<b>4,848</b>	<b>4,577</b>
<b>Application of Capital Funding</b>				
Capital expenditure:				
- to meet additional demand	180	4,566	910	1,936
- to improve level of service	9,129	2,244	6,516	6,102
- to replace existing assets	11,476	7,163	10,881	8,806
Increase/(decrease) in reserves	(3,345)	3,094	(5,410)	1,189
Increase/(decrease) in investments	388	(5,187)	610	(3,429)
<b>Total application of capital funding (D)</b>	<b>17,829</b>	<b>11,880</b>	<b>13,505</b>	<b>14,604</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(8,418)</b>	<b>(9,116)</b>	<b>(8,657)</b>	<b>(10,027)</b>
<b>Funding balance (A-B)+(C-D)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* Rates revenue at the Council level is net of rates charged on Council properties.

## FUNDING IMPACT STATEMENT

	2017-18 Annual Plan	2017-18 Actual	2018-19 LTP	2018-19 Actual
	\$000s	\$000s	\$000s	\$000s
<b>Reconciliation</b>				
<b>- between FIS &amp; Financial Statements</b>				
Operating Revenue - per FIS	38,531	39,059	40,203	41,695
Capital Funding (revenue)- per FIS	3,299	9,296	3,433	6,444
	<u>41,830</u>	<u>48,355</u>	<u>43,636</u>	<u>48,139</u>
Other Gains	37	456	21	412
	<u>41,867</u>	<u>48,812</u>	<u>43,657</u>	<u>48,551</u>
Operating Revenue - per Stmt of Comp. Rev. & Exp.	41,867	48,812	43,657	48,551
Less Other Gains/ (Losses) on Sale of Assets	(37)	(456)	(21)	(412)
	<u>41,830</u>	<u>48,355</u>	<u>43,636</u>	<u>48,139</u>
	-	-	-	-
Operating Expenditure - per FIS	30,113	29,943	31,546	31,668
Add depreciation	11,407	11,275	11,735	11,889
	<u>41,520</u>	<u>41,218</u>	<u>43,281</u>	<u>43,557</u>
Other Losses	-	1,116	-	2,457
Operating Expenditure - per Stmt of Comp. Rev. & Exp.	41,520	42,334	43,281	46,013
	-	-	-	-
Capital Expenditure - per FIS	20,786	13,973	18,306	16,844
Capital Expenditure - per Cost of Service Statements	20,786	13,973	18,306	16,844
	-	-	-	-
Transfer to/(from) Reserves - per COSS	(8,500)	(2,560)	(10,396)	(4,086)
Depreciation transferred to reserves - per COSS	5,155	5,157	4,986	5,114
Proceeds from sale of assets - tsf to reserves	-	496	-	161
	<u>(3,345)</u>	<u>3,094</u>	<u>(5,410)</u>	<u>1,189</u>
Increase/(Decrease) in Reserves - per FIS	(3,345)	3,094	(5,410)	1,189
	-	-	-	-

## DEPRECIATION by Group

	2017-18 Annual Plan	2017-18 Actual	2018-19 LTP	2018-19 Actual
	\$000s	\$000s	\$000s	\$000s
<b>Groups of Activities</b>				
Roading	4,874	4,748	5,096	4,934
Water Services	1,334	1,333	1,297	1,340
Sewerage Services	2,498	2,472	2,460	2,506
Stormwater	292	294	292	299
Solid Waste Services	99	99	101	110
Community Facilities/Activities	2,087	2,094	2,270	2,406
Regulatory Services	106	115	49	61
Governance	1	2	0	10
Community Wellbeing	-	-	43	52
Internal Functions	116	118	126	172
	<u>11,407</u>	<u>\$11,275</u>	<u>\$11,735</u>	<u>\$11,889</u>

## FUNDING IMPACT STATEMENT

As required by the Local Government (Financial Reporting and Prudence) Regulations 2014

ROADING	LTP 2017/18 \$000s	LTP 2018/19 \$000s	Actual 2018/19 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	5,843	5,983	5,973
Subsidies and grants (for operating)	2,163	2,383	2,598
Fees & charges	92	86	69
Internal charges & overheads recovered	-	-	-
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	174	195	213
<b>Total operating funding (A)</b>	<b>8,273</b>	<b>8,647</b>	<b>8,854</b>
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	4,631	4,911	5,504
Finance costs	41	6	6
Internal charges and overheads applied	1,011	1,134	881
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>5,683</b>	<b>6,052</b>	<b>6,392</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>2,590</b>	<b>2,595</b>	<b>2,462</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	2,111	2,600	3,124
Development & financial contributions	77	160	399
Increase /(decrease) in debt	153	(36)	(5)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	913
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>2,341</b>	<b>2,724</b>	<b>4,430</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand		580	1,189
- to improve level of service	1,631	1,574	1,312
- to replace existing assets	3,474	4,118	4,347
Increase/(decrease) in reserves	(174) *	(953) *	(111) *
Increase/(decrease) in investments	-	-	156
<b>Total application of capital funding (D)</b>	<b>4,931</b>	<b>5,319</b>	<b>6,892</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(2,590)</b>	<b>(2,595)</b>	<b>(2,462)</b>
<b>Funding balance (A-B)+(C-D)</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* The Plan allowed for depreciation funded into reserves as part of the change in investments

## FUNDING IMPACT STATEMENT

As required by the Local Government (Financial Reporting and Prudence) Regulations 2014

### WATER SERVICES

#### Sources of Operating Funding

	LTP 2017/18 \$000s	LTP 2018/19 \$000s	Actual 2018/19 \$000s
General rates, uniform charges, rates penalties	-	-	-
Targeted rates (excl water by meter)	3,377	3,219	3,186
Subsidies and grants (for operating)	-	-	-
Fees & charges (incl metered water)	325	378	445
Internal charges & overheads recovered	83	124	125
Interest & dividends	11	10	12
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<b>3,795</b>	<b>3,731</b>	<b>3,768</b>

\*Disclosure of the General and Targeted Rates from 2014/15 financial statements are restated to align with definitions within the Local Government (Rating) Act 2002

#### Applications of Operating Funding

Payments to staff and suppliers	1,522	1,489	1,769
Finance costs	365	125	124
Internal charges and overheads applied	582	754	616
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>2,469</b>	<b>2,367</b>	<b>2,510</b>

<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>1,326</b>	<b>1,364</b>	<b>1,258</b>
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#### Sources of Capital Funding

Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	4	7	-
Increase /(decrease) in debt	2,157	497	(91)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	118
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>2,161</b>	<b>504</b>	<b>27</b>

#### Application of Capital Funding

Capital expenditure:			
- to meet additional demand	-	-	112
- to improve level of service	6	100	11
- to replace existing assets	3,239	1,788	1,584
Increase/(decrease) in reserves	242 *	(20) *	(374) *
Increase/(decrease) in investments	-	-	(49)
<b>Total application of capital funding (D)</b>	<b>3,487</b>	<b>1,868</b>	<b>1,285</b>

<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(1,326)</b>	<b>(1,364)</b>	<b>(1,258)</b>
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Funding balance (A-B)+(C-D)	-	-	-
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\* The Plan allowed for depreciation funded into reserves as part of the change in investments.



## FUNDING IMPACT STATEMENT

As required by the Local Government (Financial Reporting and Prudence) Regulations 2014

### WASTEWATER SERVICES

#### Sources of Operating Funding

	LTP 2017/18 \$000s	LTP 2018/19 \$000s	Actual 2018/19 \$000s
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	7,157	7,105	7,165
Subsidies and grants (for operating)	-	-	-
Fees & charges	522	360	333
Internal charges & overheads recovered	5	8	2
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	7,684	7,473	7,500

#### Applications of Operating Funding

Payments to staff and suppliers	1,339	1,394	1,057
Finance costs	2,817	2,135	2,130
Internal charges and overheads applied	1,111	1,222	1,248
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	5,267	4,751	4,435

#### Surplus/(Deficit) of operating funding (A-B)

<b>2,417</b>	<b>2,723</b>	<b>3,065</b>
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#### Sources of Capital Funding

Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	122	75	99
Increase /(decrease) in debt	(1,199)	(1,283)	(1,612)
Gross proceeds from sale of assets	-	-	4
Lump sum contributions	-	-	176
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	(1,077)	(1,208)	(1,334)

#### Application of Capital Funding

##### Capital expenditure:

- to meet additional demand	-	-	166
- to improve level of service	-	630	174
- to replace existing assets	1,433	1,325	905
Increase/(decrease) in reserves	(93) *	(440) *	333 *
Increase/(decrease) in investments	-	-	152
<b>Total application of capital funding (D)</b>	1,340	1,515	1,731

#### Surplus / (deficit) of capital funding (C-D)

<b>(2,417)</b>	<b>(2,723)</b>	<b>(3,065)</b>
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#### Funding balance (A-B)+(C-D)

-	-	-
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\* The Plan allowed for depreciation funded into reserves as part of the change in investments.

## FUNDING IMPACT STATEMENT

As required by the Local Government (Financial Reporting and Prudence) Regulations 2014

### STORMWATER SERVICES

	LTP 2017/18 \$000s	LTP 2018/19 \$000s	Actual 2018/19 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	626	495	494
Subsidies and grants (for operating)	-	-	-
Fees & charges	-	-	-
Internal charges & overheads recovered	-	-	-
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<b>626</b>	<b>495</b>	<b>494</b>
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	251	216	96
Finance costs	41	28	28
Internal charges and overheads applied	176	163	154
Other operating funding applications	-	-	0
<b>Total applications of operating funding (B)</b>	<b>468</b>	<b>407</b>	<b>278</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>158</b>	<b>88</b>	<b>217</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase /(decrease) in debt	384	(29)	(29)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	175
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>384</b>	<b>(29)</b>	<b>146</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	175
- to improve level of service	-	-	-
- to replace existing assets	749	330	25
Increase/(decrease) in reserves	(207) *	(272) *	163 *
Increase/(decrease) in investments	-	-	(1)
<b>Total application of capital funding (D)</b>	<b>542</b>	<b>58</b>	<b>363</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(158)</b>	<b>(88)</b>	<b>(217)</b>
<b>Funding balance (A-B)+(C-D)</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* The Plan allowed for depreciation funded into reserves as part of the change in investments.

## FUNDING IMPACT STATEMENT

As required by the Local Government (Financial Reporting and Prudence) Regulations 2014

### SOLID WASTE SERVICES

#### Sources of Operating Funding

	LTP 2017/18 \$000s	LTP 2018/19 \$000s	Actual 2018/19 \$000s
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	1,059	986	985
Subsidies and grants (for operating)	79	95	97
Fees & charges	2,577	2,811	3,099
Internal charges & overheads recovered	213	198	172
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<b>3,928</b>	<b>4,089</b>	<b>4,354</b>

#### Applications of Operating Funding

Payments to staff and suppliers	3,191	3,355	3,566
Finance costs	95	63	73
Internal charges and overheads applied	555	559	576
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>3,841</b>	<b>3,977</b>	<b>4,215</b>

#### Surplus/(Deficit) of operating funding (A-B)

**87                      112                      138**

#### Sources of Capital Funding

Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase /(decrease) in debt	(101)	773	(74)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(101)</b>	<b>773</b>	<b>(74)</b>

#### Application of Capital Funding

Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	252	905	79
- to replace existing assets	211	-	-
Increase/(decrease) in reserves	(477) *	(19) *	(54) *
Increase/(decrease) in investments	-	-	39
<b>Total application of capital funding (D)</b>	<b>(14)</b>	<b>886</b>	<b>64</b>

#### Surplus / (deficit) of capital funding (C-D)

**(87)                      (112)                      (138)**

#### Funding balance (A-B)+(C-D)

**-                      -                      -**

\* The Plan allowed for depreciation funded into reserves as part of the change in investments.

## FUNDING IMPACT STATEMENT

As required by the Local Government (Financial Reporting and Prudence) Regulations 2014

### COMMUNITY FACILITIES / ACTIVITIES

	LTP 2017/18 \$000s	LTP 2018/19 \$000s	Actual 2018/19 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	8,226	7,182	7,235
Subsidies and grants (for operating)	73	56	99
Fees & charges	1,654	1,516	1,591
Internal charges & overheads recovered	308	462	462
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<b>10,261</b>	<b>9,216</b>	<b>9,387</b>
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	6,980	5,399	5,380
Finance costs	239	241	239
Internal charges and overheads applied	1,435	2,069	1,969
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>8,654</b>	<b>7,710</b>	<b>7,589</b>
<b>Surplus/(Deficit) of operating funding (A-B)</b>	<b>1,607</b>	<b>1,507</b>	<b>1,798</b>
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	182
Development & financial contributions	-	-	1
Increase /(decrease) in debt	2,658	897	(215)
Gross proceeds from sale of assets	-	-	150
Lump sum contributions	-	-	-
Other operating funding applications	-	150	-
<b>Total sources of capital funding (C)</b>	<b>2,658</b>	<b>1,048</b>	<b>117</b>
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	330	293
- to improve level of service	3,180	3,072	4,506
- to replace existing assets	685	2,953	1,752
Increase/(decrease) in reserves	400 *	(3,800) *	(919) *
Increase/(decrease) in investments	-	-	(3,716)
<b>Total application of capital funding (D)</b>	<b>4,265</b>	<b>2,554</b>	<b>1,916</b>
<b>Surplus / (deficit) of capital funding (C-D)</b>	<b>(1,607)</b>	<b>(1,507)</b>	<b>(1,798)</b>
<b>Funding balance (A-B)+(C-D)</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* The Plan allowed for depreciation funded into reserves as part of the change in investments.

\* Community Wellbeing was separated from Community Facilities /Activities in the 18/19 LTP year but included within the 17/18 plan.



## FUNDING IMPACT STATEMENT

As required by the Local Government (Financial Reporting and Prudence) Regulations 2014

### REGULATORY SERVICES

#### Sources of Operating Funding

	LTP 2017/18 \$000s	LTP 2018/19 \$000s	Actual 2018/19 \$000s
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	1,822	1,756	1,805
Subsidies and grants (for operating)	-	-	-
Fees & charges	1,478	1,757	1,946
Internal charges & overheads recovered	486	253	256
Interest & dividends	2	2	2
Other receipts (incl petrol tax & fines)	100	101	121
<b>Total operating funding (A)</b>	<b>3,888</b>	<b>3,868</b>	<b>4,130</b>

#### Applications of Operating Funding

Payments to staff and suppliers	2,620	2,831	2,888
Finance costs	-	-	-
Internal charges and overheads applied	1,054	1,005	995
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>3,674</b>	<b>3,835</b>	<b>3,883</b>

#### Surplus/(Deficit) of operating funding (A-B)

**214                      33                      248**

#### Sources of Capital Funding

Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	322	440	1,258
Increase /(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>322</b>	<b>440</b>	<b>1,258</b>

#### Application of Capital Funding

Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	-	63	2
- to replace existing assets	98	46	3
Increase/(decrease) in reserves	438 *	364 *	1,544 *
Increase/(decrease) in investments	-	-	(43)
<b>Total application of capital funding (D)</b>	<b>536</b>	<b>473</b>	<b>1,506</b>

#### Surplus / (deficit) of capital funding (C-D)

**(214)                      (33)                      (248)**

#### Funding balance (A-B)+(C-D)

**-                      -                      -**

\* The Plan allowed for depreciation funded into reserves as part of the change in investments.

## FUNDING IMPACT STATEMENT

As required by the Local Government (Financial Reporting and Prudence) Regulations 2014

### GOVERNANCE

#### Sources of Operating Funding

	LTP 2017/18 \$000s	LTP 2018/19 \$000s	Actual 2018/19 \$000s
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	570	654	653
Subsidies and grants (for operating)	-	-	-
Fees & charges	-	-	1
Internal charges & overheads recovered	380	436	429
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<b>950</b>	<b>1,089</b>	<b>1,083</b>

#### Applications of Operating Funding

Payments to staff and suppliers	637	652	606
Finance costs	-	-	-
Internal charges and overheads applied	294	436	448
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>931</b>	<b>1,089</b>	<b>1,054</b>

#### Surplus/(Deficit) of operating funding (A-B)

**19                      0                      29**

#### Sources of Capital Funding

Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase /(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Application of Capital Funding

Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	-	-	-
- to replace existing assets	-	-	-
Increase/(decrease) in reserves	19 *	- *	20 *
Increase/(decrease) in investments			9
<b>Total application of capital funding (D)</b>	<b>19</b>	<b>-</b>	<b>29</b>

#### Surplus / (deficit) of capital funding (C-D)

**(19)                      -                      (29)**

#### Funding balance (A-B)+(C-D)

**-                      -                      -**

\* The Plan allowed for depreciation funded into reserves as part of the change in investments.

## FUNDING IMPACT STATEMENT

As required by the Local Government (Financial Reporting and Prudence) Regulations 2014

### COMMUNITY WELLBEING

	LTP 2017/18 \$000s	LTP 2018/19 \$000s	Actual 2018/19 \$000s
<b>Sources of Operating Funding</b>			
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	-	2,639	2,586
Subsidies and grants (for operating)	-	27	72
Fees & charges	-	1	43
Internal charges & overheads recovered	-	75	50
Interest & dividends	-	-	-
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	-	2,743	2,751
<b>Applications of Operating Funding</b>			
Payments to staff and suppliers	-	2,527	2,258
Finance costs	-	-	-
Internal charges and overheads applied	-	662	700
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	-	3,189	2,958
<b>Surplus/(Deficit) of operating funding (A-B)</b>	-	(446)	(206)
<b>Sources of Capital Funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase /(decrease) in debt	-	(14)	0
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other operating funding applications	-	-	0
<b>Total sources of capital funding (C)</b>	-	(14)	0
<b>Application of Capital Funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	-	122	6
- to replace existing assets	-	20	18
Increase/(decrease) in reserves	-	(602) *	(246) *
Increase/(decrease) in investments	-	-	15
<b>Total application of capital funding (D)</b>	-	(460)	(206)
<b>Surplus / (deficit) of capital funding (C-D)</b>	-	446	206
<b>Funding balance (A-B)+(C-D)</b>	- *	-	-

\* The Plan allowed for depreciation funded into reserves as part of the change in investments.

\* Community Wellbeing was separated from Community Facilities /Activities in the 18/19 LTP year hence no 17/18 plan numbers.

## FUNDING IMPACT STATEMENT

As required by the Local Government (Financial Reporting and Prudence) Regulations 2014

### INTERNAL FUNCTIONS

#### Sources of Operating Funding

	LTP 2017/18 \$000s	LTP 2018/19 \$000s	Actual 2018/19 \$000s
General rates, uniform charges, rates penalties	-	-	-
Targeted rates	-	-	-
Subsidies and grants (for operating)	8	-	-
Fees & charges	258	279	273
Internal charges & overheads recovered	4,912	6,489	6,464
Interest & dividends	843	686	1,160
Other receipts (incl petrol tax & fines)	-	-	-
<b>Total operating funding (A)</b>	<b>6,021</b>	<b>7,454</b>	<b>7,896</b>

#### Applications of Operating Funding

Payments to staff and suppliers	4,751	5,853	5,877
Finance costs	-	-	38
Internal charges and overheads applied	407	919	973
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>5,158</b>	<b>6,773</b>	<b>6,887</b>

#### Surplus/(Deficit) of operating funding (A-B)

**863                      681                      1,009**

#### Sources of Capital Funding

Subsidies & grants for capital expenditure	-	-	-
Development & financial contributions	-	-	-
Increase /(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	7
Lump sum contributions	-	-	-
Other operating funding applications	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>7</b>

#### Application of Capital Funding

Capital expenditure:			
- to meet additional demand	-	-	-
- to improve level of service	-	50	12
- to replace existing assets	94	300	172
Increase/(decrease) in reserves	769 *	331 *	832 *
Increase/(decrease) in investments	-	-	-
<b>Total application of capital funding (D)</b>	<b>863</b>	<b>681</b>	<b>1,016</b>

#### Surplus / (deficit) of capital funding (C-D)

**(863)                      (681)                      (1,009)**

#### Funding balance (A-B)+(C-D)

**-                      -                      -**

\* The Plan allowed for depreciation funded into reserves as part of the change in investments.



