

FINANCES

Council's credit rating raised

Taupō District Council's financial management was recognised by international rating agency Standard and Poor's when its credit rating was retained at AA.

Standard and Poor's issued a report to the council acknowledging its solid control of its finances, flexible management of budgets, exceptional liquidity and low liability risks. The agency also forecast Council's debt levels will continue to decline.

The rating matched the highest-rated councils in New Zealand and, along with being a foundation shareholder of the Local Government Funding Agency, helped council significantly reduce the amount of interest paid on its borrowing.

This report showed that council is continuing on the right track and an improving financial position means rate increases will be kept low without disrupting the level of service council provides.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR YEAR ENDING 30 JUNE 2016

	Note	Council			Group	
		Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Revenue						
Rates	4	60,629	60,082	59,270	60,610	59,250
Subsidies and grants	6	2,931	4,969	2,880	2,931	2,880
Development and financial contributions		899	1,085	953	899	953
Fees and charges	5	9,935	10,188	9,905	10,830	10,623
Finance revenue	7	4,312	4,583	4,539	4,330	4,574
Other revenue	8	17,608	3,174	58,770	17,799	58,966
Total revenue		96,314	84,081	136,317	97,399	137,246
Expenditure						
Employee benefit expenses	9	19,814	19,650	18,973	20,951	20,070
Depreciation and amortisation expense	19,21	19,524	19,555	20,546	19,828	20,837
Finance costs	7	9,786	10,389	10,567	9,786	10,568
Other expenses	9	41,813	29,389	133,612	41,558	133,330
Total operating expenditure		90,937	78,983	183,698	92,123	184,805
Surplus/(deficit) before tax		5,377	5,098	(47,381)	5,276	(47,559)
Income tax (expense)/credit	11	-	-	-	28	50
Surplus/(deficit) after tax		5,377	5,098	(47,381)	5,304	(47,509)
Other comprehensive revenue						
Property, plant & equipment revaluations	12	23,240	28,669	23,170	23,877	23,170
Available for sale financial assets at fair value through other comprehensive revenue	12	(151)	-	258	(151)	258
Tax on equity items	12	-	-	-	(56)	-
		23,089	28,669	23,428	23,670	23,428
Total comprehensive revenue and expenses		28,466	33,767	(23,953)	28,974	(24,081)
Net surplus/(deficit) after taxation is attributable to:						
Taupō District Council		5,377	5,098	(47,381)	5,367	(47,438)
Minority interest		-	-	-	(63)	(71)
		5,377	5,098	(47,381)	5,304	(47,509)
Total comprehensive revenue and expenses attributable to:						
Taupō District Council		28,466	33,767	(23,953)	28,965	(24,010)
Minority interest	13	-	-	-	9	(71)
		28,466	33,767	(23,953)	28,974	(24,081)

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

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS/EQUITY

FOR YEAR ENDING 30 JUNE 2016

	Note	Council			Group	
		Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Net Assets/Equity at start of the year		1,000,618	964,449	1,024,571	1,007,653	1,031,734
Total comprehensive revenue and expenses for the year		28,466	33,767	(23,953)	28,974	(24,081)
Balance at 30 June	12	1,029,084	998,216	1,000,618	1,036,627	1,007,653
Total recognised revenue and expenses are attributable to:						
Taupō District Council		28,466	33,767	(23,953)	28,965	(24,010)
Minority interest		-	-	-	9	(71)
Total comprehensive revenue and expenses		28,466	33,767	(23,953)	28,974	(24,081)

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

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

FOR YEAR ENDING 30 JUNE 2016

	Note	Council		Group		
		Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
ASSETS						
Current Assets						
Cash and cash equivalents	14	2,878	3,937	7,088	3,754	7,757
Other financial assets	17	66,301	38,829	54,881	66,301	54,881
Trade and other receivables	15	4,922	6,255	5,181	5,004	5,305
Inventories	16	766	593	509	801	549
Prepayments		553	-	408	586	424
Non-current assets held for sale	18	2,328	4,309	2,353	2,328	2,353
Total current assets		77,748	53,923	70,420	78,774	71,269
Non-current assets						
Other financial assets	17	23,348	43,384	23,075	23,348	23,075
Investment in CCO and other similar entities	17	3,237	3,202	3,217	230	210
Intangible assets	21	885	624	593	888	597
Investment property	22	30,950	23,501	24,552	30,950	24,552
Investment in associates		-	3,141	-	-	-
Biological assets - forestry	20	6,293	4,370	4,918	6,293	4,918
Property, plant and equipment	19	1,077,156	1,046,633	1,055,308	1,088,149	1,065,918
Total non-current assets		1,141,869	1,124,855	1,111,663	1,149,858	1,119,270
Total assets		1,219,617	1,178,778	1,182,083	1,228,632	1,190,539
LIABILITIES						
Current Liabilities						
Trade and other payables	23	8,676	7,791	8,922	9,032	9,200
Employee entitlements	24	2,098	2,509	2,753	2,216	2,927
Borrowings	26	23,035	51,318	50,040	23,035	50,040
Current tax liabilities		-	-	-	76	76
Total current liabilities		33,809	61,618	61,715	34,359	62,243
Non-current liabilities						
Provisions	25	63	55	59	63	59
Derivative financial instruments	27	31,247	11,119	19,399	31,247	19,399
Borrowings	26	125,065	107,484	100,020	125,065	100,020
Employee entitlements	24	349	286	272	354	276
Deferred tax liabilities	11	-	-	-	917	889
Total non-current liabilities		156,724	118,944	119,750	157,646	120,643
Total liabilities		190,533	180,562	181,465	192,005	182,886
Net assets (assets minus liabilities)		1,029,084	998,216	1,000,618	1,036,627	1,007,653
EQUITY						
Accumulated funds	12	776,251	779,377	774,285	777,916	775,960
Other reserves	12	252,833	218,839	226,333	255,492	228,483
Minority interest	13	-	-	-	3,219	3,210
Total Equity		1,029,084	998,216	1,000,618	1,036,627	1,007,653