# 2018-19 FINANCIAL STATEMENTS





**STATEMENT OF FINANCIAL POSITION as at 30 June 2019**

\$ 30 June 2018		Notes	\$ 30 June 2019	\$ 2018/19 Plan
<b>CURRENT ASSETS</b>				
9,505,117	Cash & cash equivalents	10	4,228,681	3,604,736
4,441,460	Other financial assets	11	8,864,286	3,808,288
192,198	Inventories	8	373,945	219,746
4,964,883	Debtors and other receivables	9	3,600,778	3,591,549
19,103,658	Total Current Assets		17,067,690	11,224,319
<b>NON-CURRENT ASSETS</b>				
99,056,439	Property, equipment & other assets	12,13	102,728,555	105,366,630
651,687,552	Infrastructural assets	12,13	652,439,384	648,975,985
3,825,215	Intangible assets	14	3,604,400	3,480,011
679,434	Forestry assets	15	536,029	461,625
2,314,000	Investment property	16	2,668,200	2,145,000
0	Derivative financial instruments	22	0	59,056
	Other financial assets	11		
292,253	- Investments in CCO's & other similar entities		303,568	294,662
8,905,859	- Investments in other entities		9,547,749	7,298,853
766,760,752	Total Non-current Assets		771,827,885	768,081,822
<b>\$785,864,410</b>	<b>TOTAL ASSETS</b>		<b>\$788,895,575</b>	<b>\$779,306,142</b>
<b>CURRENT LIABILITIES</b>				
6,208,840	Creditors & other payables	20	7,091,814	5,773,860
34,748	Derivative financial instruments	22	61,613	0
1,168,464	Employee benefits	21	1,177,825	914,875
50,472	Provisions (current)	23	50,378	66,750
10,028,736	Financial liabilities - current portion	24	5,009,368	2,259,951
17,491,260	Total Current Liabilities		13,390,998	9,015,436
<b>NON-CURRENT LIABILITIES</b>				
42,007,814	Financial liabilities	24	45,000,000	51,164,418
3,809,423	Derivative financial instruments	22	5,494,760	3,557,208
7,546	Employee benefits	21	7,937	60,000
125,386	Provisions & other liabilities	23	41,452	49,663
45,950,169	Total Non-current Liabilities		50,544,149	54,831,289
<b>\$722,422,981</b>	<b>NET ASSETS</b>		<b>\$724,960,428</b>	<b>\$715,459,417</b>
<b>PUBLIC EQUITY</b>				
428,175,213	Retained earnings (ratepayers' equity)	25	429,927,779	429,667,961
267,234,317	Revaluation reserves	25	266,829,958	266,157,820
27,013,451	Special funds & restricted reserves	28	28,202,691	19,633,636
<b>\$722,422,981</b>	<b>TOTAL PUBLIC EQUITY</b>		<b>\$724,960,428</b>	<b>\$715,459,417</b>

*The accompanying notes form part of these financial statements.*

## STATEMENT OF COMPREHENSIVE REVENUE &amp; EXPENSE

For the Year Ended 30 June 2019

\$ Actual 2017/18		Note	\$ Actual 2018/19	\$ Plan 2018/19
<b>REVENUE</b>				
27,744,123	Rates Revenue	3	29,399,127	29,395,231
97,889	Rural sewerage scheme capital rates	3 & 4	121,784	64,165
2,185,038	Financial Contributions		1,756,208	682,000
4,966,679	Subsidies and grants	4	6,172,282	5,312,538 *1
764,807	Finance Revenue	5	1,173,690	697,800
8,031,063	Other Operating Revenue	4	8,149,232	7,484,372 *1
4,565,771	Assets vested from developments/subdivisions	4	1,366,552	-
456,369	Other Gains	4a	411,658	21,047
48,811,739	<b>Total Operating Revenue</b>		48,550,533	43,657,153
<b>EXPENDITURE</b>				
8,239,780	Personnel Costs	6	8,934,069	9,008,253
19,088,687	Other Expenses	7	20,095,462	19,939,606
2,614,740	Finance Costs	5	2,638,237	2,598,123
11,274,627	Depreciation & amortisation	12, 13, 14	11,888,910	11,734,546
1,116,450	Other Losses	4a	2,456,669	-
42,334,284	<b>Total Operating Expenditure</b>		46,013,347	43,280,528
\$6,477,455	<b>Surplus/(Deficit) before tax</b>		\$2,537,186	\$376,625
-	Income tax expense		-	-
<b>\$ 6,477,455</b>	<b>SURPLUS/(DEFICIT) AFTER TAX</b>		<b>\$ 2,537,186</b>	<b>\$376,625</b>
<b>Other Comprehensive Revenue &amp; Expense</b>				
13,302,587	Gain/(Loss) on asset revaluations	12, 13, 25	-	-
-	Write down revaluation reserve on impaired assets	25	-	-
(3,886)	Change in value of financial assets at fair value through comprehensive revenue & expense	25	261	-
13,298,701	<b>Total Other Comprehensive Revenue &amp; Expense</b>		261	0
<b>\$ 19,776,156</b>	<b>TOTAL COMPREHENSIVE REVENUE &amp; EXPENSE</b>		<b>\$ 2,537,447</b>	<b>\$376,625</b>

## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2019

	\$ Revaluations (Note 25)	\$ Special Funds & Reserves (Note 28)	\$ Ratepayers' Equity (Note 25)	\$ Total 2018/19	\$ Plan 2018/19	\$ Total 2017/18
<b>Opening Balance</b>						
1 July 2018	267,234,317	27,013,451	428,175,213	<b>\$722,422,981</b>	715,082,792	702,646,825
Comprehensive revenue & expense for the year	261		2,537,186	<b>2,537,447</b>	376,625	19,776,156
Tsf disposals revaltns	(404,620)		404,620	0		
Transfers from Reserves		(7,747,629)	7,747,629	0		
Transfers to Reserves		3,662,006	(3,662,006)	0		
Tsf proceeds on sale of assets		160,564	(160,564)	0		
Tsf depreciation to reserves		5,114,299	(5,114,299)	0		
<b>Closing Balance</b>	266,829,958	28,202,691	429,927,779	<b>\$724,960,428</b>	715,459,417	722,422,981

\* 1 The plan for subsidies & grants has been adjusted to reflect more than just roading subsidies.

**The accompanying notes form part of these financial statements.**

**STATEMENT OF CASHFLOWS for the Year Ending 30 June 2019**

<b>Last Year 2017/18</b>		<b>\$ Notes</b>	<b>Actual 2018/19</b>	<b>Plan 2018/19</b>
<b>Cash Flows from Operating Activities:</b>				
Cash was provided from:				
27,714,426	Rates (M.D.C. only)		29,450,098	29,348,173
97,889	Rural sewerage scheme capital rates		121,784	64,165
2,185,038	Financial Contributions		1,756,208	682,000
4,156,001	Subsidies and grants		7,045,456	5,312,538
801,748	Interest & Dividends received		1,168,213	697,800
7,695,080	Receipts from other revenue		8,639,754	7,424,318
42,650,182			48,181,513	43,528,994
Cash was applied to:				
(18,630,360)	Payments to suppliers		(20,589,395)	(19,852,431)
(8,141,568)	Payments to employees		(8,924,317)	(9,008,253)
(2,623,056)	Interest paid		(2,622,393)	(2,598,123)
(375,080)	Goods and services tax (paid)/received (net)		250,602	-
(29,770,064)			(31,885,503)	(31,458,807)
<b>12,880,118</b>	<b>Net Cash from Operating Activities</b>	<b>29</b>	<b>16,296,010</b>	<b>12,070,187</b>
<b>Cash Flows from Investing Activities:</b>				
Cash was provided from:				
496,461	Receipts from sale of property, plant and equipment		126,775	-
-	Receipts from sale of forestry		33,789	-
13,095,200	Receipts from sale of investments		271,460	3,296,291
13,591,661			432,024	3,296,291
Cash was applied to:				
(9,326,818)	Purchase of property, plant and equipment		(14,543,679)	(18,306,058)
(101,139)	Purchase of intangible assets		(80,555)	-
(5,350,616)	Acquisition of investments		(5,353,054)	-
(14,778,573)			(19,977,288)	(18,306,058)
<b>(1,186,912)</b>	<b>Net Cash from Investing Activities</b>		<b>(19,545,264)</b>	<b>(15,009,767)</b>
<b>Cash Flows from Financing Activities:</b>				
Cash was provided from:				
-	Proceeds from new financial liabilities		-	3,415,000
-			-	3,415,000
Cash was applied to:				
(7,000,000)	Repayment of term liabilities		(2,000,001)	(2,027,181)
(28,197)	Repayment of finance lease liabilities		(27,181)	-
(7,028,197)			(2,027,182)	(2,027,181)
<b>(7,028,197)</b>	<b>Net Cash from Financing Activities</b>		<b>(2,027,182)</b>	<b>1,387,819</b>
<b>4,665,009</b>	<b>Net Increase/(Decrease) in Cash and cash equivalents</b>		<b>(5,276,436)</b>	<b>(\$1,551,761)</b>
4,840,108	Cash and cash equivalents at beginning of the year		9,505,117	8,964,785
<b>\$ 9,505,117</b>	<b>Cash and cash equivalents at the end of the year</b>	<b>10</b>	<b>\$ 4,228,681</b>	<b>\$ 7,413,024</b>

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

During the period, MDC acquired PPE (office equipment) totalling \$0 (2018: \$0) by means of finance leases.

10 & 29 refer to Note 10 & Note 29

***The accompanying notes form part of these financial statements.***



# NOTES TO THE FINANCIAL STATEMENTS

Statement of Accounting Policies for the year ended 30 June 2019.

## REPORTING ENTITY

MDC is a Territorial Authority governed by the Local Government Act 2002 (LGA). The Council was constituted on 1 November 1989 pursuant to the Local Government (Wellington Region) Reorganisation Order 1989. MDC consists of a single operating entity with no subsidiaries or associates, which provides local infrastructure, local public services and performs regulatory functions to the community. MDC's primary objective is to provide goods and services for the community or social benefit, rather than making a financial return. Accordingly, MDC has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of MDC are for the year ended 30 June 2019. The financial statements were authorised for issue by the Council on 30 October 2019.

## BASIS OF PREPARATION

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

## STATEMENT OF COMPLIANCE

The financial statements of the Council have been prepared in accordance with the requirements of the LGA Part 6, Section 98 and Part 3 of Schedule 10, and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which includes the requirements to comply with New Zealand generally accepted accounting practice (NZ GAAP). These financial statements have been prepared in accordance with, and comply with, PBE Standards.

## MEASUREMENT BASE

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, infrastructural assets, investment property, forestry assets, library books and certain financial instruments (including derivative instruments). The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The financial statements are presented in New Zealand dollars. Some Note disclosures use values rounded to the nearest thousands (\$000s). The functional currency of MDC is New Zealand dollars. The financial statements are rounded to the nearest dollar.

## STANDARDS ISSUED AND NOT YET EFFECTIVE THAT HAVE BEEN EARLY ADOPTED

### Impairment of Revalued Assets

In April 2017, the XRB issued Impairments of Revalued Assets, which now scopes in revalued property, plant and equipment into the impairment accounting standards. MDC early adopted this amendment in preparing its 30 June 2017 financial statements. From 30 June 2017 onwards, MDC has been required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, MDC is required to assess the recoverable amount of that asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. MDC can therefore impair a revalued asset without having to revalue the entire class of asset to which the asset belongs.

## STANDARDS ISSUED AND NOT YET EFFECTIVE AND NOT EARLY ADOPTED

### Financial Instruments

In January 2017 the XRB issued PBE IFRS 9 Financial Instruments as an interim standard. PBE IFRS 9 replaces PBE IPSAS 29 and is effective for annual reports on or after 1 January 2021, with early application permitted. The main changes under PBE IPSAS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

The XRB has issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments and it is effective for reporting periods beginning on or after 1 January 2022. MDC plans to apply this standard in preparing its 30 June 2022 financial statements. MDC has not yet assessed the effects of the new standard.

### Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. MDC does not intend to early adopt the amendment.

### PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. MDC has not yet determined how application of PBE FRS 48 will affect its statement of performance.

## CHANGES IN ACCOUNTING POLICIES

There have been no other changes in accounting policies during the financial year as a consequence of changes in accounting standards.

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## GOODS AND SERVICES TAX

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

## BUDGET FIGURES

The budget figures are those approved by the Council in its 2018-28 Long-Term Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by MDC in preparing these financial statements.

## CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Estimating the fair value of land, buildings and infrastructural assets – see Note 12
- Estimating the retirement gratuity obligations see Note 21
- Estimating the landfill closure and aftercare provision – see Note 23

Critical judgements in applying accounting policies: – Management has exercised the following critical judgements in applying accounting policies:

- Classification of investment property – Note 16

## REVENUE

Revenue is measured at the fair value of consideration received or receivable. The specific accounting policies for significant revenue items are explained below.

### Rates Revenue

Rates are set annually by resolution and according to the processes required under the LGA and the LG (Rating) Act 2002 and they relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set.

Rates revenue is recognised when payable. Rates arising from late payment penalties are recognised as revenue when rates become overdue. Rates remissions are recognised as a reduction of rates revenue when MDC applies the remission to the rates accounts of those properties which qualify for the remissions, as per the remissions policy.

Rates collected on behalf of the Greater Wellington Regional Council (GWRC) are not recognised in the financial statements, as MDC is acting as an agent for GWRC.

## Other Revenue

Most water billing revenue is recognised on an accrual basis. Some revenue from low-use metered properties is recorded in the month invoiced. Parking and dog control infringements are recognised when infringement notices are issued.

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

Other grants are recognised as revenue when they become receivable, unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Revenue from the providing of services (e.g. building consent fees) is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided. Sales of goods and services (e.g. transfer station fees) are recognised when a product or service is sold to the customer. Sales are usually in cash or by credit account.

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

Interest revenue is recognised using the effective interest method. Dividends are recognised when the right to receive payment has been established.

Donated and bequeathed financial assets are recognised as revenue unless there are substantive use or return conditions. A liability is recorded if there are substantive use or return conditions and the liability released to revenue as the conditions are met (e.g. as the funds are spent for the nominated purpose).

For Financial Contributions, the revenue recognition point is at the latter of the point when MDC is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation or Council's operative District Plan. Financial contributions revenue is shown separately on the Statement of Comprehensive Revenue and Expense. Those contributions that are required as a nominal contribution towards specific future work are recognised as revenue and held as part of special funds (equity).

## CLASSIFICATION OF REVENUE

Revenue may be derived from either exchange or non-exchange transactions. Assets and revenues arising from exchange and non-exchange transactions are recognised in accordance with the requirements of PBE IPSAS 23 while revenue from exchange transactions in accordance with PBE IPSAS 9.

### Revenue from Exchange Transactions

Revenue from exchange transactions arises where MDC provides goods or services to another entity or individual and directly receives approximately equal value in a willing arm's length transaction (primarily in the form of cash in exchange).

### Revenue from Non-Exchange Transactions

Revenue from non-exchange transaction arises when MDC receives value from another party without giving approximately equal value directly in exchange for the value received.

### Approximately Equal Value

Approximately equal value is considered to reflect a fair or market value, which is normally commensurate with an arm's length commercial transaction between a willing buyer and willing seller. Some goods or services that Council provides (e.g. the sale of goods at market rates) are defined as being exchange transactions. Only a few services provided by MDC operate on a full user-pays, cost-recovery or breakeven basis and these are considered to be exchange transactions unless they are provided at less than active and open market prices. Most of the services that MDC provides for a fee are subsidised by rates and therefore do not constitute an approximately equal



exchange. Accordingly, most of MDC's revenue is categorised as non-exchange. Due to the volume of transactions, classifying revenue as exchange or non-exchange is on a broad category basis where the deciding factor is the nature of the main proportion of transactions within any revenue stream.

## CONSTRUCTION CONTRACTS

Contract costs are recognised as expenses by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract. Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

## BORROWING COSTS

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

## GRANT EXPENDITURE

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where MDC has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the MDC's decision.

## INCOME TAX

Income tax expense in relation to the surplus or deficit for the period comprises current tax and deferred tax. Generally, MDC's structure and activities mean no income tax is applicable.

## FINANCE LEASES

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, MDC recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether MDC will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

## OPERATING LEASES

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less from date of acquisition, and bank overdrafts. Bank overdrafts (if any) are shown within borrowings in current liabilities in the Statement of Financial Position.

## DEBTORS AND OTHER RECEIVABLES

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Loans, including loans to community organisations made by MDC at nil, or below market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the statement of comprehensive revenue and expense as a grant. A provision for impairment of receivables is established when there is objective evidence that MDC will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

## INVENTORIES

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at the lower of cost and current replacement cost. The cost of purchased inventory is determined using the FIFO method.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

The write down from cost to current replacement cost or net realisable value is recognised in the surplus or deficit in the Statement of Comprehensive Revenue and Expense.

## FINANCIAL ASSETS

MDC classifies its financial assets into one of the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets at fair value through comprehensive revenue. The classification depends on the

purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the Statement of Comprehensive Revenue and Expense.

Purchases and sales of investments are recognised on trade-date, the date on which MDC commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and MDC has transferred substantially, all the risks and rewards of ownership. The fair value of financial instruments, whether traded in active markets or not, is based on a market price valuation supplied by an investment advisor.

The four categories of financial assets are defined below.

### Financial Assets at Fair Value through Surplus or Deficit

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the Statement of Comprehensive Revenue and Expense. Financial assets in this category include the investment funds managed by ANZ Investments Ltd.

### Loans and Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included as current assets, except for maturities greater than 12 months after the balance date, which

are included in non-current assets. After initial recognition, they are measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit. There are no loans to community organisations made at nil or below market interest rates. Loans and receivables are classified as “debtors and other receivables” in the Statement of Financial Position.

#### **Held to Maturity Investments**

These are assets with fixed or determinable payments and fixed maturities that MDC has the positive intention and ability to hold to maturity. After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Revenue and Expense.

#### **Financial Assets at Fair Value through Other Comprehensive Revenue**

These are those that are not classified in any of the other categories above. They are included in non-current assets unless council intends to dispose of the share investment within 12 months of balance date or if the debt instrument is not expected to be realised within 12 months of balance date. This category encompasses: investments that MDC intends to hold long-term, but which may be realised before maturity; and shareholdings that MDC holds for strategic purposes. After initial recognition these investments are measured at their fair value. Gains and losses are recognised directly in other comprehensive revenue except for impairment losses, which are recognised in the surplus or deficit. In the event of impairment, any cumulative losses previously recognised in equity will be removed from equity and recognised in the surplus or deficit even though the asset has not been de-recognised. On de-recognition the cumulative gain or loss previously recognised in other comprehensive revenue is re-classified from equity to surplus or deficit.

### **IMPAIRMENT OF FINANCIAL ASSETS**

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

### **CARBON CREDITS**

Council has classified carbon credits in its investment portfolio. Purchased carbon credits are recognised at cost on acquisition. Free carbon credits received from the Crown are recognised at fair value on receipt. They are not amortised but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

### **ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS**

MDC does use derivative financial instruments to manage exposure to interest rate risks arising from financing activities. In accordance with its treasury policy, MDC does not hold or issue derivative financial instruments for trading purposes. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. The associated gains or losses on derivatives are recognised in the surplus or deficit.

### **NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of noncurrent assets held for sale are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of:

- Operational assets - these include land, buildings, landfill post closure, library books, plant and equipment, and motor vehicles.
- Restricted assets - parks and reserves owned by MDC which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- Infrastructure assets - the fixed utility systems owned by MDC. Each asset class includes all items that are required for the network to function, for example sewer reticulation includes reticulation piping, manholes, sewer pump stations and a portion of the laterals to private properties.

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

## ADDITIONS

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

## DISPOSALS

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

## SUBSEQUENT COSTS

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to MDC and the cost of the item can be measured reliably.



## DEPRECIATION

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

ASSET	LIFE OF ASSET	DEPRECIATION
Buildings - component lives range from	5 to 100 years	(1 per cent-20 per cent)
Plant and equipment	7-20 years	(5per cent - 14 per cent)
Intangibles - software	4 years	(25 per cent)
Motor vehicles	6.67 years	(15 per cent)
Office equipment, office furniture	4 to 10 years	(10 per cent to 25 per cent)
Library books	3 to 4 years	(25 per cent to 33.3 per cent)
<b>Infrastructural assets</b>		
<b>Roading network</b>		
Formation (not depreciated)		
Top surface (seal) 2nd coat/1st coat	17 and 80 years	(5.9 per cent and 1.25 per cent)
Road metal (unsealed)	3 years	(33 per cent)
Pavement (base course) 50 per cent depreciated	80 years	(1.25 per cent)
Pavement (sub base) 15 per cent depreciated	80 years	(1.25 per cent)
Pipe culverts	90 years	(1.1 per cent)
Footpaths (base course) 40 per cent depreciated	50 years	(2 per cent)
Footpaths (seal) chip/AC/concrete	15/18/50 years	(6.67 per cent, 5.55 per cent, 2 per cent)
Kerb and Channel	80 years	(1.25 per cent)
Signs	12 years	(8.33 per cent)
Road markings	1 year	(100 per cent)
Streetlights (old lamps,fittings, new LED lamps and poles)	5/15/25/60 years	(20 per cent, 6.67 per cent, 4.0 per cent and 1.67 per cent)
Bridges	65 to 100 years	(1 per cent to 1.54 per cent)
Other structures	50 years	(2 per cent)
<b>Water system</b>		
Treatment plant	10 to 100 years	(1 per cent to 10 per cent)
Pipes	73 to 100 years	(1.0 per cent to 1.37 per cent)
Valves, hydrants, connections	50 years	(2 per cent)
Reservoirs and tanks	50 and 80 years	(1.25 per cent and 2 per cent)
<b>Sewerage System</b>		
Pipes	64 to 85 years	(1.18 per cent to 1.56 per cent)
Manholes	75 years	(1.33 per cent)
Treatment plant	10 to 80 years	(1.25 per cent to 10 per cent)

ASSET	LIFE OF ASSET	DEPRECIATION
<b>Drainage network</b>		
Pipes	80 to 90 years	(1.1 per cent to 1.25 per cent)
Stopbanks and seawall	100 Years	(1.0 per cent)
<b>Airport runway</b>		
Pavement and seal	80 years and 17 years	(1.25 per cent and 5.88 per cent)

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each revaluation, which are carried out every three years.

## REVALUATION

Those asset classes that are revalued are valued on a three yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

### Operational Land and Buildings

Valued at fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by Jones Lang LaSalle Ltd, and the valuation is effective as at 30 June 2018.

### Restricted Land and Buildings

Some land owned by MDC has reserve status while other land has obligations to prior owners if sold. Reserve status can be revoked and land with prior obligations is not of any significant value. On that basis MDC has not identified any of its land and buildings assets as restricted.