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

Summary of significant accounting policies and the accompanying notes form part of these financial statements.

STATEMENT OF CASHFLOWS

FOR YEAR ENDING 30 JUNE 2016

	Note	Council			Group	
		Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Cash flows from operating activities						
Rates		60,774	60,482	58,479	60,755	58,461
Subsidies and grants		3,079	1,839	2,698	3,079	2,698
Development and financial contributions		723	1,085	935	723	935
Fees and charges		10,254	10,588	11,023	11,129	11,743
Finance revenue		4,038	4,583	4,109	4,056	4,144
Dividends or similar distributions		155	-	224	155	224
Other revenue		1,194	-	1,324	1,385	1,534
Net GST received		-	-	75	8	100
Payments to suppliers		(27,818)	(49,838)	(27,697)	(27,465)	(27,481)
Payments to employees		(20,155)	-	(18,649)	(21,333)	(19,698)
Interest paid		(9,930)	(10,389)	(10,306)	(9,930)	(10,307)
Net GST paid		(12)	-	-	-	-
Net cash from (used in) operating activities	28	22,302	18,350	22,215	22,562	22,353
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment		4,653	3,180	2,173	4,653	2,187
Capital subsidies		-	3,130	-	-	-
Purchase and development of property, plant and equipment		(15,772)	(20,931)	(11,644)	(15,825)	(11,736)
Net increase in investments		(13,433)	(8,734)	(3,926)	(13,433)	(3,926)
Net cash flow from investing activities		(24,552)	(23,355)	(13,397)	(24,605)	(13,475)
Cash flows from financing activities						
Loans raised		5,512	8,414	40,117	5,512	40,117
Net raising of finance lease liabilities		40	-	-	40	-
Repayment of loans		(7,512)	(11,515)	(55,717)	(7,512)	(55,717)
Net repayment of finance lease liability		-	-	(78)	-	(90)
Net cash flow from financing activities		(1,960)	(3,101)	(15,678)	(1,960)	(15,690)
Net increase (decrease) in cash held		(4,210)	(8,106)	(6,860)	(4,003)	(6,812)
Add cash at start of year		7,088	12,043	13,948	7,757	14,569
Cash, cash equivalents, and bank overdrafts at the end of the year	14	2,878	3,937	7,088	3,754	7,757

The net GST item in the operating activity cashflows reflects the net GST paid or received with the Inland Revenue Department. The GST item is disclosed on a net basis as the gross amounts do not provide meaningful information for financial reporting purposes.

The net investment item in the investment activity cashflows reflects the net investment activity with banks and corporates. The investment item is disclosed on a net basis as the gross amounts do not provide meaningful information for financial reporting purposes.

Summary of significant accounting policies and the accompanying notes from part of these financial statements.

1. STATEMENT OF ACCOUNTING POLICIES FOR YEAR ENDING 30 JUNE 2016

1.1 Reporting entity

Taupō District Council is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002. The financial statements of Taupō District Council and Group have been prepared in accordance with the provisions of section 98(1) of the Local Government Act 2002.

The Group consists of the Taupō District Council and its controlled entities, Taupō Airport Authority (50% owned), Destination Lake Taupō Trust (100% owned), Data Capture Systems Limited (100% owned) and Destination Lake Taupō Limited (100% owned). All of the entities mentioned are domiciled in New Zealand.

The primary objective of Taupō District Council and Group is to provide goods and services to the community for social benefit rather than for making a financial return. Accordingly, the Council has designated itself and the Group as a public benefit entity for financial reporting purposes.

The financial statements of Taupō District Council are for the year ended 30 June 2016. The financial statements were authorised for issue by Council on 27 September 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

Statement of compliance

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

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE standards.

Measurement base

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

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of Taupō District Council and Group is New Zealand dollars.

Changes in accounting policies

The Council and Group have adopted the following revisions to accounting standards during the financial year, which have had only a presentational or disclosure effect:

- In October 2014, the PBE suite of accounting standards was updated to incorporate requirements and guidance for the not-for-profit sector. These updated standards apply to PBEs with reporting periods beginning on or after 1 April 2015. The Council has applied these updated standards in preparing its 30 June 2016 financial statements. There are no changes as a result of applying these updated accounting standards.