### Infrastructural Asset Classes: Roads, Water Systems, Sewerage Systems and Stormwater Systems

Valued at fair value determined on a depreciated replacement cost basis by an independent valuer. There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

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

At balance date, MDC assesses the carrying values of its infrastructural assets to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. The most recent valuation was performed by Opus International Consultants Ltd and the valuation is effective as at 30 June 2017. Other asset classes carried at valuation were revalued as below.

### Land under Roads

Land under roads was valued based on fair value of adjacent land determined by Opus International Consultants Ltd, effective 30 June 2003. Under the previous NZ IFRS MDC has elected to use the fair value of land under roads as at 30 June 2003 as deemed cost. Land under roads is no longer revalued.

### Library Collections

At depreciated replacement cost in accordance with the guidelines released by the New Zealand Library Association and the National Library of NZ in May 2002. Library valuations are performed by the Library Manager and are not subject to an independent review because books are purchased at current market prices and these are used to determine fair value. The last valuation was performed in June 2019.

### Accounting for Revaluations

MDC accounts for revaluations of property, plant and equipment on a class of asset basis. The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset in other comprehensive revenue. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the surplus or deficit. Any subsequent increase on revaluation that off-sets a previous decrease in value recognised in the surplus or deficit, will be recognised first in the surplus or deficit up to the amount previously expensed, and then credited to the revaluation reserve for that class of asset.

## INTANGIBLE ASSETS

### Software Acquisition and Development

Acquired computer software licenses are capitalised as intangible assets on the basis of the costs incurred to acquire and use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. MDC has not incurred any costs that are directly associated with the in-house development of software for use by MDC only. Software assets are depreciated, straight line, over four years.

### Resource Consents

MDC holds resource consents for many of its activities. Where the consent has a life beyond one year and the costs of obtaining the consents have been identified separately from the asset, the value of the consent is treated as an intangible asset and is amortised over its useful life. Costs associated with gaining a consent are included with the consent value e.g. engineering investigations, assessment of environmental effects, legal review, consent processing charges, hearings and appeals. The period over which the consent value is amortised over (straight line) is based on the life of the consent as granted by the Greater Wellington Regional Council (e.g. wastewater plant consent was granted is for 25 years).

### Easements

While MDC holds easements for only some of its assets, no comprehensive register is kept, no historical cost information is available, and no attempt has been made to place a value on the easements held. Because easements have an indefinite useful life and are not generally amortised, the lack of recognition of the value does not significantly affect the financial results of MDC.

## FORESTRY ASSETS

Forestry assets are independently revalued annually. The 30 June 2019 valuation has been performed by Stuart Orme of Forest360 Ltd, at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the surplus or deficit. The costs to maintain the forestry assets are included in the surplus or deficit.

## INVESTMENT PROPERTY

MDC holds a small number of investment properties for strategic purposes that have been valued at fair value as determined annually by an independent valuer. Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit. There are properties, not defined as investment properties, where rental returns are earned. These properties which are leased to third parties under operating leases, are owned primarily to meet service delivery objectives.

## IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

The value in use for cash-generating assets is the present value of expected future cash flows. If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

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

For non-cash generating assets, value is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

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

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

For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the surplus or deficit.

## EMPLOYEE ENTITLEMENTS

### Short-term Employee Entitlements

Employee benefits that MDC expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, alternative leave owing but not taken for working on statutory holidays, and retiring gratuity entitlements expected to be settled within 12 months.

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

MDC recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.



### Long-term Employee Entitlements

Retirement leave entitlements that are payable beyond 12 months, have been calculated on an actuarial basis. The calculations are based on: likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information, and the present value of the estimated future cash flows. A discount rate of 3.37 per cent was used.

The discount rate is based on the rate we apply to our internal loans which is half way between investment funds and cost of loan funds. The inflation factor is based on the expected long-term increase in remuneration for employees.

### Superannuation Schemes

Defined contribution schemes: obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficits incurred.

## PROVISIONS

MDC recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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

### Financial Guarantee Contracts

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

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, a provision is recognised based on the probability MDC will be required to reimburse a holder for a loss incurred, discounted to present value. The portion of the guarantee that remains unrecognised prior to discounting to fair value is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation, however if MDC assesses that it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

## BORROWINGS

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless MDC has an unconditional right to defer settlement of the liability for at least 12 months after the balance date or if the borrowings are not expected to be settled within 12 months.

## EQUITY

Equity is the community's interest in MDC and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves. The components of equity are:

- Retained earnings
- Special funds and restricted reserves
- Asset revaluation reserves.

## SPECIAL FUNDS AND RESTRICTED RESERVES

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

Also included in this category are reserves restricted by Council decision. MDC may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

MDC's objectives, policies and processes for managing capital are described in Note 27.

### Property Revaluation Reserves

These reserves relate to the revaluation of property, plant and equipment to fair value.

## COST ALLOCATION

MDC has derived the cost of service for each significant activity of MDC using the cost allocation system outlined below:

- Direct costs are those costs directly attributable to an activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.
- Direct costs are charged directly to significant activities.
- Indirect costs are charged to significant activities using an allocation model that utilises cost drivers such as actual usage of support services, staff numbers and rates funding required.

## CRITICAL JUDGEMENTS IN APPLYING MDC'S ACCOUNTING POLICIES

Management has exercised the following critical judgements in applying the MDC's accounting policies for the period ended 30 June 2019.

### Classification of Property

MDC owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the MDC's senior housing policy. These properties are accounted for as property, plant and equipment.

MDC currently has partly-occupied land and buildings in its ownership that had previously been occupied by the Masterton Borough Council depot and gasworks. This land has been identified by MDC as surplus to requirements, but site contamination issues and previous ownership issues will require further work before it can realistically be regarded as a 'property intended for sale'. It remains listed within Property, Plant and Equipment, with its valuation discounted as a result of the site contamination.

### Urban Wastewater Resource Consent and Treatment Plant Upgrade

The Council has worked through the process of renewing its resource consent for its waste water treatment and disposal facility and constructed a new plant between 2010 and 2015. Over the past 14 years, costs relating to the options analysis, consultation, concept design and resource consent application process, have been capitalised as intangible assets – recognising the one-off costs of gaining the consent. In December 2009 the Council was granted a consent, based on a proposed scheme, for 25 years. The capitalised costs of the consent have been assumed to be written off over the 25-year life of the consent.





# NOTES TO THE ACCOUNTS

## Notes to the Accounts

## Note 1

RATES REQUIREMENT SUMMARY				
2017/18 Actual		2018/19 Actual	2018/19 Plan	Variance
	<b>Groups &amp; Activities</b>			
\$	<b>Roading</b>	\$	\$	\$
4,371,218	Subsidised Roothing	4,609,753	4,627,334	17,582
1,445,814	Non-subsidised Roothing	1,239,548	1,355,442	115,894
	<b>Water Services</b>			
2,996,310	Urban Water Supply	3,142,018	3,124,067	(17,950)
97,844	Rural Water Supplies & Races	106,735	94,844	(11,891)
	<b>Wastewater Services</b>			
6,406,203	Wastewater Services - Urban	6,797,640	6,794,502	(3,138)
341,970	Wastewater Services - Rural*	362,635	310,574	(52,061)
	<b>Stormwater Services</b>			
470,550	Urban Stormwater System	495,224	495,041	(183)
	<b>Solid Waste Services</b>			
668,918	Solid Waste Services	586,353	645,466	59,113
316,959	Waste Minimisation Services	397,361	340,045	(57,316)
	<b>Community Facilities/Activities</b>			
2,385,261	Parks, Reserves & Sportsfields	2,507,985	2,458,914	(49,071)
920,381	Trust House Recreation Centre	936,876	935,883	(993)
64,676	Cemeteries	75,588	89,233	13,645
1,916,652	Library & Archive	1,959,462	1,934,811	(24,651)
1,192,092	Property	1,530,743	1,484,350	(46,393)
186,222	Airport	191,260	179,238	(12,021)
111,783	Mawley Park	82,682	99,416	16,734
	<b>Community Wellbeing</b>			
962,718	Community Development	980,242	994,956	14,714
432,430	Arts and Culture	481,113	486,423	5,309
885,696	Economic Development and Promotion	987,867	993,757	5,889
-	Environmental Initiatives	135,831	164,268	28,436
	<b>Regulatory Services</b>			
749,917	Resource Management & Planning	767,476	776,446	8,970
366,856	Environmental Services	393,030	406,937	13,907
303,453	Building Development	475,730	334,701	(141,028)
(57,776)	Parking Services	(69,825)	(50,142)	19,683
27,856	Animal Services	68,406	73,203	4,797
184,786	Emergency Management	212,860	215,120	2,260
	<b>Governance</b>			
684,232	Representation	643,522	653,567	10,045
4,612	<b>Internal Functions**</b>	0	0	0
28,437,633	<b>Total Rates Requirement</b>	30,098,114	30,018,396	(79,717)
	<b>Rates Revenue</b>			
28,289,493	Masterton District rates levied	29,960,291	29,924,231	36,060
97,889	Rural Sewerage capital contributions*	121,784	64,165	57,619
437,840	Rates penalties	470,663	200,000	270,663
(384,967)	Rates remissions	(433,787)	(170,000)	(263,787)
28,440,255	<b>Rates Revenue (incl Council properties)</b>	30,118,951	30,018,396	100,555
2,622	<b>Net Rates Surplus/(Deficit)</b>	20,837	(0)	20,837

\*Rural wastewater net cost is offset by capital contributions

\*\*Note Pool Vehicles included under Regulatory Services last year has been shifted to Internal Functions

The figures above represent the net requirement for rates funding for each significant activity of the Council.

The figures include capital expenditure from rates, transfers to and from reserves and loan principal repayments funded from rates. Depreciation not funded into asset replacement reserves has been reversed before arriving at the net figures.



COST OF SERVICES SUMMARY for the 2018/19 Year			Actual Net Operating Cost	Plan Net Operating Cost	Capital Expenditure
	Operating Revenue	Operating Expenditure			
<b>Roading</b>					
Subsidised Roothing	2,597,978	10,122,430	7,524,453	7,544,485	6,345,182
Non-subsidised Roothing	680,852	1,203,590	522,738	779,275	502,892
<b>Water Services</b>					
Urban Water supply	381,686	3,503,866	3,122,180	3,056,430	1,653,341
Rural Water Supplies & Races	200,288	345,759	145,471	88,217	53,720
<b>Wastewater Services</b>					
Wastewater Services - Urban	305,244	6,336,510	6,031,266	6,287,825	1,166,386
Wastewater Services - Rural	128,514	631,416	502,902	479,256	79,133
<b>Stormwater Services</b>					
Urban Stormwater System	-	576,802	576,802	699,840	199,931
<b>Solid Waste Services</b>					
Solid Waste Management	2,949,438	3,127,722	178,283	156,052	79,241
Waste Minimisation Services	418,990	1,197,753	778,762	817,753	
<b>Community Facilities/Activities</b>					
Parks, Reserves & Sportsfields	102,311	2,934,790	2,832,480	2,721,360	967,912
Trust House Recreation Centre	35,831	1,252,689	1,216,858	1,111,870	635,588
Cemeteries	74,509	132,089	57,580	94,233	-
Library & Archive	111,320	2,108,482	1,997,162	1,954,811	655,236
Property	1,143,802	2,633,967	1,490,165	1,872,186	4,211,701
Airport	221,024	402,781	181,757	169,722	56,277
Mawley Park	463,881	529,517	65,637	20,528	24,404
<b>Community Wellbeing</b>					
Community Development	45,075	1,293,246	1,248,171	1,343,956	
Arts and Culture	30,069	489,182	459,113	486,423	
Economic Development and Promotion	64,674	1,045,992	981,318	1,043,757	24,368
Environmental Initiatives	25,499	181,330	155,831	254,268	
<b>Regulatory Services</b>					
Resource Management & Planning	1,401,068	721,340	(679,728)	317,946	
Environmental Services	391,120	759,150	368,030	406,937	-
Building Development	1,130,725	1,626,454	495,730	354,701	-
Parking Services	252,691	182,866	(69,825)	(50,142)	-
Animal Services	368,622	409,261	40,639	63,203	4,495
Emergency Management	39,486	244,109	204,624	240,120	-
<b>Governance</b>					
Representation	430,259	1,063,781	633,522	653,567	
<b>Internal Functions</b>	7,896,400	7,059,105	(837,295)	(555,000)	184,106
<b>External funding of capital expend.*</b>	4,687,871		(4,687,871)	(2,750,759)	
<b>Eliminate internal recoveries**</b>	(7,961,262)	(8,559,302)			
	<b>18,617,964</b>	<b>43,556,678</b>	<b>25,536,754</b>	<b>29,662,818</b>	<b>16,843,915</b>
* Includes NZTA subsidy for roading renewals					
** Includes rates paid for council properties					
		Capital expenditure	16,843,915	18,306,058	
		Add loan principal repayments	2,612,080	2,609,535	
		Less loan funds applied to capex	(4,034,401)	(3,415,000)	
		Less finance lease funds applied	-	-	
		Transfers to reserves	3,662,006	1,338,629	
		Transfers from reserves	(7,747,629)	(11,735,124)	
			<b>36,872,725</b>	<b>36,766,916</b>	
		Depreciation not funded from rates	(6,774,611)	(6,748,520)	
		<b>Rates Requirement</b>	<b>\$30,098,114</b>	<b>\$30,018,396</b>	

**Notes to the Accounts**
**Note 3**

<b>RATES REVENUE</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>
		<b>Actual</b>	<b>Plan</b>	<b>Last Year</b>
		<b>2018/19</b>	<b>2018/19</b>	<b>2017/18</b>
excluding metered water supply rates				
	Gross MDC Rates Levied	29,960,291	29,924,231	28,289,493
less	Rates levied on Council properties	(598,040)	(559,000)	(598,243)
plus	Rates Penalties	470,663	200,000	437,840
less	Rates Remissions	(433,787)	(170,000)	(384,967)
		29,399,127	29,395,231	27,744,123
	Rural Sewerage capital contributions	121,784	64,165	97,889
<b>Total Revenue From Rates</b>		<b>\$29,520,911</b>	<b>\$29,459,396</b>	<b>\$27,842,012</b>

**Notes to the Accounts**
**Note 4**

		<b>Actual</b>	<b>Plan</b>	<b>Last Year</b>
		<b>2018/19</b>	<b>2018/19</b>	<b>2017/18</b>
<b>SUBSIDIES AND GRANTS</b>				
	Roading subsidies NZTA	5,721,680	4,983,638	4,736,141
	Other Government grants	145,036	133,100	170,307
	Other grants	305,566	195,800	60,231
<b>Total Subsidies and Grants</b>		<b>\$6,172,282</b>	<b>\$5,312,538</b>	<b>\$4,966,679</b>
<b>OTHER REVENUE</b>				
	Regulatory fee revenue	1,937,707	1,766,021	1,890,581
	Rental revenue	896,280	904,634	875,711
	Solid waste user charges	3,099,272	2,811,215	2,989,901
	Other user charges and recoveries	1,561,181	1,487,002	1,726,304
	Metered water & sewer rates charged in CDC area	320,959	220,000	236,417
	Infringements and fines	120,593	100,500	106,054
	Local authority petrol tax	213,241	195,000	206,095
	Sub total	8,149,232	7,484,372	8,031,063
	Revenue recognised from vested assets	1,366,552	-	4,565,771
<b>Total Other Revenue</b>		<b>\$9,515,784</b>	<b>\$7,484,372</b>	<b>\$12,596,834</b>
There are no unfulfilled conditions or other contingencies attached to government grants recognised.				
<b>Annual Rates Revenue - per LGFA Guarantee and Indemnity Deed</b>			<b>Actual</b>	<b>Last Year</b>
			29,520,911	27,842,012
			256,685	185,378
			64,274	51,039
			<b>\$29,841,870</b>	<b>\$28,078,429</b>

**Notes to the Accounts**
**Note 4a**

<b>OTHER GAINS/(LOSSES)</b>		<b>\$ Actual</b>	<b>\$ Plan</b>	<b>\$ Last Year</b>
		<b>2018/19</b>	<b>2018/19</b>	<b>2017/18</b>
<b>Gains</b>	Forestry asset revaluation gain	-	21,047	146,856
	Property, plant and equipment gains on disposal	34,381	-	82,711
	Library books revaluation gain	14,153	-	21,362
	Carbon credits revaluation gain on forestry	8,925	-	22,440
	Investment Bond gain on disposal	-	-	14,000
	Investment property revaluation gains	354,200	-	169,000
	<b>Total non-financial instrument gains</b>	<b>411,658</b>	<b>21,047</b>	<b>456,369</b>
	Gain on valuation of financial assets (fair value thru surplus/deficit)		-	-
	Gain on mark-to-market valuation of cash flow hedges *		-	-
<b>Total Gains</b>		<b>411,658</b>	<b>21,047</b>	<b>456,369</b>
<b>Losses</b>	Carbon credits revaluation loss on forestry		-	
	Property, plant and equipment losses on disposal	(634,167)	-	(766,351)
	Library books revaluation loss		-	
	Forestry asset revaluation loss	(25,791)		
	Investment Bond loss on disposal	(684)		(4,080)
	Forestry assets loss on harvest	(83,825)	-	-
	<b>Total non-financial instrument losses</b>	<b>(744,467)</b>	<b>-</b>	<b>(770,431)</b>
	Loss on valuation of financial assets (fair value thru surplus/deficit)		-	
	Loss on mark-to-market valuation of cash flow hedges *	(1,712,202)	-	(346,019)
<b>Total Losses</b>		<b>(2,456,669)</b>	<b>-</b>	<b>(1,116,450)</b>
* Interest rate swaps (or cash flow hedges) are disclosed in Note 22. Their change in value is required to be brought through the Surplus/Deficit as per PBE IPSAS 29.				

**REVENUE ANALYSIS - Exchange & Non-exchange**

	\$ Actual 2018/19	\$ Plan 2018/19	\$ Last Year 2017/18
<b>Exchange Revenue</b>			
Finance revenue	1,173,690	697,800	764,807
Rental revenue	896,280	904,634	875,711
Solid waste user charges	3,099,272	2,811,215	2,989,901
Other user charges and recoveries	1,561,181	1,487,002	1,726,304
Metered water & sewer rates charged in CDC area	320,959	220,000	236,417
<b>Total Exchange Revenue</b>	<b>\$7,051,381</b>	<b>\$6,120,651</b>	<b>\$6,593,139</b>
<b>Non-Exchange Revenue</b>			
Rates revenue	29,520,911	29,459,396	27,842,012
Financial contributions	1,756,208	682,000	2,185,038
Subsidies and grants	6,172,282	5,312,538	4,966,679
Regulatory fee revenue	1,937,707	1,766,021	1,890,581
Infringements and fines	120,593	100,500	106,054
Local authority petrol tax	213,241	195,000	206,095
Assets vested from developments/subdivisions	1,366,552	-	4,565,771
Other gains	411,658	21,047	456,369
<b>Total Non-Exchange Revenue</b>	<b>\$41,499,152</b>	<b>\$37,536,502</b>	<b>\$42,218,599</b>
<b>Total Revenue</b>	<b>\$48,550,533</b>	<b>\$43,657,153</b>	<b>\$48,811,738</b>

**Explanation of the Analysis**

Revenue may be derived from either exchange or non-exchange transactions.

**Revenue from exchange transactions**

This revenue arises where the Council provides goods or services to another entity or individual and directly receives approximately equal value in a willing arm's length transaction (primarily in the form of cash in exchange).

**Revenue from non-exchange transactions**

This revenue arises when the Council receives value from another party without giving approximately equal value directly in exchange for the value received.

**Approximately equal value**

Approximately equal value is considered to reflect a fair or market value, which is normally commensurate with an arms length commercial transaction between a willing buyer and willing seller. Some goods or services that Council provides (e.g. the sale of goods at market rates) are defined as being exchange transactions. Only a few services provided by Council operate on a full user pays, cost recovery or breakeven basis and these are considered to be exchange transactions unless they are provided at less than active and open market prices. Most of the services that Council provides for a fee are subsidised by rates and therefore do not constitute an approximately equal exchange. Accordingly most are non-exchange.

**Broad category basis**

Due to the volume of transactions, classifying revenue as exchange or non-exchange is on a broad category basis where the deciding factor is the nature of the main proportion of transactions within any revenue stream.