2.2 Basis of consolidation

The consolidated financial statements are prepared adding together like items of assets, liabilities, equity, revenue, and expenses on a line-by-line basis. All significant intragroup balances, transactions, revenue and expenses are eliminated on consolidation.

Controlled entities

Controlled entities include special purpose entities and are those over which Taupō District Council and Group has the power to govern financial and operating policies, generally arising from a shareholding of at least half of the voting rights. Potential exercisable or convertible voting rights are considered when assessing whether Taupō District Council and Group controls another entity.

Controlled entities are fully consolidated from the date on which control is transferred to Taupō District Council and Group, and de-consolidated from the date control ceases.

The purchase method of accounting is used to account for the acquisition of controlled entity.

The Council's financial statements show the investment in controlled entities at cost.

The following entities are treated as controlled entities in Council's consolidated financial statements:

- Taupō Airport Authority (50% owned but in substance Council exercises control)
- Destination Lake Taupō Trust (Council is the settler of the Trust)
- Data Capture Systems Limited (100% owned)
- Destination Lake Taupō Limited (100% owned)

2.3 Foreign currency transactions

The functional and presentation currency is New Zealand dollars. Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction. Foreign currency monetary assets and liabilities at the balance date are translated to NZ dollars at the rate ruling at that date. Foreign exchange differences arising on translation are recognised in the surplus or deficit.

2.4 Derivative financial instruments and hedge accounting

Taupō District Council and Group uses derivative financial instruments to manage its exposure to interest rate risk arising from operational, financing and investment activities. In accordance with the treasury policies of the respective Group entities, Taupō District Council and Group do not hold or issue derivative financial instruments for trading purposes. Derivatives (or swaps) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value at each balance date. Gains or losses in fair value and those resulting from re-measuring are recognised in the surplus or deficit.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at balance date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at balance date, being the present value of the quoted forward price.

2.5 GST

The financial statements have been prepared exclusive of GST with the exception of receivables and payables that have been shown inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense.

Commitments and contingencies are disclosed exclusive of GST.

2.6 Revenue

Rates revenue

General rates, targeted rates (excluding water by meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when the rates become overdue.

Revenue from water by meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remissions policy.

Rates collected on behalf of Bay of Plenty Regional Council are not recognised in the financial statements, as the Council is acting as their agent.

New Zealand Transport Agency roading subsidies

New Zealand Transport Agency roading subsidies are recognised as revenue upon entitlement, which is when conditions pertaining to eligible expenditure have been fulfilled.

Other subsidies and grants

Other subsidies and 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.

Vested assets

Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Building and resource consent revenue

Revenue from any services rendered is recognised in proportion to the stage of completion of the transaction at the balance date. The stage of completion is assessed by reference to surveys of work performed.

Entrance fees

Entrance fees are fees charged to users of Council's local facilities, such as pools, museum, and Superloo. Revenue from entrance fees is recognised upon entry to such facilities.

Landfill fees

Fees for disposing waste at the Council's landfill and transfer stations are recognised as waste is disposed by users.

Rental revenue

Rental revenue from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental revenue.

Development and financial contributions

Development contributions and financial contributions are recognised as revenue when Council invoices the customer.

Interest and dividends

Dividend revenue shall be recognised when the shareholder's right to receive payment is established.

Interest revenue is recognised as it accrues, using the effective interest method.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2.7 Leases

(i) Finance leases

Leases in which substantially all of the risks and rewards of ownership transfer to the lessee are classified as finance leases. At inception, finance leases are recognised as assets and liabilities on the Statement of Financial Position at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lease are added to the amount recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if the assets are owned.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange losses, and losses on derivative instruments that are recognised in the surplus or deficit. The interest expense component of finance lease payments is recognised in the surplus or deficit using the effective interest rate method.

(ii) Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Revenue and Expense as an integral part of the total lease expense.

2.8 Equity

Equity is the community's interest in the Council as measured by the value of total assets less total liabilities. Equity is disaggregated and classified into a number of reserves to enable clearer identification of the specified uses Council makes of its accumulated surpluses. The equity of Council is made up of the following components:

- Accumulated funds
- Council Created Reserves
- Restricted Reserves
- Revaluation Reserves

Reserves are a component of equity and represent a particular use to which parts of equity have been assigned. Reserves may be legally restricted or created by the Council. Council Created Reserves are reserves established by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Restricted Reserves are those reserves subject to specific conditions accepted as binding by the Council, and which Council may not revise without reference to a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Asset Revaluation Reserves arise from certain asset classes being revalued, with these classes including land, buildings, infrastructural assets, restricted assets and available for sale investments. The treatment of revaluation movements is detailed in items 2.10 and 2.14 of the policies.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of Taupō District Council and Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows, and in current liabilities on the Statement of Financial Position.

2.10 Financial assets

Taupō District Council and Group classify its investments in the following categories:

(i) 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 surplus or deficit 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. 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 date. After initial recognition they are measured at their fair values. Gains or losses on remeasurement are recognised in the surplus or deficit.