**Notes to the Accounts**
**Note 5**

<b>FINANCE REVENUE &amp; FINANCE COSTS</b>			
<b>Finance revenue</b>	<b>\$ Actual 2018/19</b>	<b>\$ Plan 2018/19</b>	<b>\$ Last Year 2017/18</b>
Interest Revenue on:			
- financial assets held/invested by MDC	461,207	347,800	411,798
- financial assets invested from funds borrowed in advance	84,888	-	7,207
- financial assets managed by ANZ Investments Ltd	627,595	350,000	345,802
<b>Total finance revenue</b>	<b>1,173,690</b>	<b>697,800</b>	<b>764,807</b>
<b>Finance costs</b>			
Interest expense:			
- on bank borrowings	28,923	29,000	28,808
- on LGFA bonds	2,556,930	2,555,135	2,551,862
- on loan funds borrowed in advance	37,844	-	5,773
- on Secure Floating Note (FRN)	-	-	11,991
- on finance leases	3,988	3,988	5,359
Discount unwind on provisions (Note 23)	10,552	10,000	10,948
<b>Total finance costs</b>	<b>2,638,237</b>	<b>2,598,123</b>	<b>2,614,740</b>
<b>Net Finance Costs/(Revenue)</b>	<b>\$1,464,547</b>	<b>\$1,900,323</b>	<b>\$1,849,934</b>

**Notes to the Accounts**
**Note 6**

<b>PERSONNEL COSTS</b>			
	<b>Actual 2018/19</b>	<b>Plan 2018/19</b>	<b>Last Year 2017/18</b>
Salaries & wages	7,870,969	7,957,190	7,201,644
Mayor & Councillors' honorariums	412,531	408,806	388,855
Medical insurance (incl FBT)	264,924	271,389	220,755
Superannuation - employer contributions	321,148	322,372	294,651
Income Protection Insurance	54,745	48,496	35,663
Incr/(Decr) in employee benefits liability	9,752	-	98,212
<b>Total Personnel costs</b>	<b>\$8,934,069</b>	<b>\$9,008,253</b>	<b>\$8,239,780</b>

**Notes to the Accounts**
**Note 7**

<b>OTHER EXPENSES</b>			
	<b>Actual 2018/19</b>	<b>Plan 2018/19</b>	<b>Last Year 2017/18</b>
Fees to principal auditor:			
- for annual report	110,998	111,000	109,460
- for debenture trust deed	4,000	2,000	
- for LTP audit	0	0	70,000
Donations	5,753	9,000	6,512
Grants - funding community development	534,499	573,400	578,710
Grants - funding arts & culture	350,451	358,600	343,865
Grants - funding economic development	419,937	497,500	412,421
Grants - other	27,530	53,300	0
ACC levies	22,224	47,381	22,437
Inventories (change in value)	(181,747)	-	125,048
Impairment of receivables	2,636	1,500	8,464
Election costs	23,949	25,000	6,712
Civic entertainment costs	4,641	9,000	4,559
Ceremonies & presentations	7,631	8,000	6,790
Other operating expenses	18,762,958	18,243,925	17,393,710
<b>Total other expenses</b>	<b>\$20,095,462</b>	<b>\$19,939,606</b>	<b>\$19,088,687</b>



Notes to the Accounts

Note 7a

**COST OF SERVICE STMT RECONCILIATION - Note 2 to Other Notes**

	Actual	Plan
	2018/19	2018/19
<b>Revenue</b>		
Financial Contributions	1,756,208	682,000
Subsidies and grants (per note 4)	6,172,282	5,312,538
Other Revenue (per Note 4)	9,515,784	7,484,372
Finance Revenue (per Note 5)	1,173,690	697,800
Total Operating Revenue (per Note 2)	18,617,964	14,176,710
<b>Expenditure</b>		
Personnel Costs (per Note 6)	8,934,069	9,008,253
Other Expenses (per Note 7)	20,095,462	19,939,606
Finance Costs (per Note 5)	2,638,237	2,598,123
Depreciation (per Notes 12,13,14)	11,888,910	11,734,546
Total Operating Expenditure (per Note 2)	\$43,556,678	\$43,280,528
Add back MDC rates on Council properties (net of discount)	598,040	559,000
<b>Net Operating Cost</b>	<b>\$25,536,754</b>	<b>\$29,662,818</b>

Notes to the Accounts

Note 8

**INVENTORIES**

\$		\$
30 June 2018		30 June 2019
	Held for distribution inventory:	
80,920	Water & sewer reticulation spares	126,639
16,655	Street furniture & pavers	29,242
46,546	Water treatment chemicals	60,472
22,613	Pre-paid envelopes	16,450
	Commercial inventory:	
3,903	Rubbish bags & bins	8,042
1,275	Baleage - ex Homebush	113,750
20,286	Miscellaneous items	19,349
<b>\$192,198</b>	<b>Total Stock</b>	<b>\$373,945</b>

**DEBTORS & OTHER RECEIVABLES**

\$ 30 June 2018		\$ 30 June 2019
557,562	Rates receivables	498,945
2,010,095	Roading subsidies receivable	1,144,835
2,308,404	Sundry debtors & receivables	1,511,944
68,354	GST receivable	360,873
187,431	Prepayments	252,539
<b>5,131,846</b>		<b>3,769,136</b>
(166,963)	- less provision for doubtful debts	(168,358)
<b>\$4,964,883</b>	<b>Total Debtors &amp; Other Receivables</b>	<b>\$3,600,778</b>
	<i>Total receivables comprise:</i>	
1,160,811	Receivables from exchange transaction	1,330,910
3,804,072	Receivables from non-exchange transaction	2,269,868

*Fair Value*

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

*Impairment*

MDC has provided for a nominal sum of \$5,000 for any impairment of rates receivable, as the Local Govt (Rating) Act 2002 provides a range of powers to recover outstanding debts, including approaching mortgage holders and legal proceeding which can lead to sale of the property to recover the rates.

Ratepayers can apply for payment plan options to allow them to catchup. The value of those debts is not considered significant enough to calculate discounted values.

*Exchange & Non-Exchange*

Receivables from exchange transactions includes outstanding amounts for commercial sales, fees & charges that have not been subsidised by rates.

Receivables from non-exchange transactions includes outstanding amounts for rates, grants, infringements & fees and charges that are partly subsidised by rates.

The status of receivables as at 30 June 2018 and 2019 are detailed below:

30 June 2018		30 June 2019
4,195,917	Not past due	2,914,528
403,657	Past due 1-60 days	322,611
173,238	Past due 61-120 days	171,615
359,034	Past due > 120 days	360,382
<b>\$5,131,846</b>	<b>Total</b>	<b>\$3,769,136</b>

30 June 2018		30 June 2019
13,355	Individual impairment	10,385
153,608	Collective impairment	157,973
<b>\$166,963</b>	<b>Total provision for impairment</b>	<b>\$168,358</b>

30 June 2018		30 June 2019
0	Past due 1-60 days	0
0	Past due 61-120 days	0
13,355	Past due > 120 days	10,385
<b>\$13,355</b>	<b>Total individual impairment</b>	<b>\$10,385</b>

30 June 2018		30 June 2019
115,626	At 1 July	166,963
54,747	Additional provisions made during the year	27,627
(3,227)	Provisions reversed during the year	(20,873)
(183)	Receivables written off during the year	(5,359)
<b>\$166,963</b>	<b>As At 30 June</b>	<b>\$168,358</b>

MDC holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

**CASH & CASH EQUIVALENTS**

\$		\$
30 June 2018		30 June 2019
2,600,117	Cash at bank and in hand	1,228,681
6,905,000	Short term deposits of 3 months or less (from acquisition)	3,000,000
<b>\$9,505,117</b>	<b>Total cash and cash equivalents</b>	<b>\$4,228,681</b>

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value. The total value of cash and cash equivalents that can only be used for a specific purpose as outlined in the relevant Trust Deed is \$262,818 (2018 = \$225,498).

**OTHER FINANCIAL ASSETS**

\$			\$
30 June 2018	Current	Notes	30 June 2019
4,280,776	Short term deposits - maturities > 3 but less than 12 mths	*2	8,785,852
160,684	Corporate bonds & Borrower Notes (LGFA)	*4	78,434
0	Investments held by fund manager	*3	0
<b>\$4,441,460</b>	<b>Total Current Portion of Financial Assets</b>		<b>\$8,864,286</b>
<b>Non-current</b>			
<b>Investments in CCO's &amp; other similar entities</b>			
292,253	Shares (NZLGFA & Civic Financial Services )		303,568
<b>\$292,253</b>			<b>\$303,568</b>
<b>Investments in other entities</b>			
19,551	Shares (Airtel)	*1	0
58,500	Corporate bonds	*4	60,000
752,918	Borrower notes (NZ LGFA)	*5	776,339
109,140	NZ Units - Carbon Credits on forestry	*7	118,065
7,965,750	NZ fixed interest investments held by fund manager	*3	8,593,345
<b>\$8,905,859</b>			<b>\$9,547,749</b>
\$9,198,112	Total Non-Current Portion of Financial Assets		\$9,851,317
<b>\$13,639,572</b>	<b>Total Other Financial Assets</b>		<b>\$18,715,603</b>
<b>Internal loans/investments</b>			
\$7,001,072	Balance at 30 June (also see Note 24)	*6	\$10,423,393
<b>\$30,145,761</b>	<b>Total Funds On Hand or Invested (including Cash &amp; Internal)</b>		<b>\$33,367,677</b>

**Notes:**

**Fair value:** the carrying amount of term deposits approximates their fair value.

**Impairment:** There are no impairment provisions for Other Financial Assets. None of the financial assets are either past due or impaired.

- \*1 Shares are valued as 'fair value through comprehensive revenue & expense' and consist of: 127,230 Civic Financial Services fully paid ordinary \$1.00 shares valued at \$1.60 each, and 100,000 paid up shares in the NZ LGFA valued at cost of \$1 each (a further 100,000 remain uncalled). The shareholding in Airtel was cashed up during the year when the company was sold.
- \*2 Bank deposits have maturity dates which range from 1 to 12 months. The deposits are spread across five financial institutions, as per the Council's investment policy and are valued as 'held to maturity'.
- \*3 ANZ Investments are contracted to actively manage an investment portfolio that was converted during the year from a segregated mandate to a 50/50 split between two (High Grade and Sovereign) bond funds. This portfolio is valued as 'fair value through surplus/deficit'.
- \*4 Corporate bonds held directly by the Council are valued as 'fair value through comprehensive revenue & expense'.
- \*5 The Council holds \$854,773 of borrower notes issued by NZ LGFA (incl accrued interest), valued at 'fair value through comprehensive revenue & expense'. These will be repaid on maturity of borrowings from the NZ LGFA, with interest accrued and payable on maturity.
- \*6 The Council has continued to utilise internal loans/investments for both long term funding of certain capital projects and short term cash flow funding to allow optimal timing of external debt drawdowns.
- \*7 The Council has been allocated 5,100 NZU carbon credits, based on it's forestry area. These have been re valued at the estimated carbon price at 30 June 2019 of \$23.15 per NZU.

## Notes to the Accounts

## Note 12

## PROPERTY PLANT &amp; EQUIPMENT

## 2019

	Original Cost/ Valuation	Accum. Depreciation & Impairment	Carrying Amount	Current Year	Additions	Current Year	Vested Assets *5	Impairment *3	Current Year	Current Year Transfers/*2	Current Year	Depreciation	Current Year	Revaluation	Original Cost/ Valuation	Accum. Depreciation & Impairment	Carrying Amount
	30-Jun-18	30-Jun-18	30-Jun-18									30-Jun-19	30-Jun-19		30-Jun-19	30-Jun-19	30-Jun-19
<b>Operational Assets</b>																	
Land	57,749,001	-	57,749,001	650,000					(143,000)						58,256,001	-	58,256,001
Buildings	37,301,042	0	37,301,042	3,823,633					(19,779)	419,800				-	41,522,575	(2,082,447)	39,440,128
Plant & vehicles	3,927,525	(2,475,143)	1,452,382	287,097					(2,870)						4,167,390	(2,701,451)	1,465,939
Equipment & furniture	5,451,618	(3,965,568)	1,486,050	388,742					(1,226)	-					5,826,220	(4,274,572)	1,551,647
Office equip (finance lease)	78,902	(46,022)	32,880	-					-	-					78,902	(72,320)	6,582
Library books	493,910	-	493,910	230,928					(39,463)	13,141				14,153	536,671	-	536,671
Work in progress	541,174	-	541,174	1,363,353						(432,941)					1,471,586	-	1,471,586
<b>Total operational assets</b>	<b>105,543,172</b>	<b>(6,486,733)</b>	<b>99,056,439</b>	<b>6,743,753</b>					<b>(206,337)</b>	<b>-</b>			<b>(2,879,454)</b>	<b>14,153</b>	<b>111,859,346</b>	<b>(9,130,791)</b>	<b>102,728,555</b>
<b>Infrastructural Assets</b>																	
Land (under roads)	86,098,671	-	86,098,671	4,348			102,780								86,205,799	-	86,205,799
Roading network	433,707,559	(4,726,557)	428,981,003	5,314,140			810,489		(158,613)	380,651			(4,912,521)		440,054,226	(9,639,078)	430,415,149
Water treatment plant - Masterton	9,013,522	(416,408)	8,597,114	120,834					(2,026)				(426,800)		9,132,330	(843,208)	8,289,122
Water reticulation (incl rural supplies)	31,513,339	(809,315)	30,704,024	1,363,777			112,000		(345,145)	327,716			(818,445)		32,971,687	(1,627,760)	31,343,927
Sewerage treatment plant - Masterton	33,300,444	(554,995)	32,745,449	114,974									(559,684)		33,415,418	(1,114,679)	32,300,739
Sewerage reticulation - Masterton	31,924,060	(1,253,718)	30,670,343	467,445			166,404		(52,783)				(1,262,533)		32,505,126	(2,516,251)	29,988,876
Sewerage systems - rural *4	8,882,301	(262,303)	8,619,998	79,133					(1,119)	2,117			(269,130)		8,960,315	(531,433)	8,428,882
Stormwater assets	15,963,982	(303,406)	15,660,576	116,931			174,879						(308,895)		16,257,909	(612,301)	15,645,608
Flood protection & control works	4,065,422	(62,105)	4,003,317	22,476					(62,292)						4,087,898	(124,397)	3,963,501
Other infrastructure	4,735,480	(78,101)	4,657,378	63,831									(80,445)		4,799,311	(158,547)	4,640,764
Work in progress	949,679	-	949,679	977,823					-	(710,484)					1,217,017	-	1,217,017
<b>Total infrastructural assets</b>	<b>660,154,459</b>	<b>(8,466,909)</b>	<b>651,687,552</b>	<b>8,645,711</b>			<b>1,366,552</b>	<b>0</b>	<b>(559,686)</b>	<b>0</b>		<b>(8,700,744)</b>	<b>0</b>	<b>-</b>	<b>669,607,035</b>	<b>(17,167,653)</b>	<b>652,439,384</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>\$ 765,697,632</b>	<b>(\$14,953,641)</b>	<b>\$ 750,743,991</b>	<b>\$ 15,389,464</b>			<b>\$ 1,366,552</b>	<b>\$ 0</b>	<b>(\$766,023)</b>	<b>\$ 0</b>		<b>(\$11,580,198)</b>	<b>\$ 14,153</b>	<b>\$ 14,153</b>	<b>\$ 781,466,381</b>	<b>(\$26,298,443)</b>	<b>\$ 755,167,939</b>

There are no restrictions over the title of MDC's Plant, Property and Equipment assets, nor are any assets pledged as security for liabilities.

\*1 Disposals are reported net of accumulated depreciation.

\*2 In the Transfers & Adjustments column \$1,143,422 was transferred out of work in progress as detailed below:

In operational, the purchase of Waitata House, the seismic work at the Trust House Recreation Centre were completed and library books were capitalised.

In infrastructural assets, Roading Rehab work was completed, LED streetlight lamps installed and four sewer replacements started last year were completed.

\*3 In 2017 the Town Hall and District Building value were impaired on the basis of an engineering assessment placing it below the acceptable standard and the estimated cost to strengthen being uneconomic to proceed with. This impairment was taken into account with the valuation of Land and Building valuations being undertaken by Jones Lang La Salle as at 30 June 2018.

\*4 Rural sewerage systems at Riversdale Beach, Castlepoint and Tinui have not been split into treatment and reticulation components, but the value split is estimated at 29%/71% (treatment/retic).

\*5 Vested Assets included land, roading, water, sewer & stormwater assets transferred to the Council from completion of a number of subdivisions including extensions to The Plains and Taranaki Street plus Gimson Street Stage 6.



**Notes to the Accounts**

**Note 12a**

**PROPERTY PLANT & EQUIPMENT**

**2018**

	Original Cost/ Valuation	Accum. Depreciation & Impairment	Carrying Amount	Current Year Additions	Vested Assets *5	Current Year Disposals *1	Current Year Transfers/ Adjustments *2	Current Year Depreciation	Revaluation	Original Cost/ Valuation	Accum. Depreciation & Impairment	Carrying Amount
	30-Jun-17	30-Jun-17	30-Jun-17							30-Jun-18	30-Jun-18	30-Jun-18
<b>Operational Assets</b>												
Land	50,519,099	(850,000)	49,669,099	0	60,562	(409,203)			8,428,543	57,749,001	-	57,749,001
Buildings	38,266,682	(5,855,012)	32,411,671	1,394,020	300,000	(3,210)	4,008	(1,679,492)	4,874,044	37,301,042	0	37,301,042
Plant & vehicles	3,760,421	(2,281,422)	1,478,999	265,696		(24,518)		(267,794)		3,927,525	(2,475,143)	1,452,382
Equipment & furniture	5,142,554	(3,660,898)	1,481,656	327,561		(274)	-	(322,893)		5,451,618	(3,965,568)	1,486,050
Office equip (finance lease)	91,491	(30,697)	60,794	-		(2)		(27,912)		78,902	(46,022)	32,880
Library books	508,877	-	508,877	165,105		(8,410)		(193,025)	21,362	493,910	-	493,910
Work in progress	38,688	-	38,688	506,493			(4,008)			541,174	-	541,174
<b>Total operational assets</b>	<b>98,327,813</b>	<b>(12,678,028)</b>	<b>85,649,785</b>	<b>2,658,876</b>	<b>360,562</b>	<b>(445,616)</b>	<b>-</b>	<b>(2,491,116)</b>	<b>13,323,950</b>	<b>105,543,172</b>	<b>(6,486,733)</b>	<b>99,056,439</b>
<b>Infrastructural Assets</b>												
Land (under roads)	85,156,551	-	85,156,551	4,500	937,620			-		86,098,671	-	86,098,671
Roading network	428,206,755	-	428,206,755	3,706,392	1,760,689	(51,729)	85,452	(4,726,557)		433,707,559	(4,726,557)	428,981,003
Water treatment plant - Masterton	8,943,099	-	8,943,099	70,423				(416,408)		9,013,522	(416,408)	8,597,114
Water reticulation (incl rural supplies)	30,625,217	-	30,625,217	757,755	443,792	(356,470)	43,045	(809,315)		31,513,339	(809,315)	30,704,024
Sewerage treatment plant - Masterton	33,250,603	-	33,250,603	49,841				(554,995)		33,300,444	(554,995)	32,745,449
Sewerage reticulation - Masterton	30,042,223	-	30,042,223	1,013,369	630,173	(305,275)	543,570	(1,253,718)		31,924,060	(1,253,718)	30,670,343
Sewerage systems - rural *4	8,845,328	-	8,845,328	54,942		(17,969)		(263,303)		8,882,301	(263,303)	8,619,998
Stormwater assets	15,431,196	-	15,431,196	113,028	432,926	(13,168)		(303,406)		15,963,982	(303,406)	15,660,576
Flood protection & control works	4,065,422	-	4,065,422	0				(62,105)		4,065,422	(62,105)	4,003,317
Other infrastructure	4,724,052	-	4,724,052	11,428				(78,101)		4,735,480	(78,101)	4,657,378
Work in progress	751,574	-	751,574	870,172		-	(672,067)			949,679	-	949,679
<b>Total infrastructural assets</b>	<b>650,042,021</b>	<b>0</b>	<b>650,042,023</b>	<b>6,651,850</b>	<b>4,205,200</b>	<b>(744,611)</b>	<b>(0)</b>	<b>(8,466,909)</b>	<b>-</b>	<b>660,154,459</b>	<b>(8,466,909)</b>	<b>651,687,552</b>
<b>Total Property, Plant &amp; Equipment</b>	<b>\$ 748,369,834</b>	<b>(\$12,678,028)</b>	<b>\$ 735,691,807</b>	<b>\$ 9,310,725</b>	<b>\$ 4,565,762</b>	<b>(\$1,190,227)</b>	<b>(\$0)</b>	<b>(\$10,958,024)</b>	<b>\$ 13,323,950</b>	<b>\$ 765,697,632</b>	<b>(\$14,953,641)</b>	<b>\$ 750,743,991</b>

There are no restrictions over the title of MDC's Plant, Property and Equipment assets, nor are any assets pledged as security for liabilities.

\*1 Disposals are reported net of accumulated depreciation.

\*2 In the Transfers & Adjustments column \$676,075 was transferred out of work in progress as detailed below:  
In operational, the international garden pagoda structure was completed.

In infrastructural assets, Lees Pakaraka Rd sealing was completed along with four sewer and one water main replacement started last year.

\*3 In 2017 the Town Hall and District Building value were impaired on the basis of an engineering assessment placing it below the acceptable standard and the estimated cost to strengthen being uneconomic to proceed with. This impairment has been taken into account with the valuation of Land and Building valuations being undertaken by Jones Lang La Salle as at 30 June 2018.

\*4 Rural sewerage systems at Riversdale Beach, Castlepoint and Tinui have not been split into treatment and reticulation components, but the value split is estimated at 29%/71% (treatment/retic).

\*5 Vested Assets included land, roading, water, sewer & stormwater assets transferred to the Council from completion of a number of subdivisions including Stage 4 of Cashmere Oaks, Taranaki Street, The Plains, Solway Cres Stage II and III and Gimpson Stages One to Five. Also the Ascension sculpture was gifted to the Council.

**PROPERTY PLANT & EQUIPMENT - NOTES****Critical accounting estimates and assumptions*****Estimating the fair value of land, buildings and infrastructure***

The most recent valuation of land and buildings was performed by an independent registered valuer, Jones Lang LaSalle Ltd. The valuation is effective as at 30 June 2018. This resulted in an increase of \$8.4 Million (17.1%) in fair value of Land Assets after taking account of additions and deletions during the same period. The value of Building Assets increased by \$4.9 Million (15%) in depreciated replacement cost after taking account of additions and depreciation over the period.

*Land (except land under roads)* is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Any restrictions on the Council's ability to sell land would not normally impair the value of the land because the Council has operational use of the land for the foreseeable future and will substantially receive the full benefits of outright ownership. In 2017 the value of the land under the Town Hall and District Building included an impairment adjustment, allowing for the estimated cost of demolition of the buildings, reducing the land value from \$890,000 to \$40,000. The revaluation as at 30 June 2018 has seen an increase in the value to \$310,000.

*Land under roads* was valued effective June 2003. On transition to NZ IFRS, MDC elected to use fair value of land under roads as at 30 June 2003 as deemed cost. There have been no events or changes in circumstances over the year that have required any adjustments for impairment.

*Buildings - specialised buildings* are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings. Straight-line depreciation has been applied in determining the depreciated replacement value of the asset.

*Buildings - non-specialised buildings* (e.g. residential and office buildings) are valued at fair value using market-based evidence. The Town Hall and a large part of the District Building have been determined to be below the safe earthquake standard and the cost of strengthening exceeds the book value (also see Note 33 Contingencies). In 2017 the impairment value write-down was taken to the revaluation reserve while a residual value remained, representing the value of the portion of the office building still in use. This part of the building was added in the 1980s and is above 33% of the earthquake code. The revaluation of the buildings as at 30 June 2018 has meant the Town Hall and the old Administration Building were revalued to a nil value with a value only placed on the part of the administration building still in use. The future of this part of the building is yet to be determined.

*Library books* - these are valued at depreciated replacement cost. They are valued annually, in-house using the inventory of book stock as recorded on the library system and the average cost of books purchased, by category.

*Infrastructural assets* - the most recent valuation of infrastructural assets was performed by Opus International Consultants Ltd, with an effective date of 30 June 2017.

Roading, water, sewerage and stormwater infrastructural assets are valued using the depreciated replacement cost method. Road formation, pavements, footpaths, bridges and retaining walls have been valued based on either unit area or unit volume bases. Water, sewer and stormwater assets have been valued based on either unit area or unit volume bases. There are a number of estimates and assumptions exercised when valuing infrastructural assets using this method, including:

\* Replacement cost is the cost of replacing existing infrastructure using present day technology, but maintaining the originally designed level of service. Unit costs have been obtained from a variety of sources, including recent construction contracts, Opus's costing database, contractors, manufacturers and suppliers. On-cost factors have been allowed for all costs incidental to bringing the asset into working condition. Optimisation has been used in the context of provision of the same utility at a minimum overall cost. It has been assumed that current assets are considered to be of an optimal status (no surplus capacity).

\* Depreciated Replacement Value is a function of how far a component is through its economic life. The economic life is the period of time beyond which it is economically worthwhile to replace rather than continue to repair or maintain. The economic life varies for each asset.

**Critical judgements in applying accounting policies*****Classification of property***

The Council owns a number of properties held to provide housing to pensioners. The receipt of below market-based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of the council's social housing policy. The properties are therefore accounted for as property, plant and equipment rather than rental property.

## Notes to the Accounts

## Note 14

INTANGIBLE ASSETS	\$ 2018 Computer Software	\$ 2018 Resource Consents	\$ 2018 Total	\$ 2019 Computer Software	\$ 2019 Resource Consents	\$ 2019 Total
Opening Original Cost	1,032,754	6,798,828	7,831,583	1,041,144	6,851,780	7,892,925
Opening Accum. Amortisation	(908,374)	(2,916,605)	(3,824,979)	(961,913)	(3,179,667)	(4,141,580)
Carrying Amount (start of year)	124,380	3,882,223	4,006,603	79,231	3,672,113	3,751,344
Additions	8,390	52,952	61,342	49,917	15,272	65,189
Disposals (net BV)	-	-	-	-	-	-
Amortisation Change	(53,539)	(263,062)	(316,601)	(44,030)	(264,683)	(308,712)
Transfers/Adjustments	-	-	-	-	-	-
Closing Original Cost	1,041,144	6,851,780	7,892,925	1,091,061	6,867,052	7,958,113
Closing Accum. Amortisation	(961,913)	(3,179,667)	(4,141,580)	(1,005,943)	(3,444,350)	(4,450,293)
Carrying Amount (end of year)	79,231	3,672,113	\$ 3,751,344	85,118	3,422,702	\$ 3,507,821
Work in progress	-	73,871	\$ 73,871	16,744	79,836	\$ 96,580
	79,231	3,745,984	\$ 3,825,215	101,862	3,502,538	\$ 3,604,400

There are no restrictions over the title of MDC's Intangible assets, nor are any assets pledged as security for liabilities.

Computer software is amortised over the assessed useful life of 4 years.

Resource consents are amortised over the number of years for which each consent has been granted. Those consents which have yet to be granted by GWRC are amortised over the number of years for which the consent has been applied for. In the case of the Homebush sewage treatment and disposal consent, the Council received a 25 year consent in 2009. The Council does hold easements over some of its assets where they affect private property, but the incomplete nature of the easement coverage means little reliance could be placed on the valuation of easements, hence no disclosure has been made.

## Notes to the Accounts

## Note 15

FORESTRY ASSETS	Actual 2019	Actual 2018
Opening balance 1 July	679,434	532,578
Gains/(losses) arising from changes in fair value	(25,791)	146,856
Decreases due to harvest	(117,614)	
Balance at 30 June	\$ 536,029	\$ 679,434

There are no restrictions over the title of MDC's forestry assets, nor are any assets pledged as security for liabilities.

The Council's investments in forestry total 56.4 ha and are spread across the district in relatively small areas of planting.

These areas have been planted for one of two reasons: 1) the desire to best utilise what would otherwise be unproductive land and 2) for stabilisation of roadsides.

Registered valuers Forest360 (Stuart Orme) have valued the forestry assets as at 30 June 2019, in accordance with PBE IPSAS 27. A discount rate of 8% has been used to discount the present value of expected cash flows on forests greater than 5 years old. A compound rate of 3% has been used on younger stands. Notional land rental costs have been included for freehold land. The forests have been valued on a going concern basis and includes the value of the existing crops on a single rotation basis. Log prices are based on a 12 quarter average for the lower North Island.

## Notes to the Accounts

## Note 16

INVESTMENT PROPERTY	Actual 2019	Actual 2018
Opening balance 1 July	2,314,000	2,145,000
Acquisitions / (Disposals)	-	-
Fair value gains/(losses) on valuation	354,200	169,000
Balance at 30 June	\$ 2,668,200	\$ 2,314,000

MDC's investment properties are valued at fair value effective 30 June 2019. All investment properties were valued on open market evidence. The valuation was performed by Nigel Fenwick NZIV, of Jones Lang LaSalle in accordance with PBE IPSAS 16. The valuer notes that Masterton has recently undergone a relatively buoyant period particularly in the residential property market, noting this doesn't necessarily translate through to land values as the cost of building is often prohibitive and acquiring development funding is still difficult.

**Further information about the revenue & expenses in relation to investment property as required per IPSAS 16.86 is listed below:**

	2019	2018
Rental Revenue	115,438	116,198
Expenses from investment property generating Revenue	16,479	19,028
Expenses from investment property not generating Revenue	9,334	8,746

CAPITAL EXPENDITURE SUMMARY		2018/19		Source of Funding			
Activity	Project	Plan	Actual	Rates	Reserves	Other	
<b>Roading</b>		<i>(Renewal/New)</i>					
Roading - subsidised	Roading renewals - rural	R	2,459,100	2,778,872	1,122,930	71,985	1,583,957 *2
	Roading renewals - urban	R	764,744	1,049,371	403,174	48,056	598,142 *2
	Bridge renewals	R	53,790				
	Rural/Urban minor improvements	N	814,400	978,878	165,312	255,606	557,960 *2
	Upgrade to LED streetlighting	N		107,107		16,066	91,041 *2
	Footpath upgrading [incl reseals]	R	400,000	513,338		220,735	292,602 *2
	Cycleways	N	70,000				
Roading - non-subsidised	Car park seal renewals & signage	R	190,807	4,800		4,800	
	Urban footpath renewals	R	250,000	1,035		1,035	
	Carpark Lighting - safety initiative	N	80,000				
	CBD Recycling Bins	N	10,000				
	CBD upgrade	N	500,000	221,240		221,240	
	Neighbourhood Planning - (roading, paving & see	N	100,000				
	Solway Cres upgrading	G	580,000	275,817		275,817	
	Land purchase roading strip	N		4,348		4,348	
<b>Water Services</b>							
	Water treatment plant equip. renewal	R	140,000	185,725		185,725	
Urban Water Treatment	Fluoride Free - water access	N	30,000	11,260		11,260	
	Water treatment - buildings & grounds	R	30,000	8,613		8,613	
Urban Water	Water reticulation - mains renewals	R	1,400,000	1,168,868		1,168,868	
Reticulation	Water reticulation - connections	R	200,000	166,875		161,164	5,712 *3
Rural Water	Opaki water race consent renewal	R	24,500				
	Castlepoint water supply upgrades	R	33,500	5,337		5,337	
	Wainuioru water supply upgrades	R	30,000	48,383		48,383	
<b>Wastewater Services</b>							
Urban Wastewater System	Homebush treatment plant upgrade	N	610,000	130,245			130,245 *1
	Homebush equipment upgrades	R	70,000	83,742		83,742	
	Network investigations	N	50,000				
	Sewerage retic. mains renewals	R	1,150,000	771,602		771,602	
	Sewer connections (new)	R		14,392		4,970	9,422 *3
Rural Wastewater System	Riversdale renewals	R	15,000	6,765		6,765	
	Tinui sewerage scheme	R		5,513		5,513	
	Castlepoint sewerage plant - stepscreen	R	60,000	66,856		66,856	
<b>Stormwater Services</b>							
	Stormwater - renewals	R	330,000	25,052		25,052	
<b>Solid Waste Services</b>							
	Nursery Road land fill capping	N	20,000				
	Recycling Wheely Bins	N	535,000				
	Transfer Station Roof & upgrades	N	350,000	79,241		79,241	
<b>Community Facilities/Activities</b>							
Parks & Reserves	Queen Elizabeth Park rejuvenation	N	750,000	347,459		347,459	
	Upgrade Kidz Own Playground	R	48,620				
	Upgrade structures/facilities (incl playgrounds)	R	126,563	60,520		60,520	
	Street trees renewals & new	N	16,750	7,628		7,628	
	Henley Lake - intake upgrading	N	450,000	5,965		5,965	
	Henley Lake Toilet Upgrade	R	195,000				
	Henley - landscape development	N	11,000				
	Recreation trails network (urban & rural)	N	102,000	8,269		8,269	
	Chinese Pagoda	N		19,775		7,292	12,483 *3
	Parks & Open Spaces - Signage	R	20,000				
	QE Park - Irrigation System	N	15,000	9,815		9,815	
Sportsfields	Netball facility upgrade	R	50,000				
	Cricket facility upgrade	R	400,000	367,559		247,559	120,000 *3
	Sportsfield buildings renewals	R	350,000	87,750		87,750	
	Colin Pugh Sports Bowl	R	61,200	53,171		53,171	
	Sport Facilities Provisions	N	120,400				
Trust House Recreation Centre	Outdoor pool upgrades	R	250,000	359,745		349,745	10,000 *3
	Upgrade Building & Services	R	188,280	257,705		257,705	
	Plant & equipment	R	15,000	18,138		18,138	
Cemeteries	Cemetery renovations & extensions	R	20,000				
<i>sub totals to carry forward to next page</i>			\$ 14,540,654	\$ 10,316,776	\$ 1,691,415	\$ 5,213,796	\$ 3,411,564



CAPITAL EXPENDITURE SUMMARY		2018/19	2018/19	Source of Funding		
Activity	Project	Plan	Actual	Rates	Reserves	Other
sub totals carried forward		\$ 14,540,654	\$ 10,316,776	\$ 1,691,415	\$ 5,213,796	\$ 3,411,564
<b>Community Facilities/Activities contd.</b>						
Library	Book stock renewals	R 190,000	230,928		230,928	
	Computer & equipment upgrades	R 73,000	69,199		69,199	
	Library building & furniture upgrades	R 36,000	3,714		3,714	
	Structural strengthening Library building	N 57,985	57,985		57,985	
	Library Learning Centre	G 260,000	293,410			293,410 *1&3
Archive	Archives equipment renewal	N 125,000				
District Building	District Building facilities & equip	R 10,000	4,598		4,598	
	Building upgrades	N 300,000	186,314		186,314	
	New Events Centre	N 1,000,000	182,858		182,858	
	Replace emergency generator	R 50,000	53,224		53,224	
Elderly Housing	Pensioner housing renewals	R 211,070	111,834		111,834	
	Insulation upgrades	N 1,119	1,119		1,119	
	Window upgrades	N 20,500	22,419		22,419	
Other Property	Public conveniences - misc items	R 50,800	3,680		3,680	
	Castlepoint Toilet Upgrade	R 240,000	4,956		4,956	
	Rental & other property upgrades	R 162,534	40,697		40,697	
	Rural Hall upgrades	R 15,000				
	Riversdale Beach toilets upgrade	N 16,000				
	Waiata House purchase	N 3,600,000				3,600,000 *1
Airport	Airport internal roading	G 70,000				
	Airport development & upgrades	N 45,000	5,531		5,531	
	Runway lights replacement	R 150,000				
	Hanger area expansion	N 100,000	50,745			50,745 *1
Mawley Park	Mawley Park facility - renewals	R 40,000	24,404		24,404	
<b>Community Wellbeing</b>						
Economic Development	CBD security cameras	R 20,000	18,050		18,050	
	Street Signage	N 32,000				
	Solway Showgrounds dump station	N 70,000				
	Christmas decorations	N 20,000	6,318		6,318	
<b>Regulatory Services</b>						
Environmental Services	Testing equipment	R 8,000				
Building Development	Building Development - equipment	R 4,000				
Emergency Mgmt	Emergency welfare centres Facilities	N 35,000				
Animal Services	Animal Services - equipment & fencing	R 30,000	2,705		2,705	
	Dog control - lapel video cameras	N 1,500	1,790		1,790	
	Animal & Bylaws Signage	R 10,000				
Parking	Hand held parking devices	N 20,000				
<b>Internal Functions</b>						
Corporate Services	IT equipment replacement	R 150,000	132,650		132,650	
	Pool Vehicle replacement	R 150,000	39,100		39,100	
	IT Council Meetings Info systems	N 40,000	12,355		12,355	
Asset Management	Asset Management system (c/fwd)	N 10,000				
<b>Capital Expenditure (Ex Vested Assets)</b>		<b>\$ 18,306,058</b>	<b>\$ 15,477,363</b>	<b>\$ 1,691,415</b>	<b>\$ 6,430,228</b>	<b>\$ 7,355,720</b>
<b>Vested Assets (acquired from subdivision)</b>						
	Roads, water, sewer, stormwater	Vested	1,366,552			1,366,552 *4
<b>Total Capital Expenditure</b>		<b>\$ 18,306,058</b>	<b>\$ 16,843,915</b>	<b>\$ 1,691,415</b>	<b>\$ 6,430,228</b>	<b>\$ 8,722,272</b>
*1 New external loan funding totals \$0 and internal loans total \$4,034,401 *2 NZ Transport Agency subsidies on roading capital and renewals expenditure totals \$3,123,702 *3 External funding towards asset purchases \$197,617 *4 Vested assets ex subdivision include; Roading \$913,269; Water \$112,000; Sewer \$166,404 and Stormwater \$174,879						
<b>Capital Expenditure Analysis</b>		<b>Plan</b>	<b>Actual</b>			
	Asset Renewals	10,910,508	8,805,824			
	Asset Growth	910,000	569,227			
	New Assets (improve level of service)	6,485,550	6,102,311			
	Vested Assets	-	1,366,552			
		<b>\$ 18,306,058</b>	<b>\$ 16,843,915</b>			
<b>Work in Progress Analysis</b>				<b>2019</b>	<b>2018</b>	
Property, plant and equipment in the course of construction by class of asset is detailed below:				<b>\$000</b>	<b>\$000</b>	
	Water treatment plant & facilities - Masterton			11	-	
	Water reticulation (incl rural supplies)			33	328	
	Sewerage reticulation - Masterton			319	-	
	Roading network			803	620	
	Stormwater			-	2	
	Other infrastructure			51	-	
	Buildings			1,304	541	
	Plant & vehicles			9	-	
	Equipment & furniture			158	-	
	Consents applied for but not yet granted			80	74	
	Computer software & systems under development			17	-	
Total work in progress				<b>2,785</b>	<b>1,565</b>	
<b>Variance from Plan</b>		Commentary on capital expenditure variances from the Plan are detailed in Note 31.				

**RELATED PARTY TRANSACTIONS**

During the year Councillors and staff of the Council were involved in minor transactions with the Council (such as payment of rates, trade waste charges and building consents). In addition, during the year the Council had dealings with a number of entities where there is a direct relationship between a Councillor or senior staff member. These have been considered related party transactions and are disclosed below for transparency purposes.

The transactions disclosed were effectively 'at arm's length'. The individuals involved were either not part of the decision-making process, or did not vote on the Council resolution where a decision affecting their interests was made.

As part of the annual plan process and grants funding decisions during the year, the Council may decide on grants to, or funding of organisations to which there is a related party relationship. The agendas at any meetings where these grants are decided always start off with the declaring of any potential conflicts of interest. The intention of this is that these parties do not unfairly influence the decision. For the sake of public information, the detail below clarifies the potentially more significant transactions and relationships.

**Related party transactions disclosed:**

- \* During the year the Council completed the purchase of the land and buildings at 27 Lincoln Road (Waiata House) from Masterton Trust Lands Trust. Councillor's R Johnson and F Mailman are elected trustees of that Trust and took no part in the decision to purchase the property (made in 2017).
- \* From Oct 2016, Cr B Goodwin has been an elected trustee of the Trust House Foundation. Council has applied to and been granted funding from the Foundation for projects which include events and the library learning centre.
- \* Masterton Trust Lands Trust provides the Library with a grant for books. Cr R Johnson and F Mailman are trustees.
- \* Cr. C Peterson is a committee member of New Pacific Studio, WaiWaste and King Street Artworks. These organisations received grants from the Council of \$2,000, \$10,000 and \$8,000 respectively (2017/18 \$2,000, \$0 and \$5,000)
- \* Synergy Consultants Ltd, owned by Cr J. Hooker, is contracted to provide part time services for the planning and management of the Wairarapa EM/CD Welfare function and he is an EM/CD alternate Controller. The Council administers the Wairarapa EM/CD function in conjunction with Wellington Regional Emergency Management Office (WREMO). The value paid to Synergy for those contracted services in 2018/19 was \$20,257, including \$2,840 relating to managing the Kaiwhata landslide incident in the Carterton District in June 2019. (2017/18 \$15,886)
- \* Wairarapa Balloon Society Inc. was given a \$10,000 grant towards the costs of running an annual balloon festival. The Manager Finance, Mr D Paris was an office holder of the Society. (2017/18 the grant was also \$10,000)
- \* The Wairarapa Multi Sport Stadium Trust (WMSST) operates the facility at Cameron & Soldiers Memorial Park and has a Council-appointed representative on their Trust. From October 2016 that representative has been Cr J. Dalziel. The Council granted \$20,000 to the Trust in 2017/18 to assist with the costs of running a summer concert.
- \* The Manager of Community Facilities & Activities, Andrea Jackson is a board member of the Wairarapa Bush Rugby Football Union (WBRFU). The WBRFU holds the lease for Cameron & Soldiers Memorial Park. The lease paid to the Council in 2018/19 was \$17,275 (2017/18 \$8,637, with 3 months discounted due to earthquake strengthening work on the grandstand).
- \* The WBRFU and the WMSST agreed to contribute 2 x 1/3 shares totalling \$19,669, towards the costs of temporary facilities during the grandstand earthquake strengthening. That sum remains outstanding at 30 June 2019.
- \* The Bring it to Colombo Trust was formed in 2016 with the express purpose to redevelop the Council-owned netball courts at Colombo Road as a community-led project. The Council appointed three elected members and one staff member as trustees. They are the Mayor, Lyn Paterson, Cr G. McClymont, Cr R Johnson and the Mgr Community Facilities & Activities, Andrea Jackson. The Council contributed \$800,000 in 2017/18 to the \$2.5 million project, which was completed in May 2018. The Council has contributed \$20,000 to the operating costs of the Trust in 2018/19 and provided a loan guarantee on a loan facility of up to \$200,000.
- \* Cr F Mailman is a trustee of the Wairarapa Youth Charitable Trust. The Council provided a Community Development grant to the trust of \$10,000 in 2018/19.
- \* Cr R Johnson was a committee member of the Wairarapa SPCA. The Council provided a Community Development grant to SPCA NZ of \$10,000 (2017/18 SPCA Wairarapa \$20,000)

Transactions with key management personnel		2018/19	2017/18
<b>Councillors</b>	Remuneration	\$412,531	\$388,855
	Number of members	14	14
<b>Senior Management Team, including the Chief Executive</b>			
	Remuneration	\$1,211,476	\$1,209,816
	Full-time equivalent members	7.2	7.2
<b>Total key management personnel remuneration</b>		<b>\$1,624,008</b>	<b>\$1,598,672</b>
<b>Total full-time equivalent personnel</b>		<b>21.2</b>	<b>21.2</b>

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

**REMUNERATION - Elected Representatives****2018/19****2017/18**

The Masterton District Council consists of a Mayor and ten councillors. The Mayor's honorarium and Councillors' remuneration pool are set by the Remuneration Authority. The allocation of the 'pool' is decided by the Council.