Council's equity investments fall into this category. Fair value is determined as current market value based on the 30 June closing sale price recorded in the relevant stock exchange. The value of the foreign-listed managed equities is converted to New Zealand dollars at the 30 June closing rate of exchange.

(ii) Loans and receivables

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, that management 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. Council does not use this category presently.

(iv) Available-for-sale

Financial assets available-for-sale are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. The Council includes in this category:

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

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue, except for impairment losses which are recognised in the surplus or deficit.

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

Council's shareholding in Civic Assurance is classified as available for sale. This investment is stated at fair value with the resultant gain or loss recognised through other comprehensive revenue. Fair value is determined using the asset backing per share calculated at Civic Assurance's balance date of 31 December adjusted for any material impairment.

Council's holdings of Government and corporate bonds are

currently classified as available for sale.

2.11 Trade and other receivables

Trade and other receivables are initially measured at face value, less impairment losses (note 2.18). A provision for impairment of receivables is established when there is objective evidence that Council 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 carrying amount and the present value of the estimated recovery of the debt.

2.12 Inventory

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. 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, adjusted when applicable, for any loss of service potential. The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

2.13 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value, less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

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.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale, are presented separately from other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

2.14 Property, plant and equipment

Property, plant, and equipment consist of:

Operational assets – These include land, buildings, improvements, library books, plant and equipment, and motor vehicles.

Restricted assets – Restricted assets are parks and reserves owned by the Council, which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets – Infrastructure assets are the fixed utility systems owned by the Council. Each asset type includes all items that are required for the network to function, for example, wastewater reticulation includes reticulation piping and pump stations.

Heritage assets and works of art are shown at cost or valuation and are not depreciated.

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

Valuation methodologies

Those asset classes that are revalued, are revalued on a three yearly valuation cycle. All other asset classes are carried at depreciated historical cost. The carrying values of all assets not revalued in any year are reviewed at each balance date to ensure that those values are not materially different to fair value.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amounts arising on revaluation of an asset class are credited to revaluation reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the surplus or deficit, the increase is first recognised in the surplus or deficit. Decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the surplus or deficit.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the surplus or deficit during the financial period in which they are incurred.

Borrowing costs are not capitalised as part of the cost of an asset. They are recognised as an expense in the period in which they are incurred.

Details of valuations by asset class

Operational land and restricted land were initially valued at fair value as determined from market based evidence by independent valuer Quotable Value New Zealand at 30 June 2005, which was considered deemed cost. These were revalued to fair value on the same basis by independent valuer, Quotable Value New Zealand at 30 June 2016.

Operational buildings were initially valued at fair value as determined from market based evidence by independent valuer Quotable Value New Zealand at 1 July 2005, which was considered deemed cost. These were revalued to fair value on the same basis by independent valuer, Quotable Value New Zealand at 30 June 2016.

Infrastructure roading assets (except for land under roads) were valued at optimised depreciated replacement cost as determined from market based evidence by Council Asset Managers and reviewed by Opus International Consultants Limited at 30 June 2011. These were revalued at optimised depreciated replacement cost on the same basis by Opus International Consultants Limited at 30 June 2014.

Infrastructure water, wastewater and stormwater (excluding buildings associated with these networks) were valued at optimised depreciated replacement cost determined from market based evidence by independent valuer, Beca Valuations Limited at 30 June 2012. These were revalued at optimised depreciated replacement cost by independent valuer, Aecom NZ Limited, at 30 June 2015.

Infrastructure solid waste is valued at cost less accumulated depreciation.

Land under roads was initially valued as determined from market based evidence by independent valuer Quotable Value New Zealand at 30 June 2005 which was considered deemed cost. This asset class was revalued to fair value on the same basis by independent valuer, Quotable Value New Zealand at 30 June 2016. The urban portion of this land was valued at 45% of the surrounding land's market value. The

rural land portion was valued based on the surrounding land's market value. Land under roads is not depreciated.

The Airport land and buildings were initially valued at fair value as determined from market based evidence by independent valuer Quotable Value New Zealand at 30 June 2005, which was considered deemed cost. These were revalued to fair value on the same basis by independent valuer, Quotable Value New Zealand at 30 June 2016.

The Airport Infrastructure was valued at optimised depreciated replacement cost by independent valuer Beca Valuations Limited at 30 June 2011. These were revalued at optimised depreciated replacement cost by independent valuer, Beca Valuations Ltd effective 30 June 2014.

Heritage assets and park furniture, included for the first time at 1 July 2005, are not subject to regular revaluation. Heritage assets are not depreciated.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Additions

Additions between valuations are shown at cost, except vested assets. Certain infrastructural assets and land have been vested in Council as part of the subdivisional consent process. Vested land reserves are initially recognised at the most recent appropriately certified Government valuation. Vested infrastructural assets are valued based on the actual quantities of infrastructure components vested, and the current "in the ground" cost of providing identical services.

The cost of an item of property, plant or 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 the Council and Group and the cost of the item can be measured reliably.

Disposals

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

Depreciation

Land is not depreciated. Depreciation on other assets is calculated using either the straight line or the diminishing value method to allocate their cost or revalued amounts, net

of their residual values, over their estimated useful lives. The useful lives and associated depreciation rates of assets to be depreciated have been estimated as follows:

Class of asset depreciated	Estimated useful life	Depreciation rates
Operational assets:		
Land	not depreciated	Nil
Buildings	40 - 75 yrs	1.3% - 2.5% SL
Site Value	13 yrs	7.69% SL
Structure	20 - 80 yrs	1.3% - 5% SL
Roof	20 - 40 yrs	2.5% - 5% SL
Services	20 - 45 yrs	2.5% - 5% SL
Internal fit-out	15 - 35 yrs	2.9% - 6.7% SL
Plant	20 - 30 yrs	3.3% - 5% SL
Machinery	2 - 20 yrs	5% - 50% SL
Computer equipment	4 yrs	25% SL
Office equipment	4 - 10 yrs	13.33% - 25% SL
Furniture & fittings	2 - 10 yrs	10% - 50% SL
Park furniture	2 - 25 yrs	4% - 50% SL
Vehicles	4 - 10 yrs	10% - 25% SL
Library books	6.5 yrs	15.5% SL
Infrastructural assets:		
Roads		
Top surface	3 - 20 yrs	5% - 33% SL
Pavement	45 - 65 yrs	1.5% - 2.2% SL
Formation	not depreciated	Nil
Culverts	55 - 80 yrs	1.3% - 1.8% SL
Footpaths	50 - 80 yrs	1.3% - 2% SL
Kerbs	60 yrs	1.7% SL
Signs	15 yrs	6.7% SL
Street lights	25 - 60 yrs	1.7% - 4% SL
Bridges	90 - 100 yrs	1% - 1.1% SL
Land under roads	not depreciated	Nil
Water reticulation		
Pipes	45 - 80 yrs	1.25% - 2.2% SL
Valves, hydrants	40 yrs	2.5% SL
Pump stations	10 - 60 yrs	1.7% - 10% SL
Tanks	25 - 80 yrs	1.3% - 4% SL
Sewerage reticulation		
Pipes	15 - 80 yrs	1.3% - 6.7% SL
Manholes	80 yrs	1.3% SL
Treatment plant	5 - 80 yrs	1.3% - 20% SL
Stormwater systems		
Pipes	70 - 100 yrs	1% - 1.4% SL
Manholes, cesspits	75 - 100 yrs	1% - 1.3% SL
Flood control systems	50 - 100 yrs	1% - 2% SL
Restricted assets:		
Land	not depreciated	Nil
Other	2 - 40 yrs	2.5% - 50% SL

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Assets under construction/work in progress

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated. The current carrying amount of items under construction is separately disclosed by asset class.

2.15 Intangible assets

Development expenditure

Development costs are capitalised where future benefits are expected to exceed those costs, otherwise such costs are recognised in the surplus or deficit in the period in which they are incurred. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable, and any amount so identified is written off.

Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These are valued at cost, and are amortised over the expected useful life of the license. The useful lives and associated amortisation rates of assets to be amortised have been estimated as follows:

Class of intangible asset:	Software
Estimated useful life:	4 years
Amortisation rates:	25%

Costs associated with maintaining computer software are recognised as an expense when incurred.

2.16 Forestry assets

Forestry assets are predominantly standing trees which are managed on a sustainable yield basis. These are shown in the Statement of Financial Position at fair value less estimated point of sale costs at harvest. The costs to establish and maintain the forest assets are included in the surplus or deficit, together with the change in fair value for each accounting period. The valuation of Taupō District Council

and Group's forests is based on discounted cash flow models where the fair value is calculated using cash flows from continued operations; that are, based on sustainable forest management plans taking into account growth potential. The yearly harvest from tree forecast tree growth is multiplied by expected wood prices and the costs associated with forest management, harvesting and distribution are then deducted to derive annual cash flows. The fair value of the forest assets is measured as the present value of cash flows from one growth cycle based on the productive forest land, taking into consideration environmental, operational and market restrictions. Forest assets are valued separately from the underlying freehold land.

2.17 Investment property

Properties leased to third parties under operating leases and properties held for capital appreciation are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs. After initial recognition, Council measures all investment property 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.

2.18 Impairment

The carrying amounts of Taupō District Council and Group's assets, other than investment property (see accounting policy 2.17), inventories (see accounting policy 2.12) and deferred tax assets (see accounting policy 2.23), are reviewed at each balance date to determine whether there is any indication of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

2.19 Financial liabilities

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

2.20 Employee entitlements

Provision is made in respect of Taupō District Council and Group's liability for salaries and wages accrued up to balance date, annual leave, sick leave, lieu day leave, long service leave, and gratuities.

Retiring gratuities and long service leave, where there is already actual entitlement, is accrued at actual entitlement using current rates of pay. In addition, there is an actuarial assessment of value for which entitlement has not yet been reached. This assessment uses current rates of pay taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement. These estimated amounts are discounted to their present value.