Two iwi representatives were appointed in August 2016 and there is a Whaitua rep appointed to that GWRC committee.

Mayor	Lyn Patterson	100,389	95,524
Deputy Mayor	Graham McClymont	37,730	34,734
Councillor & task group chair	Gary Caffell	36,382	33,493
Councillor & committee chair	Jonathan Hooker	37,730	34,734
Councillor (& former TG chair)	Chris Peterson	26,950	24,810
Councillor	Brent Goodwin	26,950	24,810
Councillor	Simon O'Donoghue	26,950	24,810
Councillor	Frazer Mailman	26,950	24,810
Councillor	Bex Johnson	26,950	24,810
Councillor	John Dalziel	26,950	24,810
Councillor	Deborah Davidson	26,950	24,810
Whaitua Representative		1,250	7,500
Iwi Representatives (x2)		10,400	9,200
		<b>\$ 412,531</b>	<b>\$ 388,855</b>

**REMUNERATION - Chief Executive**

The Chief Executive of the Masterton District Council is appointed under section 42 of the LG Act 2002.

	<b>2018/19</b>	<b>2017/18</b>
Kathryn Ross's total salary paid (11 mths), including benefits was:	\$219,692	
Dr Pim Borren's total salary paid, including benefits was:		\$252,022

**REMUNERATION - Council employees**

Total annual remuneration by band for employees as at 30 June:

	<b>2019</b>		<b>2018</b>
< \$60,000	75	< \$60,000	70
\$60,000- \$79,999	21	\$60,000- \$79,999	18
\$80,000- \$99,999	23	\$80,000- \$99,999	27
\$100,000-\$139,999	10	\$100,000-\$139,999	6
\$140,000-\$239,999	7	\$140,000-\$239,999	5
<b>Total Employees*</b>	<b>136</b>	<b>Total Employees*</b>	<b>126</b>
<b>Total FTEs</b>	<b>106</b>	<b>Total FTEs</b>	<b>102</b>

\*(includes part time & casuals)

Total remuneration includes all financial and non-financial benefits provided to employees.

Where the number of employees in any band is 5 or fewer, the number for that band is combined with the next-highest band. At balance date the Council employed 84 (2018 = 80) full-time employees, with the balance of staff representing 22 (2018 = 22) full-time equivalent (FTE) employees.

A full-time employee is determined on the basis of a 40 hour working week.

**SEVERANCE PAYMENTS - Council employees**

For the year ended 30 June 2019, the Council made two (2017/18 = 0) severance payments to employees totalling \$1,750 (2018 \$0).

The term severance payment includes non-monetary benefits but excludes salary, holiday pay, superannuation contributions and any other contractual entitlements to which the employee was entitled.

## Notes to the Accounts

## Note 20

### CREDITORS & OTHER PAYABLES

\$

30 June 2018

30 June 2019

4,524,378	Trade payables	5,199,267
475,291	Deposits & bonds	558,519
130,062	Agency rates collected - Greater Wellington Regional Council	145,692
914,464	Revenue received in advance	1,038,440
164,645	Community organisations - funds held in trust	149,896
<b>\$6,208,841</b>		<b>\$7,091,814</b>
<b>Exchange &amp; Non-exchange transactions analysis</b>		
<i>Payables and deferred revenue under exchange transactions:</i>		
3,985,639	Trade payables and accrued expenses	4,716,050
492,962	Contract retentions	466,717
4,478,601		5,182,767
<i>Payables and deferred revenue under non-exchange transactions:</i>		
45,777	Grants Payable	16,500
294,708	Bequests & funds held in Trust	295,589
1,389,755	Payments received in advance (inclgd bonds)	1,596,958
1,730,240		1,909,047
<b>\$6,208,841</b>	<b>Total payables and deferred revenue</b>	<b>\$7,091,814</b>

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

## Notes to the Accounts

## Note 21

### EMPLOYEE BENEFIT LIABILITIES

\$

30 June 2018

30 June 2019

774,442	Staff holiday provision	815,499
242,348	Salaries & wages accrued	228,407
26,866	Councillor's honorariums payable	7,709
10,555	Staff sick leave provision	8,753
1,219	Staff alternative leave provision	2,388
120,581	Staff retirement gratuities	123,006
<b>\$1,176,011</b>	<b>Total Employee Benefit Liabilities</b>	<b>\$1,185,762</b>
1,168,464	Comprising:	1,177,825
7,546	Current	7,937
<b>\$1,090,539</b>	Non-current	<b>\$1,185,762</b>
	<b>Total Employee Benefit Liabilities</b>	

The present value of staff retirement gratuities represents the discounted value of long service leave payable to five staff. The entitlement was 'grandfathered' in the 1990s, with the five staff having their entitlement frozen, except for salary movements. The discounted rate for future payments is 3.37% (last year 3.57%) while no salary inflation factor has been applied. The discounted rate has been applied to the best estimate of future cashflows. Any changes to these assumptions will affect the carrying amount of the liability.

## Notes to the Accounts

## Note 22

### DERIVATIVE FINANCIAL INSTRUMENTS

\$

Actual

30 June 2018

30 June 2019

-	<b>Assets</b>		-
	<b>Non-current</b>	Interest rate swaps - fair value	
	<b>Liabilities</b>		
34,748	<b>Current</b>	Interest rate swaps - fair value	61,613
3,809,423	<b>Non-current</b>	Interest rate swaps - fair value	5,494,760
<b>\$3,844,171</b>			<b>\$5,556,373</b>

#### Fair value

The fair value of interest rate swaps have been determined by calculating the expected future cash flows under the terms of the swaps and discounting these values to present value. The input into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices. Movements in the value of the derivative instruments are shown through the Surplus/(Deficit) in the Statement of Comprehensive Revenue & Expenses, as per IPSAS 29 & 30.

#### Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for the Council were \$61.2m (2018 \$60.4m). Ten of these, with a nominal principal totalling \$18m, were forward start date contracts (2018 Nine with a total of \$16m). At 30 June 19, the fixed interest rates of interest rate swaps varied from 1.6525% to 5.8% (2018:2.865% to 5.8%).



**PROVISIONS**

30 June 2018		30 June 2019
\$	Landfill Aftercare Provision	\$
182,452	Opening balance	175,858
(66,038)	Amounts used during the year	(50,472)
48,496	Adjustments to provision*	(44,108)
10,948	Discount unwinding (Note 5)	10,552
<b>\$175,858</b>	<b>Closing balance</b>	<b>\$91,830</b>

**Commentary**

The Nursery Road landfill was closed for general refuse on 30th September 2006. An interim closure plan was accepted by the GWRC and a resource consent application has been lodged for the closure plan and on-going limited disposal of special wastes. MDC's responsibilities under the closure plan include progressive capping using cleanfill (as it is deposited) and some imported material. The liabilities for this work were recognised and allowed for over a 10 year time period to 2020.

\* In 2010/11 the resource consent, including a closure plan was finalised. The sums expended in 2018/19 included \$189,241 on imported cover material (clay). The capping work using this material is expected to be progressed over the next 2 years.

**Provision for Financial Guarantees****NZ Local Government Funding Agency**

Masterton District Council is a shareholder of the NZ Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a credit rating from Standard and Poors of AA+.

Masterton District Council is one of 30 council shareholders of the NZLGFA, along with the NZ Government. In that regard it has uncalled capital of \$100,000. When aggregated with uncalled capital of other shareholders, \$20m is available in the event that an imminent default is identified. Also, together with the other shareholders, Masterton DC is a guarantor of all of NZLGFA's borrowings. At 30 June 2019, NZLGFA had lent \$9.335 billion (2018: \$8.272 billion). Financial reporting standards require Masterton District Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee and therefore has not recognised a liability. The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

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

**Community Organisations**

MDC has provided banks with guarantees on the borrowings of community organisations. Currently there are two guarantees in place, which are listed below. MDC is obligated under these guarantees to pay the overdraft or debt if the community organisation defaults. The exercising of guarantees will be dependent on the financial stability of the community organisations, which will vary over time. A financial provision would be prudent to be carried if any one of these groups' guarantees is likely to be called upon. No provision is currently considered necessary.

	Value of Guarantee	Amount owing 30 June 2019	Amount owing 30 June 2018
Masterton Motorplex Inc.	300,000	218,834	207,573
Wairarapa Multi-Sport Stadium Trust Board	100,000	68,847	67,332
Bring It To Colombo Trust*	200,000	200,000	0
	600,000	487,680	274,905

30 June 2018		30 June 2019
\$	Total Provisions	\$
175,858	Landfill aftercare provision	91,830
0	Financial guarantees provision	0
<b>\$175,858</b>	<b>Closing carrying value - Provisions</b>	<b>\$91,830</b>
50,472	Current	50,378
125,386	Non-current	41,452
<b>\$175,858</b>		<b>\$91,830</b>

**FINANCIAL LIABILITIES as at 30 June 2019**

	\$	\$	\$
	30 June 2018	30 June 2019	Plan 2019
<b>SUMMARY</b>			
Secured (bank) loans	0	0	0
Secure Floating Note (FRN)	0	0	0
LGFA bonds	52,000,000	50,000,000	53,414,000
Finance leases	36,550	9,368	10,000
Internal loans	7,001,073	10,423,394	9,929,000
<b>Sub total - all financial liabilities</b>	<b>59,037,623</b>	<b>60,432,763</b>	<b>63,353,000</b>
Less current portion of external liabilities	(10,028,736)	(5,009,368)	(2,260,000)
Internal loans/investments reversed	(7,001,073)	(10,423,394)	(9,929,000)
<b>Total non-current financial liabilities</b>	<b>\$42,007,814</b>	<b>\$45,000,000</b>	<b>\$51,164,000</b>

	2018/19	\$	\$
		Actual	Plan
<b>COST OF DEBT SERVICING</b>			
Loan repayments (external)		2,027,181	2,027,181
Interest expense (external)		2,627,685	2,598,123
<b>Cost of Debt Servicing (external)</b>		<b>4,654,866</b>	<b>4,625,304</b>
Loan repayments (internal)		612,080	609,534
Interest expense (internal)		283,023	415,471
<b>Cost of Debt Servicing (internal)</b>		<b>895,102</b>	<b>1,025,005</b>
<b>Treasury Policy Compliance</b>			
		Policy Limits	
Net External Debt to Operating Revenues	57.9%	150%	88.0%
Interest (external) as % of operating revenue	5.6%	10%	6.0%
Interest (external) as % of total rates revenue	8.9%	15%	8.8%
Interest (internal & external) as % of total rates revenue	9.9%	20%	10.3%

**MOVEMENTS IN TOTAL DEBT**

	\$ Actual	\$ Plan
<b>Opening Balance 1 July 2018</b>	<b>\$59,037,623</b>	<b>\$62,574,715</b>
Loan repayments	(2,639,261)	(2,636,715)
New borrowing (external, internal & finance leases)	4,034,401	3,415,000
<b>Closing Balance 30 June 2019</b>	<b>\$60,432,763</b>	<b>\$63,353,000</b>

**MATURITY ANALYSIS**

The following is a maturity analysis of MDC's borrowings (excluding finance leases & internal borrowings).

	30 Jun 2018	30 Jun 2019	
Repayments due in less than one year	10,000,000	5,000,000	Weighted average interest on external loans
Later than one year, less than five	28,000,000	27,000,000	
Later than five years	14,000,000	18,000,000	
	<b>\$52,000,000</b>	<b>\$50,000,000</b>	<b>4.89%</b>

**ANALYSIS OF FINANCE LEASE LIABILITIES**

	Actual 2018	Actual 2019
Payable no later than one year	31,168	10,388
Later than one, not later than two years	10,388	0
Later than two, not later than five years	0	0
Future financing charges	(5,007)	(1,020)
	<b>\$36,550</b>	<b>\$9,368</b>
Representing lease liabilities - Current	31,168	9,368
- Non-current	5,382	0

**Security:** The Council has secured its loans and debenture borrowing using a Debenture Trust Deed (DTD). Under the DTD the Council's rates revenue is offered as security and all lenders rank equally, with a trustee representing the lenders. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

**Term:** Each LGFA bond has a term shorter than the intended term of the borrowing, but for the maturity analysis above, it has been assumed that they will be repaid over sanctioned terms and refinanced as they mature. The loans include two Cash Advance Facilities (CAFs) with \$0 drawn and \$10m undrawn. Interest rate swaps have been used to fix interest rates for terms ranging from 5 months to 8.5 years.

**Debentures:** The Local Government Funding Agency (LGFA) bonds are used to fund capital projects. These bonds are floating rate, with swaps used to fix interest rates to comply with treasury policies.

**Leases:** The Council has entered into finance leases for a number of photocopiers and a tractor. The value of these assets is disclosed in Note 13. The finance leases can be renewed at MDC's option and MDC does have the option to purchase the assets at the end of the lease term. There are no restrictions placed on MDC by any of the finance leasing arrangements.

**FINANCIAL LIABILITIES as at 30 June 2019**

**New Debt:** The Council borrowed no money externally during the year.

**Internal loans:** \$4.03m in new internal borrowing was used to fund 2018/19 capital projects.

Internal interest paid/earned totalled \$283,022 and was charged on the average balance due. The interest rates charged averaged 3.37% for the year to 30 June 2019. The rates were based on the mid-point between what the Council could earn and what Council was paying on its external loans.

**Schedule of External Loan & Finance Lease Movements by Groups of Activities**

for the year ended 30 June 2019

External Interest \$ 000's		Opening Balance \$ 000's	New Borrowing \$ 000's	Reduction \$ 000's	Closing Balance \$ 000's
6	Roading	131		(5)	126
124	Water	2,518	0	(91)	2,427
2,130	Wastewater Services	42,625	0	(1,585)	41,040
62	Solid Waste	1,275		(74)	1,201
28	Stormwater	576	0	(29)	547
0	Community Wellbeing	0	0	-	0
278	Community Facilities/ Activities	4,912	0	(243)	4,669
2,628		52,037	-	(2,027)	50,010

**Schedule of Internal Loan/Investment Movements by Groups of Activities**

for the year ended 30 June 2019

Internal Interest \$ 000's		Opening Balance \$ 000's	New Borrowing \$ 000's	Reduction \$ 000's	Closing Balance \$ 000's
21	Roading	628		(31)	597
15	Water	459		(14)	445
128	Wastewater Services	3,816	130	(277)	3,669
15	Solid Waste	458		(38)	420
1	Community Wellbeing	26		(14)	12
103	Community Facilities/ Activities	1,614	3,904	(238)	5,280
283		7,001	4,034	(612)	10,423

**EQUITY****RETAINED EARNINGS**

\$

<b>30 June 2018</b>		<b>30 June 2019</b>
424,574,774	Opening Balance	428,175,213
6,458,166	Transfers From Special Funds & Reserves	7,747,629
(9,552,071)	Transfers (To) Special Funds & Reserves	(8,936,869)
216,889	Transfer to equity revaluation reserve on disposal assets	404,620
6,477,455	Surplus/(Deficit) for the year	2,537,186
<b>\$428,175,213</b>	Closing Balance	<b>\$429,927,779</b>

**REVALUATION RESERVE**

<b>30 June 2018</b>		<b>Notes</b>	<b>Movements due to asset disposals &amp; impairment</b>	<b>Revaluation Movements</b>	<b>30 June 2019</b>
38,783,971	Land	*1	(134,500)		38,649,471
21,900,456	Buildings	*2	(28,608)		21,871,848
	Infrastructural Assets	*3			
3,707,759	Land (under roads)				3,707,759
164,103,775	Roading & footpath assets		(66,478)		164,037,297
15,489,038	Water supply - urban		(145,507)		15,343,531
415,332	Water supplies - rural				415,332
15,648,080	Sewerage system - urban		(22,123)		15,625,957
365,479	Sewerage systems - rural		(469)		365,010
3,042,815	Stormwater assets				3,042,815
1,254,123	Flood Protection & Control Works				1,254,123
2,535,746	Other infrastructure assets				2,535,746
(12,252)	Financial assets value change	*4	(6,935)	261	(18,926)
<b>\$ 267,234,317</b>	via comprehensive revenue		<b>(\$404,620)</b>	<b>\$ 261</b>	<b>\$ 266,829,958</b>

*Analysis of Movements*

*1 Revalued portion of Land disposals:	Sale two small link strips	(\$134,500)
*2 Revalued portion of Buildings disposals:	Henley Lake Lookup destroyed by fire	(\$25,779)
	Airport Dwelling Roof Replaced	(\$3,558)
	QE Park Depot Building refitted	\$ 729
*3 Revalued portion of infrastructural assets disposed/replaced included the following:		
	Roading assets: - kerb & channel, footpaths, signs, culverts, bridges	(\$66,478)
	Water assets: - water reticulation mains & connections	(\$145,507)
	Sewerage assets: - sewer reticulation, manholes & connections	(\$22,592)
*4 Revalued portion of investments maturing included the following:	Airtel Shares	(\$6,251)
	LGFA Borrower Notes	(\$684)



**FINANCIAL INSTRUMENTS****Financial instrument categories**

The accounting policies for financial instruments have been applied to the line items below:

	\$000	\$000
Financial Assets	30 June 2019	30 June 2018
<b>Fair value through profit &amp; loss</b>		
Fund manager - cash and cash equivalents	0	0
Fund manager - current financial assets	0	0
Fund manager - non-current financial assets	8,593	7,966
	<u>8,593</u>	<u>7,966</u>
<b>Cash Deposits, Receivables &amp; Community Loans</b>		
Debtors and other receivables	3,601	4,965
Cash and cash equivalents	4,229	9,505
Bank deposits - current financial assets	8,786	4,281
Bank deposits - non current financial assets	0	0
	<u>16,615</u>	<u>18,751</u>
<b>Fair value through comprehensive revenue &amp; expense</b>		
Derivative financial instrument assets	0	0
Corporate bonds - current	78	161
Corporate bonds - non-current	836	811
Unlisted shares	304	312
	<u>1,218</u>	<u>1,284</u>
<b>Financial Liabilities</b>		
<b>Fair value through comprehensive revenue &amp; expense</b>		
Derivative financial instrument liabilities	5,556	3,844
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	7,092	6,209
Borrowings - secured loans	0	0
- LGFA bonds	50,000	52,000
- Secure Floating Note (FRN)	0	0
	<u>57,092</u>	<u>58,209</u>

**FINANCIAL INSTRUMENT RISKS**

Masterton District Council (MDC) has a Treasury Management Policy in place to manage the risks associated with financial instruments. MDC is risk averse and seeks to minimise exposure from its treasury activities. MDC has established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

**Price risk**

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. MDC is exposed to equity securities price risk on its investments, which are classified as financial assets held at fair value through equity and fair value through PandL. This price risk arises due to market movements in tradeable securities. This price risk is managed by diversification of MDC's investment portfolio in accordance with the limits set out in MDC's Investment policy.

MDC holds shares (equity instruments) in NZ Local Government Insurance Corporation and NZ Local Government Funding Agency, none of which are publicly traded. Change in value is calculated by calculating MDC's share of the reported value of the entity's equity.

### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. MDC is not exposed to currency risk, as it does not enter into foreign currency transactions.

### Interest rate risk

The weighted average interest rate that the MDC's investments are earning at 30 June 2019 is 5.55 per cent (last year 4.16 per cent) and on MDC's borrowings (as shown in Note 24) the weighted average interest rate is 4.89 per cent (last year 4.97 per cent).

### Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing issued at fixed rates exposes the MDC to fair value interest rate risk. MDC's Liability Management Policy outlines the minimum and maximum level of borrowing (55 per cent and 90 per cent) that is to be subject to fixed interest. Floating to fixed interest rate swaps have been entered into to hedge the fair value interest rate risk arising where MDC has borrowed at floating rates.

In addition, investments at fixed interest rates expose the MDC to fair value interest rate risk. If interest rates on investments at 30 June 2019 had fluctuated by plus or minus 1 per cent, the effect would have been to decrease/increase the fair value through P and L and/or equity reserve by \$225,200 (2018 \$227,200).

If interest rates on borrowings at 30 June 2019 had fluctuated by plus or minus 1 per cent, the effect would be to decrease/increase the surplus/(deficit) in future periods by up to \$500,100 (2018 \$520,400) as a result of higher/lower interest expense on borrowings.

### Cash flow interest rate risk

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

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

### Credit risk

Credit risk is the risk that a third party will default on its obligation to MDC, causing MDC to incur a loss.

Due to the timing of its cash inflows and outflows, MDC invests surplus cash into term deposits. MDC also holds reserve funds that are invested in a number of financial instruments, according to criteria in the Investment Policy. These investments can give rise to a credit risk.

MDC invests funds only in deposits with registered banks, local authority stock and corporate bonds of BBB credit rating or better, and its Investment Policy limits the amount of credit exposure to any one institution or organisation and the percentage of the portfolio that can be invested in less than A rated instruments. Investments in other Local Authorities are secured by charges over rates. One investment fell below the BBB credit rating during the year and was still held at year end. This policy breach was reported to the Council.

MDC has no significant concentrations of credit risk in its general debtor assets as it has a large number of credit customers, mainly ratepayers, and MDC has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

## Liquidity risk

Liquidity risk is the risk that MDC will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. MDC aims to maintain flexibility in funding by keeping committed credit lines available. In meeting its liquidity requirements, MDC maintains a prudent level of investments held short term to enable operational access to funds if required.