Liabilities for annual leave and lieu days are accrued on an actual entitlement basis, using current rates of pay.

Liabilities for accumulating short-term compensated absences (for example, sick leave) are measured as the amount of unused entitlement accumulated at balance date that the Council anticipates employees will use in future periods in excess of the days that they will be entitled to in each of those periods.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit when incurred.

2.21 Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits, the amount of which can be reliably estimated, will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and,

where appropriate, the risks specific to the liability.

Landfill post-closure costs

The Council, as operator of the District landfill, has a legal obligation under the resource consent to provide on-going maintenance and monitoring services at the landfill site after closure. A provision for post-closure costs is recognised as a liability when the obligation for post-closure arises. The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure. Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the Council.

2.22 Interest bearing 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 the Council and Group have an unconditional right to defer settlement of the liability for at least 12 months after the year-end date.

2.23 Income tax

Income tax on the surplus or deficit for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Revenue and Expense except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable surpluses will be available

against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.24 Budget figures

The budget figures are those approved by the Council in year one of its 2015 - 2025 Long-term Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

The budget figures, while the same in terms of actual numbers, have been reclassified to match the new format of the Statement of Comprehensive Revenue and Expense. There is no change to the budget figures or format of the Statement of Financial Position.

2.25 Cost allocation

Taupō District Council has derived the net cost of service for each significant activity of the Council using the following cost allocation system:

Direct costs (costs directly attributable to an activity) are charged directly to activities.

Indirect costs (those costs which cannot be identified in an economically feasible manner, with a specific significant activity) are charged to activities based on cost drivers and related activity/usage information.

2.26 Third party transfer payment agencies

Taupō District Council and Group collect monies for many organisations. Where collections are processed through Taupō District Council and Group's books, any monies held are shown as trade payables in the Statement of Financial Position. Amounts collected on behalf of third parties are not recognised as revenue, but commissions earned from acting as agent are recognised in revenue.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

estimates, judgements and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year have been included below.

Infrastructural assets

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

- The physical deterioration and condition of an asset, for example, the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council 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, Council's infrastructural asset useful 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 condition modelling are also carried out regularly as part of Council's asset management planning activities, which provides Council with further assurance over its useful life estimates. Experienced independent valuers perform the Council's infrastructural asset revaluations.

Classification of Property

Council owns a number of properties, which are maintained primarily to provide housing to pensioners. 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 Council's social housing policy. These properties are accounted for as property, plant and equipment.

4. RATES

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
General rates	38,396	36,397	38,396	36,397
Total general rates	38,396	36,397	38,396	36,397
Targeted rates				
Lake Protection	-	1,406	-	1,406
Refuse disposal	1,214	1,283	1,214	1,283
Sewage disposal	12,788	12,310	12,788	12,310
Water supply	7,663	7,223	7,663	7,223
Water by meter	1,670	1,884	1,670	1,884
Taupō Town Centre	164	141	164	141
Turangi/Tongariro community board	80	80	80	80
Whakamaru fire protection	3	3	3	3
Total targeted rates	23,582	24,330	23,582	24,330
Penalties revenue				
Rates penalties	372	390	372	390
Total penalties revenue	372	390	372	390
Total rates	62,350	61,117	62,350	61,117
Less - Rates remissions	(826)	(910)	(826)	(910)
Less - Internal rates on Council/Group properties	(895)	(937)	(914)	(957)
Total rates	60,629	59,270	60,610	59,250

Rating base information

As at the 30 June 2015 there were 22,859 rating units in the District with a total capital value of \$13.247billion and a total land value of \$6.710billion (30 June 2014 22,779 rating units, \$13.111b capital value, \$6.677b land value).

The Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates revenue. That Deed defines annual rates revenue as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received by the Council from other local authorities for services provided by that Council for which those other Local Authorities rate.

The annual rates revenue of the Council for the year ended 30 June 2016 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure are as per the table above.

Reclassification

Water by meter rates have been reclassified from fees and charges to the targeted rates section of the above note. The 2015 figure of \$1,512 has been split into \$1,884 as a targeted rate with internals of \$330 added to the deduction for internal rates.

Rates remissions

Under Council's remissions policies, remissions are allowed for Lake Taupō lakebed and lakeshore reserve; community, sporting, and other organisations; non-income producing, unoccupied Maori freehold land in multiple ownership and in undeveloped state; and penalties in certain circumstances and at Council's discretion.

Rates Remissions were included in expenditure in the Long-Term Plan, however to show a true rates revenue they have been netted off revenue for both actual and plan.

Non-rateable properties

In accordance with the Local Government (Rating) Act 2002, certain properties cannot be rated for general rates. This includes schools, places of worship, public gardens and reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of water supply, sewage disposal and refuse disposal.