MDC manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management Policy. These policies have been adopted as part of the MDC's Long-Term Plan. MDC is a shareholder in the NZ LGFA and has \$50 million from them at 30 June 2019. There are two cash advance facilities with Westpac and ANZ. The maximum amount that could be drawn down using these facilities during 2018/19 was \$10m (2018 \$10m). The intent of using these types of facilities is two-fold: 1) to assist meeting cashflow requirements on capital projects prior to conversion to longer term debt, and 2) to enable floating-to-fixed interest rate risk management instruments to be used. As at 30 June 2019 no money had been drawn against the CAFs (2018 \$0m).

The maturity profile of MDC's interest-bearing investments is disclosed in Note 11 with a split between cash, deposits of less than three months, financial assets of less than 12 months and financial assets with terms greater than 12 months. The table on the following page shows the financial assets exposed to credit risk and the credit ratings of the investments.

<b>Maximum exposure to credit risk</b>		<b>\$000</b>	<b>\$000</b>
		<b>30 June 2019</b>	<b>30 June 2018</b>
Cash at bank and term deposits		13,015	13,786
Debtors and other receivables		3,601	4,965
Derivative financial instrument assets		0	0
Local authority, LGFA and government stock		855	914
Corporate bonds/discounted securities/SOEs		8,653	8,024
		<u>26,123</u>	<u>27,689</u>
<b>Credit quality of financial assets</b>			
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings (if available) or to historical information about counterparty default rates:			
<b>Counterparties credit ratings</b>			
<b>Cash at bank and term deposits</b>			
	AA-	11,379	12,155
	Not Rated	1,636	1,631
Total cash at bank and term deposits		<u>13,015</u>	<u>13,786</u>
<b>Government and LGFA Stock</b>			
Government stock	AA	0	0
LGFA	AA+	855	914
Local authority stock	A	0	0
Total Government and LGFA Stock		<u>855</u>	<u>914</u>
<b>Listed bonds</b>			
	AAA	746	691
	AA	7,399	6,859
	A- to AA-	0	0
	A+	0	0
	A	449	416
	A1 & A1+	0	0
	BB+ to BBB+	60	59
Total listed bonds		<u>8,653</u>	<u>8,024</u>
<b>Derivative financial instrument assets</b>			
	AA-	0	0
<b>Counterparties without credit ratings</b>			
Debtors and other receivables		<u>3,601</u>	<u>4,965</u>
		<u>3,601</u>	<u>4,965</u>
Debtors and other receivables mainly arise from MDC's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors with reference to internal or external credit ratings.			

## CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES

Note 26b contains a table which discloses the relevant maturity groupings of MDC's term liabilities. The table on the next page analyses all MDC's financial liabilities based on the remaining period from the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The amounts disclosed are the undiscounted cash flows and include interest payments.

The table also includes MDC's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.



**Contractual maturity analysis of financial liabilities**

	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	1-5 years \$000	More than 5 years \$000
<b>As at 30 June 2018</b>					
Creditors and other payables	6,209	6,209	6,209		
Net settled derivative liabilities*	3,844	12,206	1,970	6,191	4,045
Committed cash advances	0	0	0	0	
Secure Floating Note (FRN)	0	0	0		
LGFA bonds	52,000	54,075	10,436	25,400	18,239
Finance leases	37	37	31	6	
	62,089	72,527	18,646	31,597	22,284
<b>As at 30 June 2019</b>					
Creditors and other payables	7,092	7,092	7,092		
Net settled derivative liabilities*	5,556	9,104	1,869	5,818	1,417
Committed cash advances	0	0	0	0	
Secure Floating Note (FRN)	0	0	0		
LGFA bonds	50,000	51,840	5,512	33,189	13,139
Finance leases	9	9	9	0	
	62,658	68,045	14,483	39,006	14,556

\* Contractual cashflow estimate is based on the variance between fixed rate and floating rate on balance date

## SENSITIVITY ANALYSIS

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

Sensitivity Analysis	2019 000's				2018 \$000's			
	-100bps		+100bps		-100bps		+100bps	
	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity
Interest Rate Risk								
Financial Assets								
Cash & cash equivalents	(42)		42		(95)		95	
Other financial assets <sup>1</sup>	347	-	(347)	-	322	-	(322)	-
Other financial assets <sup>2</sup>		54		(54)		51		(51)
Derivatives <sup>3</sup>	-		49		-		333	
Financial Liabilities								
Term Debt	500		(500)		520		(520)	
Derivatives <sup>3</sup>	(2,221)		2,030		(2,284)		1,786	
Total Sensitivity	(1,416)	54	1,274	(54)	(1,537)	51	1,372	(51)
Foreign Exchange Risk	Minimal - foreign exchange transactions are limited to some library book purchases.							
Equity Price Risk	Nil - there are no listed shares within financial assets.							
1. Financial assets whose fair value change is shown through Surplus/(Deficit)								
2. Financial assets whose fair value change is shown through Comprehensive Revenue & Expense								
3. Derivatives (interest rate swaps) fair value change is shown through Surplus/(Deficit)(not hedge accounted)								

## CAPITAL MANAGEMENT

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

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

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

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

MDC has the following types of Council-created Special Funds and Reserves:

- Reserves representing accumulating asset replacement provisions
- Reserves representing developer contributions towards assets and infrastructure
- General purpose reserves originating from asset sales and carried forward funding
- Restricted reserves intended for special purpose assets or originating from a bequest.

Reserves for asset replacement are used where there is a discrete asset for which renewal or replacement expenditure is required to be met over and above annual revenue.

Developer contributions taken under the District Plan are held in reserves and applied to asset development projects, giving effect to the intent of the District Plan, to help fund the impacts of growth.

Interest is added to reserve fund balances as per the Council policy of protecting the reserve funds against inflation while maximising the interest return for use on Council development projects. Full interest is allocated to bequest and special purpose asset reserves. Deductions from reserves are made based on Council's Annual Plan decisions on the funding source for a range of expenditure.

## PURPOSE AND APPLICATION OF SPECIAL FUNDS AND RESERVES

### Plant and Equipment Depreciation Funds

These funds are built up from depreciation on plant and equipment and are used to fund replacements.

### General Capital Reserves

These funds have been set aside from the sale of assets, the most significant of which was the sale of Wairarapa Electricity shares in 1996. Forestry sale proceeds are added to this reserve. Funds can be utilised for new asset purchases and to fund one-off Council projects and grants.

### Investment Interest Fund

These funds are generated by receiving the proceeds of interest earnings on investments, after allocating interest at the rate of inflation to all other special funds balances. The funds are applied to offset debt servicing costs on specific projects including the CBD upgrade, Chapel Street stormwater line and Castlepoint seawall.

### Reserves and Development Funds

These funds represent reserves and development contributions that are generated from the District Plan provisions for financial contributions on development and subdivision. The funds can only be applied to the purpose for which they were taken, i.e. development of assets on reserves and general district development.

### Buildings Depreciation Funds

The Council has a series of specific depreciation reserve accounts for assets such as Senior Housing, the District Building, Trust House Recreation Centre and parks and reserves buildings. Depreciation funds on these assets are accumulated in these funds and used for renewal expenditure as required.

### Roading, Bridges and Flood Damage Funds

Most roading renewal expenditure is funded from rates and NZTA subsidies, but some funding for the Council's share of bridge renewals and street furniture is being built up in this fund. Roothing contributions taken as per the District Plan financial contributions are accumulated in this fund and a separate fund for responding to road flood damage is also part of this group. Use of these funds can be for roading and bridge renewals, upgrades and flood damage.

### Urban Infrastructure Depreciation Funds

Depreciation on urban infrastructural assets is accumulated in this fund and applied to renewal of those assets. Infrastructure contributions taken as per the District Plan financial contributions are accumulated in this fund and utilised on renewing and upgrading the network assets.

### Miscellaneous Funds

These funds are made up of surpluses and deficits of various distinct entities under the Council's control. Separate balances are maintained for a number of rural water and sewerage supplies and the Dog Control carry forward surpluses. A separate Special Funds account represents a balance of funds carried forward. They are generally rated for specific items, but not spent. The sums are identified at year end and carried forward so they can be applied to the expenditure for which they were raised. The Council has also utilised or borrowed from these funds to advance projects and repay back to the fund, e.g. Wairarapa Combined District Plan project.

**MOVEMENTS IN SPECIAL FUNDS & RESERVES - 2018/19**

	Opening Balance	Transfers Out	Transfers In	Closing Balance	Plan
Plant & Equipment Funds	1,792,645	(387,093)	461,457	1,867,009	1,481,191
General Capital Funds	2,546,189	-	109,007	2,655,196	3,227,841
Investment Interest Fund	260	(436,374)	810,795	374,681	72,913
Reserves & Development Funds	1,202,512	(275,668)	506,993	1,433,837	1,057,693
Building Depreciation Funds	7,751,016	(2,255,031)	1,475,238	6,971,223	3,448,212
Roading, Bridges & Flood Damage	6,531,172	(940,805)	1,022,084	6,612,451	5,163,523
Urban Infrastructural Depreciation	4,644,623	(2,335,059)	3,200,866	5,510,430	4,170,591
Miscellaneous Funds	2,545,034	(1,117,599)	1,350,429	2,777,864	1,011,672
<b>Total</b>	<b>\$27,013,451</b>	<b>(\$7,747,629)</b>	<b>\$8,936,869</b>	<b>\$28,202,691</b>	<b>\$19,633,636</b>

	Actual 2018/19	Plan 2018/19
<b>Analysis of Transfers 'OUT' of Funds &amp; Reserves</b>		
Funding of Capital Expenditure from special funds & reserves	6,430,228	10,250,624
Funding of Operating Expenditure from special funds & reserves	1,317,401	1,484,500
	<b>7,747,629</b>	<b>11,735,124</b>

<b>Analysis of Transfers 'IN' to Funds &amp; Reserves</b>		
Reserves & Development Contributions received	506,993	230,000
Infrastructure & Roothing Contributions received	1,150,125	360,000
Carry forward funding for on-going project commitments	1,190,093	158,629
Interest earned and retained in special funds	4,000	4,000
Interest earned and allocated to Investment Interest fund	810,795	586,000
Sub Total	3,662,006	1,338,629
Depreciation funded into asset replacement reserves funds	5,114,299	4,986,026
<b>Total of Transfers into funds from Operations</b>	<b>8,776,305</b>	<b>6,324,655</b>
Proceeds from sale of plant & equipment assets	10,778	
Proceeds from sale of land & building assets (including forestry harvested)	149,785	0
<b>Total Transfers into funds from Asset Sales</b>	<b>160,564</b>	<b>0</b>
	<b>8,936,869</b>	<b>6,324,655</b>



### Explanation of variances from Plan:

The balance of Special Funds & Reserves, at \$28.2 million, is \$8.6 million or 43.7 per cent more than planned. The opening balance was \$2.0 million more, there was \$4.0 million less drawing out of funds and \$2.6 million more put into funds.

**Plant and Equipment Funds** - \$1.87 million is 26 per cent more than Plan. Not all the equipment replacement budget was spent and more depreciation has flowed in than planned.

**General Capital Funds** - \$2.66 million is 17.7 per cent less than Plan. The Plan opening balance of this fund was overstated - it did not anticipate all the drawing from it in the prior year.

**Investment Interest Fund** - \$0.37 million - \$302k more than planned. Better than planned interest income was achieved and allocated to this fund

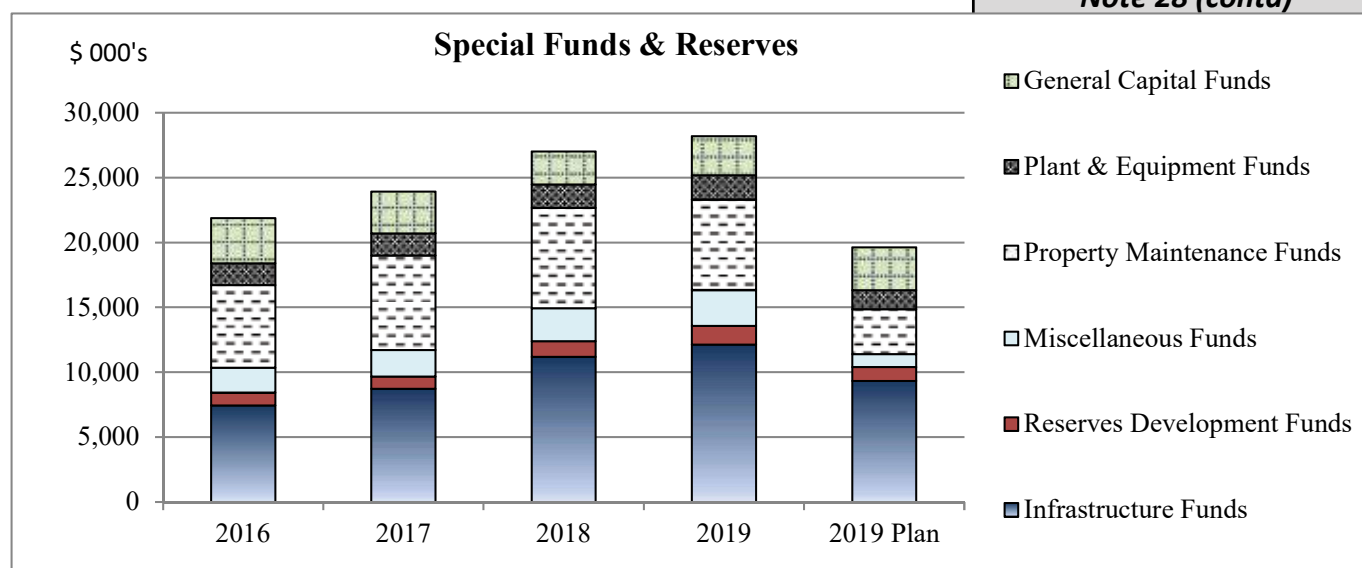
**Reserves and Development Funds** - \$1.4 million - \$376k or 35 per cent more than planned. Expenditure from this fund was less than planned and contributions received were more than planned.

**Building Depreciation Funds** - 102 per cent more than Plan or \$3.5 million. Only \$2.2 million of \$4.6 million planned expenditure from this fund was needed as a number of projects were not progressed during the year, including the District Building project and several projects in the Community Facilities activity.

**Roading and Infrastructural Assets Funds** - \$2.8 million or 23 per cent more than planned. Roothing funds are 28.1 per cent more than planned, some \$1.45 million, due to more financial contributions from developers, higher NZTA subsidies on streetlight upgrades and footpaths meaning less draw from these funds and some non-subsidised work that was planned to be funded from here, not proceeding. Urban infrastructure fund balance is \$1.3 million more than planned. Some \$2.3 million was applied to fund renewals while the plan was for \$2.65 million. Contributions from developers were \$546k more than planned.

**Miscellaneous Funds** - \$1.77 million more than Plan. These funds have ended the year well above the planned level due to the opening balance being \$0.8m more than predicted in the Plan and \$1.06 million more surplus funding carried forward than planned.

### Note 28 (contd)



\$ 2017/18	RECONCILIATION OF NET SURPLUS/(DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES	\$ 2018/19
<b>\$ 6,477,455</b>	<b>Operating Surplus / (Deficit)</b>	<b>\$ 2,537,186</b>
	- Add (less) non-cash items	
11,274,627	Depreciation and amortisation	11,888,910
(4,565,771)	Vested asset gains	(1,366,552)
(146,856)	(Gains)/losses in fair value of biological assets (forestry)	25,791
(169,000)	(Gains)/losses in fair value of investment property	(354,200)
(43,802)	Other non-cash items	(23,078)
	- Add (less) items classified as investing or financing	
673,720	(Gains)/losses on disposal of property, plant & equipment	684,294
346,019	(Gains)/losses on change in fair value of financial assets/liabilities	1,712,202
	- Add (less) movements in working capital items	
(1,474,998)	(Increase)/decrease in receivables	1,429,213
(10,743)	(Increase)/decrease in prepayments	(65,108)
125,048	(Increase)/decrease in Inventories	(181,747)
(125,423)	Increase/(decrease) accounts payable	(194,648)
98,212	Increase/(decrease) in employee entitlements	9,752
421,630	Increase/(decrease) in other current liabilities	193,995
<b>\$ 12,880,118</b>	<b>Net Cash Inflow from Operating Activities</b>	<b>\$ 16,296,010</b>

**RATING POLICIES REPORT****RATES REMISSIONS**

	2018/19		2017/18	
	No.	\$	No.	\$
The cost of the Council's Rates Remission Policy is summarised below.				
Rates remissions were given on:				
Community halls, volunteer & charitable groups	65	91,503	64	85,974
Sporting, arts and cultural use	26	43,828	23	39,424
Land protected for conservation or heritage purposes	80	15,351	78	12,314
Rate penalty remissions*	11,258	274,795 *	10,401	237,855
Uniform charges on non-contiguous units	5	1,626	6	2,173
Urban land with rural use	9	6,684	8	7,227
Total (as per Note 3)	11,443	\$433,787	10,580	\$384,967

\* Note: The majority of these penalty remissions were given to properties which had a direct debit (DD) in place to clear the instalment by the end of the quarter. At the penalty date they had a balance due on which an automatic penalty has been calculated, then remitted. 11,258 is the number of transactions, and these relate to penalty remissions on 3,206 properties. The increase from the previous year, both in terms of volume and value, is a reflection of the growth in people paying by way of DD and in particular, choosing to pay on a weekly, fortnightly or monthly basis.

No estimate has been attempted to establish the value of rates revenue which would have been chargeable on those properties which the Rating Act 2002 makes non-rateable. If those properties had been rateable the Council would have still collected the same total rates to fund its activities and the rates-in-the-\$ would have been less, effectively spreading the rates required over more properties and other ratepayers' rates less.

**RATES POSTPONEMENTS - Subdivision Developments**

Under the Council policy on Rates Postponements for subdivision developments, zero (2018 = 0) ratepayers have received the benefit of being allowed to postpone 50% of the rates on unsold sections.

**- Postponements for Hardship or Against Equity**

In 2018/19, no properties (2017/18 = 0) requested or were allowed to postpone rates based on the Council's policy for postponement under extreme financial circumstances, or for postponement against equity on the homes of elderly ratepayers.

**PLAN COMPARISON & BUDGET VARIATIONS****Treasury Policy**

		2018/19	2018/19	2017/18
	Policy Limit	Actual	Plan	Actual
Net External Debt* as % of Operating revenue	150%	57.9%	88.0%	66.0%
Interest expense (external) as % of Op revenue	10%	5.6%	6.0%	5.9%
Interest expense as % of Rates revenue	15%	8.9%	8.8%	9.4%
Long Term Debt (external) per capita		\$2,033	\$2,199	\$2,115

\* Net External Debt is defined as Financial Liabilities (including current), less current and term Financial Assets and Cash

**PLAN COMPARISON & BUDGET VARIATIONS****Major Variations from Plan**

Explanations for major variations in the Financial Statements from the 2018/19 Plan (Year 1 of LTP) are as follows:

**Statement of Comprehensive Revenue & Expense**

The accounting surplus of \$2.54m compares to the planned figure of \$0.38m surplus, but after excluding Other Gains & Losses and Vested Assets, there was a net overall surplus of **\$3.22m**

**Total Operating Revenue of \$48.55m is more than plan by \$4.89 m 11.2%**

- \* Revenue recognised but not budgeted includes gains from vested assets of \$1.37m and valuation gains \$0.38m
- \* Financial contributions of \$1.76m were more than planned by \$1.07m. This revenue continues the trend shown last year and comes from the high level of subdivision activity in the urban area.
- \* Subsidies & grants were 16.1% or \$0.86m more than planned due to subsidised roading expenditure being more than planned with the associated higher level of subsidies from NZTA. Some work not completed from the prior year was completed in 2018/19, while some additional capital projects were funded by NZTA during the year, including an extension of the LED streetlighting upgrade.
- \* Other operating revenue of \$8.15m was \$0.66m (8.9%) more than planned, with the biggest proportion of the variance coming from building consent revenue and refuse transfer station charges both running ahead of their planned levels.
- \* Finance revenue of \$1.17m was \$0.47m more than planned after bond investments returned better than expected returns and funds drawn early to repay an LGFA loan, earned interest which was unplanned.

**Total Operating Expenditure of \$46.0m is more than plan by (\$2.73) m (6.3)%**

**Personnel Costs are less than plan by \$0.07 m 0.8%**

- \* This expenditure item has come in very close to the planned level.
- Other Expenses are more than plan by (\$0.16) m (0.8)%**
- \* Roothing operating costs were above the planned level by \$0.18m or 1.6% largely due to completing carried forward work from the prior year.
- \* Cost savings were made in the Wastewater and Stormwater activities totalling some \$0.37m or 4.6% of planned operating expenditure in those areas. Some of those cost savings sit in the stock value of baleage yet to be sold.
- \* The Solid Waste activity saw greater volumes of waste and recycling go through the transfer station than planned, so operating costs were higher. Also, cover material (clay) was purchased for the closed landfill.
- \* In the Planning area costs allowed for two projects were not incurred due to delays in external processes.
- \* In the Building Development area activity levels were higher than planned resulting in higher processing costs. In addition the costs associated with legal challenges have seen the budget over-spent.

**Finance costs were more than plan by (\$0.04) m (1.5)%**

- \* Borrowing funds early for a bond maturity resulted in higher costs but they were offset by interest revenue.

**Depreciation & amortisation is close to plan (\$0.15) m (1.3)%**

**Other Losses more than planned by (\$2.46) m**

- \* Other losses were not allowed for in the Plan or LTP. These include writing off residual value of assets renewed (\$0.6m), the loss against the book value of roadside trees harvested during the year (\$0.08m) and losses on the mark-to-market valuation of cash flow hedges (\$1.7m).

**Statement of Financial Position as at 30 June 2019**

- \* Current assets of \$17.1m higher than budgeted as a number of longer term deposits were coming due.
- \* Also, more short term investments are held as the flat yield curve has not justified using longer term deposits.
- \* The Annual Plan allowed for \$18.3m of capital expenditure, but only \$15.5m was spent and \$1.4m of vested assets were added from subdivision development.
- \* In Current liabilities creditors are up, with a number of large contract payments as payable or accrued at year end, plus higher than anticipated income received in advance from ratepayers making regular payments and project funding received in advance and not yet spent. Employee liabilities are 28.7% higher than planned with one weeks wages belonging to July in addition to other liabilities, including holiday pay.
- \* Current financial liabilities include a \$5m bond maturity due in April 2020. The plan only allowed for the budgeted loan payments as part of this bond will be refinanced.
- \* Non-current financial liabilities are less than planned due to the capital expenditure that was planned to be loan funded was, instead funded from internal borrowing.



**PLAN COMPARISON & BUDGET VARIATIONS****Statement of Movements in Equity**

- \* Overall the Council's Equity is \$9.5m (1.3%) more than anticipated in the Plan largely due to the balance of special funds being higher than planned.
- \* Special funds and reserves are \$8.6m (43.7%) more than planned due to less drawing on depreciation funds for renewal work, greater flows into funds from developer contributions and the surplus funding carried forward.

**Statement of Cashflows**

- \* Cash from operating activities was \$4.2m (35%) more than plan with revenue from financial contributions, subsidies and grants, finance revenue and other operating revenue all well up as described above.
- \* Cash applied to investing activities was \$4.5m (30.2%) more than planned with lower receipts from the sale of investments than planned and movement of cash funds at the beginning of the year into deposit investments.
- \* No external borrowing was required for capital as \$4.03m was borrowed internally. New external borrowing of \$8m was applied to repayment of a \$10m LGFA bond. The net effect was a \$2m reduction of external debt.

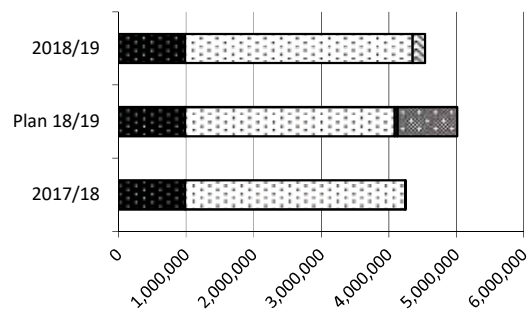
**Capital Expenditure**

- \* Subsidised roading renewals were \$5.32m versus the Plan of \$4.49m. The reasons for the extra \$0.83m include completion of a kerbing contract carried forward, doing more footpath renewals as subsidised, higher cost of roadmarking and undertaking repairs to drop-outs that were the result of storm events.
- \* Additional LED streetlighting was installed during the year (\$0.11m). This work was unbudgeted and the subsidy rate was 85%.
- \* The Town Centre Project included consultation and testing of a number of concepts, including parklets with those costs not capitalised. Further design work was completed to the point where, at 30 June 2019 the Council has three options designed and ready to move forward with.
- \* Sewerage reticulation renewals totalled \$0.77m compared the planned level of \$1.15m while development of further irrigation land at the Homebush treatment plant has not progressed as quickly as the plan expected.
- \* Water reticulation renewals of \$1.6m were planned. \$1.33m of work was completed with a number of contracts underway at year end.
- \* Two main solid waste capital projects were planned. The roof over the transfer station was not progressed. The roll out of wheelie bins for recyclables was planned during the year, but at year end the bins were on order and due to be installed in August 2019.
- \* The settlement of the purchase of Waiata House (\$3.6m) took place in 2018/19. The value was not included in the Plan for the year as it had been anticipated that settlement would have been completed in 2017/18.
- \* A number of Community Facilities capital projects were progressed during 2018/19. The QE Park rejuvenation project around the park lake was underway (50% completed), the Library Learning centre was awaiting landscaping work (90% completed), the QE Park grandstand upgrade has progressed well (70% completed), the Recreation Centre lido pool and indoor pool projects were completed. Henley Lake intake and buildings upgrades were not able to be progressed during the year.
- \* The project to design options for a new civic Centre was planned with a provision of \$1m. Only \$0.18m was spent on developing engineering estimates for a series of options. The information gathered to date will be used in further consultation in 2020.
- \* Vested Assets include the infrastructural assets provided by developers (\$1.4m).

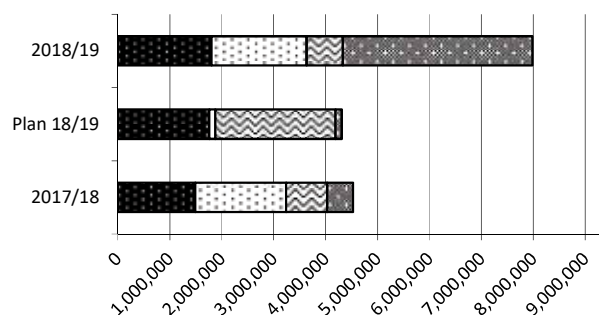
## Funding Comparisons by Activity

■ Rates    □ Other revenue    ▨ Reserves    ■ Loans

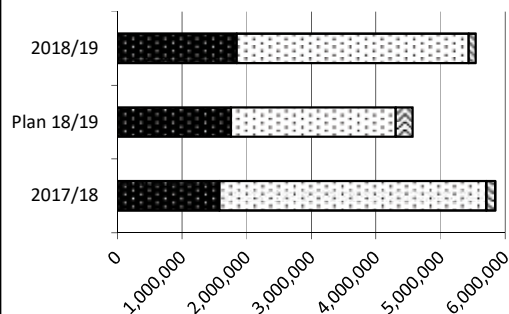
## Solid Waste Services



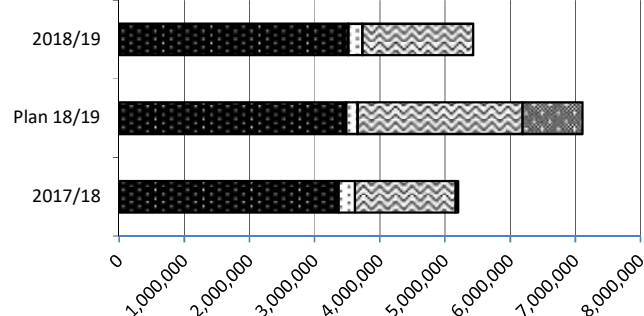
## Property Mgmt (including Mawley Park)



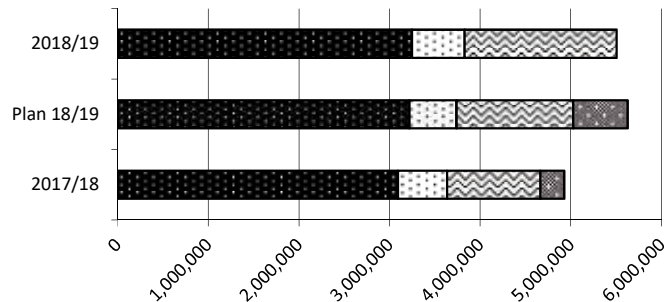
## Regulatory Services



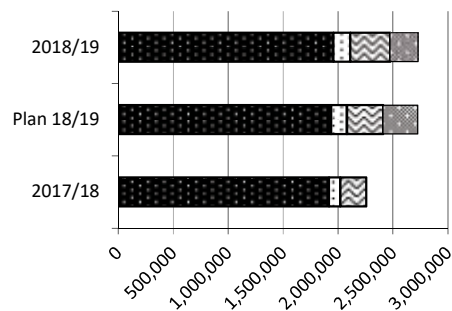
## Parks &amp; Recreation



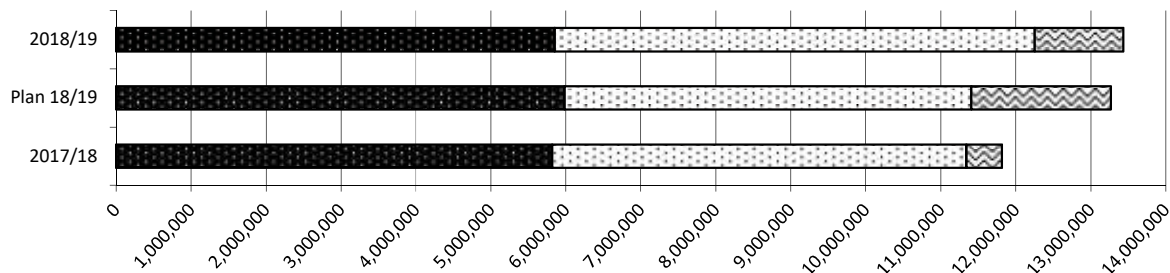
## Water Supplies



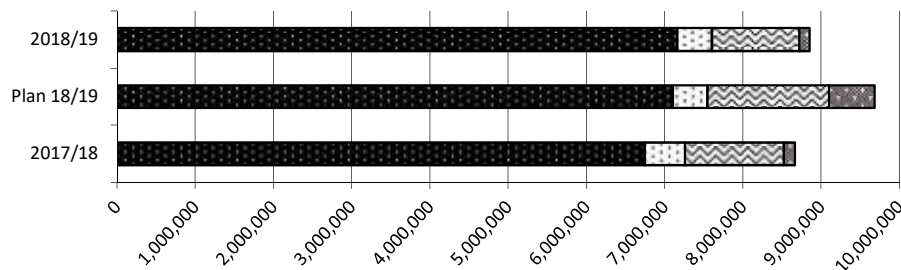
## Library &amp; Archives



## Roading



## Wastewater Services



Note: Funding excludes Income from Vested Assets

**STATEMENT OF COMMITMENTS AND CONTINGENCIES****As at 30 June 2019**

This statement provides information about the funds that the Council is committed to spending on major projects and discloses information on contingent liabilities.

**Capital Commitments**

Activity	2019	2019	2018
	No. Of Contracts	\$	\$
Roading	4	1,985,447	2,405,109
Water Services	6	460,287	351,477
Sewerage Services	6	545,329	339,407
Solid Waste Services	0	0	0
Community Facilities - construction	3	877,808	897,991
Community Facilities - property purchase	0	0	3,600,000
	19	3,868,870	7,593,984

Capital commitments represent capital expenditure contracted for at balance date, but not yet incurred.

There are 19 significant construction contracts in progress at 30 June 2019 (2018 = 19). These were:

- \* Contracts for Solway Cres Improvements, Flood damage repairs, Street Light upgrades and various sealed rehabilitation projects were in progress but not complete.
- \* Six sewer renewal contracts were committed but not complete. These relate to Manuka, Third, Oxford and Ngaumutawa Rd/Renal Street, Waltons Ave and Park Ave sewer mains.
- \* Six water services contracts have commitments, two were partially completed and four have not started. The partially completed projects relate to Elizabeth Street and Nursery Rd.. Projects at South Belt, Oxford, Fleet, Irons and Matai Streets had not commenced.
- \* Contracts for three Community Services projects were in progress but not complete. Work on the projects for the strengthening of the memorial Park grandstand, QE II Park grandstand and the Lake of remembrance at QEII park were in progress and partially complete at year end.

**Contract Commitments**

There were a number of professional and maintenance contracts commitments in operation at 30 June 2019.

**Professional services contracts** commitments have been made for wastewater, roading and community facilities. These are invoiced based on scheduled rates or on an hourly basis.

**Maintenance contract** commitments has been made for roading, services, parks, and solid waste.

In addition, there are facilities management contract commitments for the Recreation Centre and Mawley Park.

**Operating Lease Commitments (as a lessee)**

Council leases property in the normal course of its business. Six of these leases have non-cancellable terms; the Wairarapa Archive, the Genealogy Centre at 79 Queen Street, the old ANZ Bank at 161 Queen Street, the two floors in the old Public Trust building and the offices above the Hannah's shop. The earthquake risk identified on parts of the main Council building has meant relocating staff to other rented buildings. The imminent planned move of staff to Waiata House at year end meant three of these leases had only two months to run. Future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	2019	2018
Not later than one year	203,001	220,498
Later than one year and not later than five years	210,306	314,533
Later than five years	0	0
Total Non-cancellable operating leases	\$413,307	\$535,031

*There are no restrictions placed on the Council by any of the leasing arrangements.*

**STATEMENT OF COMMITMENTS AND CONTINGENCIES****As at 30 June 2019****Operating Lease Commitments (as a lessor)**

In the course of its business Council has a number of leases in place. Residential tenancies are not included as they have two weeks to one month notice periods respectively. The non-cancellable leases include 19 for grazing (2018, 21), 15 sporting groups (including a mix of ground & building rentals) (2018,14), 24 airport sites (2018, 23) and 16 other properties (2018, 16). 15 of these leases expire in the next 12 months (2018, 12), 34 within five years (2018, 33) and 15 have a term greater than five years (2018, 12). A number of other leases are in the process of being renewed or are on year by year renewals. These future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	2019	2018
Not later than one year	377,653	378,984
Later than one year and not later than five years	517,822	490,195
Later than five years	190,673	96,471
<b>Total Non-cancellable operating leases</b>	<b>\$1,086,148</b>	<b>\$965,650</b>

*No contingent rents have been recognised during the period.*

**Contingencies****Town Hall & District Building - Earthquake Prone Impairment**

Comprehensive assessments of the earthquake rating of the Town Hall & District Building were received from a qualified structural engineer during 2016 and as a result of being below code, the older parts of the buildings were closed to the public and most Council staff relocated to alternate premises. A written report which provided remediation and strengthening options has been received and costed. The estimated cost of the work is between four and five times the value of the buildings. At the 30 June 2019 the Council had consulted (via its LTP) on broad options for the future of the buildings, commissioned a market demand analysis report and appointed a project manager to develop further options and advice. In June 2019 the Council considered 7 options and resolved to consult further on 3 of them. In February 2019 the Council settled the purchase of Waiata House and at 30 June 2019 was in the final stages of planning the move into the new building for some 70 staff.

**Weather-tight buildings**

The Council is not aware of any residential properties with potential unresolved weather-tightness issues within the District. In relation to non-residential buildings, in April 2013 the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 Councils, including MDC alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code of Compliance Certificates. The Councils have applied for orders setting aside and striking out CHH's claims against them. The MOE's claim against CHH is for 833 school buildings, 2 of which are located with Masterton District. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

**Contaminated Sites**

The Council is aware of the existence of three sites within the Masterton urban boundary which have some level of contamination as a result of the operation of former gas works. The Council is meeting its obligations with respect to disclosure about these sites pursuant to the Resource Management Act and has commissioned studies into the levels of contamination and continues to undertake monitoring as required.

The former gas works site in Bentley Street is owned by the Council and may need some remediation in the future. The investigations to date indicate some limited off-site migration of a number of contaminants. This is not considered significant as the groundwater is not utilised in the area and the plumes are generally very limited in extent. Council is currently working with the Greater Wellington Regional Council as a resource consent for this site is in place and involves on-going monitoring costs.

The Council purchased, for a nominal sum, a piece of land on the corner of Church St and Colombo Road. The site has some sub-soil contamination and subsidence problems and will be used for passive recreation. One other site is in part Council ownership, part private. Studies have been commissioned by Council to establish that the level of contamination is not causing any threat to the current occupiers, but has accepted no liability for the site and is working with the property owners and insurers to resolve any issues.

**Local Government Funding Agency - Guarantee**

As stated in Note 23 (Provisions) and Note 26a (Financial Instrument Risks), the Council is a shareholding guarantor of the LGFA which has a credit rating of AA+. The Council holds \$0.1m value of shares and \$0.1m uncalled capital. That brings with it obligations in terms of the guarantee liability which has been disclosed in these Notes. The Council has been unable to determine a sufficiently reliable and fair value for the guarantee and therefore has not recognised a liability or contingency value.



**STATEMENT OF COMMITMENTS AND CONTINGENCIES****As at 30 June 2019****Court proceedings**

- 1 The Council has been named as second defendant in High Court proceedings brought by Masterton Trust Lands Trust (MTLT). The matters relate to 5 separate buildings where the first defendant, Kevin O'Conner & Associates is alleged to have not designed the buildings to meet earthquake standards. The Council, as second defendant, is alleged to have breached the duty of care in processing building consents, undertaking building inspections and issuing Code of Compliance Certificates. Third defendants are the engineering firms who provided the Council with peer reviews of the engineering designs of the buildings. The Council's insurer has appointed lawyers, Heaney & Partners to act for the Council in defence of the claim. Parties have filed and served statements of claim, defence and the legal process is proceeding, most likely heading to mediation in early 2020. As at the 30th June 2019, there is no indication of the likelihood of the Council's defence being successful or otherwise. The insurer is directing the lawyers and the Council's liability will be limited to its deductible, so no financial provision has been made.
- 2 The Council has also been named as second defendant in two High Court proceedings brought by Masterton Trust Lands Trust (MTLT) in relation to the building known as Waiata House. The first matter relates to the first defendant, Kevin O'Conner & Associates being alleged to have not designed the building to meet earthquake standards. The Council is second defendant as per the other five claims described above. The second Waiata House proceeding relates to alleged building defects discovered in Waiata House during a strengthening construction process. The first defendant is the architect who oversaw the work and the third defendant is the construction company who undertook the work. The Council's insurer have yet to accept the claim as there are aspects of weathertightness alleged and the insurance policy specifically excludes claims for weathertightness. Lawyers, Heaney & Partners have been appointed by the Council to act in defence of the claim. Parties have filed and served statements of claim and defence and the legal process is proceeding. The costs of the remediation work have been quantified. The Council will continue to seek a change of stance from the insurers in order to have the claim accepted for insurance cover. As at the 30th June 2019, there is a high likelihood of the cases going to mediation in early 2020. There is currently no indication of the likelihood of the Council's defence being successful or otherwise, so no financial provision has been made. Legal costs relating to the claim have been and will be expensed as incurred.

**Contingent Assets - carbon credits**

The Council owns land and forestry assets that were planted prior to 1990. These forested areas are eligible for carbon credits under the Government's emissions trading scheme (ETS). An account for NZU carbon credits has been setup in the Council's name and 79 ha of pre-1990 forestry has initially been confirmed as eligible for carbon credits. A value has been assigned in these accounts for those credits, but their value remains subject to the market price of traded NZUs (refer to note 11).

There were no other contingent assets.

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There were no other contingent assets.

**EVENTS AFTER BALANCE DATE**

There have been no events after balance date that have had a material bearing on the financial statements.

# AUDIT & COMPLIANCE

## HE AROTAKE PŪTEA ME TE TŪTOHU TURE



# STATEMENT OF COMPLIANCE AND RESPONSIBILITY

## COMPLIANCE

The Council and management of Masterton District Council certify that all the statutory requirements of the Local Government Act 2002, including the Local Government (Financial Reporting and Prudence) Regulations 2014, regarding financial management and borrowing have been complied with.

## RESPONSIBILITY

The Council and management of Masterton District Council accept responsibility for the preparation of the annual Financial Statements, Statements of Service Performance, reporting as per the regulations and the judgements used in them.

The Council and management of Masterton District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial statements, the statements of service performance and reporting as per the regulations.

In the opinion of the Council and management of Masterton District Council, the annual Financial Statements, Statements of Service Performance and reporting as per the regulations for the year ended 30 June 2019, fairly reflect the financial position and operations of Masterton District Council.



.....  
Lyn Patterson  
Mayor



.....  
Kathryn Ross  
Chief Executive



.....  
David Paris  
Manager Finance

Date: 30 October 2019



# INDEPENDENT AUDITOR'S REPORT

## TO THE READERS OF MASTERTON DISTRICT COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

The Auditor General is the auditor of Masterton District Council (the District Council). The Auditor General has appointed me, John Whittal, using the staff and resources of Audit New Zealand, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the District Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the District Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 30 October 2019. This is the date on which we give our report.

## OPINION ON THE AUDITED INFORMATION

In our opinion:

- The financial statements on pages 92 to 148:
  - present fairly, in all material respects:
- the District Council's financial position as at 30 June 2019; and
- the results of its operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- The funding impact statement on page 79, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan.
- The statements of service performance on pages 18 to 72:
  - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2019, including:
- the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand.

- The statement about capital expenditure for each group of activities on pages 25 to 72, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long term plan.
- The funding impact statement for each group of activities on pages 81 to 90, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long term plan.

## REPORT ON THE DISCLOSURE REQUIREMENTS

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 74 to 78, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information and, where applicable, the District Council's long term plan and annual plans.

## BASIS FOR OUR OPINION ON THE AUDITED INFORMATION

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

## RESPONSIBILITIES OF THE COUNCIL FOR THE AUDITED INFORMATION

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

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

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the District Council or there is no realistic alternative but to do so.

## RESPONSIBILITIES OF THE AUDITOR FOR THE AUDITED INFORMATION

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's Long term plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statements of service performance, as a reasonable basis for assessing the levels of service achieved and reported by the District Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the District Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the District Council to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## OTHER INFORMATION

The Council is responsible for the other information included in the Annual Report. The other information comprises the information included on pages 4 to 150, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENCE

We are independent of the District Council in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit of the audited information and our report on the disclosure requirements, we performed a limited assurance engagement related to the District Council's Debenture Trust Deed which is compatible with those independence requirements. Other than this engagement, we have no relationship with, or interests in, the District Council.

A handwritten signature in blue ink, appearing to read 'John Whittal', with a stylized flourish at the end.

John Whittal

Audit New Zealand

On behalf of the Auditor General

Wellington, New Zealand







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