5. FEES AND CHARGES

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Landfill charges	2,656	2,288	2,656	2,288
Building and resource consent charges	1,317	1,289	1,317	1,288
Other regulatory revenue	969	873	969	873
Swimming pools revenue	1,260	1,127	1,260	1,127
Rendering of services	276	420	276	420
Sale of goods	1,623	2,099	2,289	2,750
User charges	1,444	1,465	1,263	1,182
Facility membership fees	390	344	390	344
Taupō Airport landing fees	-	-	174	193
Destination Great Lake Taupō marketing fees	-	-	236	158
Total fees and charges	9,935	9,905	10,830	10,623

6. SUBSIDIES AND GRANTS

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Operational subsidies and grants				
NZ Transport Agency subsidy	1,516	1,350	1,516	1,350
Other government grants	148	213	148	213
Other grants and donations	163	219	163	219
Capital subsidies and grants				
NZ Transport Agency subsidy	1,045	857	1,045	857
Other government capital grants	56	103	56	103
Non-government capital grants	3	138	3	138
Total subsidies and grants	2,931	2,880	2,931	2,880

Government Grants

There are no unfulfilled conditions or other contingencies attached to any recognised government grants.

7. FINANCE REVENUE AND FINANCE COSTS

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Finance revenue				
Interest revenue - term deposits	3,480	3,162	3,498	3,197
Interest revenue - bonds	637	1,260	637	1,260
Interest revenue - community loans	130	80	130	80
Interest revenue - borrower notes	65	37	65	37
Total finance revenue	4,312	4,539	4,330	4,574
Less finance costs				
Interest on borrowings	(9,776)	(10,560)	(9,776)	(10,560)
Finance charges on leased assets	(10)	(7)	(10)	(8)
Total finance costs	(9,786)	(10,567)	(9,786)	(10,568)
Net finance costs	(5,474)	(6,028)	(5,456)	(5,994)

8. OTHER REVENUE

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Vested land and infrastructure from property development	-	1,634	-	1,634
Other vested assets	63	97	63	97
Vested road (SH1/5)	-	54,518	-	54,518
First time recognition of assets	-	102	-	102
Petrol tax	428	392	428	392
Infringements and fines	411	492	411	492
Gain on sale of properties intended for resale	2,266	244	2,266	244
Gain on sale of property, plant and equipment	182	218	182	218
Dividends or similar distributions	155	166	155	166
Change in fair value of forestry assets	1,072	-	1,072	-
Change in fair value of investment properties	7,825	-	7,825	-
Gain on revaluation of restricted reserves and infrastructural buildings	4,915	-	4,915	-
Realised gain on sale of shares & corporate bonds	93	123	93	123
Unrealised foreign exchange gain on shares	-	467	-	467
Rental revenue from investment properties	83	74	274	270
Other revenue	93	95	93	95
Foreign exchange gains (net)	21	106	21	106
Insurance recoveries	1	42	1	42
Total other revenue	17,608	58,770	17,799	58,966

9. OPERATING EXPENDITURE

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Employee benefit expenses				
Salaries and wages	19,948	18,773	21,109	19,823
Increase/(decrease) in employee entitlements/liabilities	(578)	(230)	(632)	(205)
Severance	10	20	10	20
Defined contribution plan employer contributions	434	410	464	432
Total employee benefit expenses	19,814	18,973	20,951	20,070
Depreciation				
Total depreciation	19,285	20,320	19,588	20,610
Total amortisation	239	226	240	227
Total depreciation and amortisation	19,524	20,546	19,828	20,837
Other expenses				
Audit fees for financial statements audit	130	127	159	156
Audit fees for Long-term Plan audit	-	90	-	90
Maintenance	8,984	9,287	9,046	9,353
Service delivery contracts	4,883	4,666	3,144	2,920
Electricity and gas	2,103	2,075	2,131	2,107
Materials and supplies	1,345	1,312	1,427	1,367
Professional services fees/legal fees	1,216	1,208	1,571	1,517
Lake Taupō Protection Trust (rates)	799	1,126	799	1,126
Resource consenting and compliance	1,023	984	1,023	984
Mobile plant and vehicle running costs	584	593	578	595
Insurance	344	478	355	492
Town Centre Taupō (rates)	162	140	162	140
Community grant programme	540	513	540	513
Other grants	477	450	477	450
Donations	1	2	1	2
Councillor remuneration	452	440	452	440
Community Board remuneration	50	55	50	55
Directors' fees	-	-	41	42
Minimum lease payments under operating leases	62	71	65	77
Other expenses	3,608	3,764	4,333	4,519
Inventory consumption	148	116	297	257
Inventory writeoff	-	-	4	3
Impairment of receivables	161	105	161	110
Loss on disposal of property, plant & equipment	1,469	1,573	1,470	1,578
Loss on transfer of ETA to NZTA	-	94,814	-	94,814
Change in fair value of investment properties	-	445	-	445
Impairment of non current assets held for sale	138	49	138	49
Loss on revaluation of property, plant & equipment	43	-	43	-
Change in fair value of forestry assets	-	79	-	79
Loss on sale of shares and corporate bonds	-	249	-	249

Change in fair value of shares	636	520	636	520
Unrealised loss on shares (foreign exchange)	559	-	559	-
Unrealised foreign exchange loss	49	-	49	-
Unrealised loss on derivatives not hedge accounted	11,847	8,280	11,847	8,280
Asset write-offs	-	1	-	1
Total other expenses	41,813	133,612	41,558	133,330

Severance payments

In 2015/16 the Group made severance payments to two employees, one of \$3,336 and one of \$6,822 (2014/15: 3 employees, \$2,000, \$7000 & \$12,725).

10. DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY

	Council	
	Actual 2016 \$000	Actual 2015 \$000
Water	3,281	3,048
Community Services	185	200
Transport	5,321	6,266
Community Facilities	4,038	4,016
Solid Waste	197	239
Stormwater	886	875
Wastewater	4,552	4,798
Economic Development	13	11
Democracy & Planning	10	9
Investments	214	182
Total depreciation and amortisation expense by activity	18,697	19,644
Depreciation and amortisation not directly related to group of activities	827	902
Total depreciation and amortisation expense	19,524	20,546

11. INCOME TAX

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Current tax expense				
Deferred taxation	-	-	(28)	(50)
Total income tax expense/(benefit)	-	-	(28)	(50)
Relationship between income tax and accounting profit:				
Operating surplus/(deficit) before taxation	5,377	(47,381)	5,276	(47,559)
Surplus/(deficit) before taxation	5,377	(47,381)	5,276	(47,559)
Tax calculated at 28%	1,505	(13,267)	1,477	(13,317)
Less tax effect of:	-	-	-	-
Non taxable expenditure	(1,505)	13,267	(1,505)	13,267
Tax expense	-	-	(28)	(50)

Deferred tax liabilities

Council and Group	Property, plant and equipment \$000	Non-deductible provisions \$000	Tax losses \$000	Total \$000
Balance at 1 July 2014	1,411	(36)	(436)	939
Charged to surplus or deficit	(19)	(2)	(29)	(50)
Balance at 30 June 2015	1,392	(38)	(465)	889
Balance at 1 July 2015	1,392	(38)	(465)	889
Charged to surplus or deficit	(20)	28	(36)	(28)
Charged to equity	56	-	-	56
Balance at 30 June 2016	1,428	(10)	(501)	917

Data Capture Systems Limited, a subsidiary of Council, has unrecognised tax losses as at 30 June 2016 of \$225,325 to carry forward (2015 \$225,325). The tax effect of these losses is \$67,598 (2015 \$67,598). The carried forward losses originated from the activity of Taupō Information Centre Limited, that company later being renamed Data Capture Systems Limited.

12. NET ASSETS/EQUITY

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Accumulated funds	776,251	774,285	777,916	775,960
Reserves	252,833	226,333	255,492	228,483
Balance at 30 June	1,029,084	1,000,618	1,033,408	1,004,443

The breakdown of accumulated funds and reserves are disclosed as follows:

Accumulated funds				
Balance at 1 July	774,285	833,424	775,960	835,156
Transfer from special funds	19,290	29,719	19,290	29,719
Transfer to special funds	(24,252)	(22,189)	(24,252)	(22,189)
Disposal of property, plant and equipment	1,551	(19,288)	1,551	(19,288)
Surplus/(deficit) for the year	5,377	(47,381)	5,367	(47,438)
Balance 30 June	776,251	774,285	777,916	775,960

Reserves includes				
Asset revaluation reserves	153,872	132,182	156,531	134,332
Available-for-sale investments revaluation reserve	148	298	148	298
Council created reserves (see analysis below)	98,813	93,853	98,813	93,853
Total reserves	252,833	226,333	255,492	228,483

Asset revaluation reserves				
Balance at 1 July	132,182	89,724	134,332	91,874
Revaluation gains/(losses)	23,241	23,170	23,878	23,170
Deferred tax on revaluation	-	-	(56)	-
Transfer to accumulated funds	(1,551)	19,288	(1,551)	19,288
Less minority interest share in change in asset value	-	-	(72)	-
Balance at 30 June	153,872	132,182	156,531	134,332

Asset revaluation reserves for each asset class consist of:

Operational assets				
Operational land	6,210	1,343	6,210	2,253
Operational buildings	14,411	2,988	14,506	3,010
Fencing	-	-	23	23
Land improvements	-	-	59	59
Investment properties - land	6,008	7,013	6,008	7,013
Investment properties - buildings	-	52	-	52
Restricted assets				
Reserves	5,455	-	6,800	-

Infrastructure assets				
Land under roads	5,914	4,803	5,914	4,803
Roading	45,697	45,855	45,766	45,923
Wastewater	35,018	35,028	35,018	35,028
Water	17,856	17,865	17,856	17,865
Stormwater	17,229	17,235	17,315	17,321
Runways	-	-	982	982
Infrastructure buildings	74	-	74	-
Total asset revaluation reserves	153,872	132,182	156,531	134,332
Available-for-sale investments revaluation reserve				
Balance at 1 July	298	40	298	40
Revaluation of corporate bonds	(170)	8	(170)	8
Reclassification to surplus/(deficit) on disposal	-	243	-	243
Fair value gains/(losses) in year	20	7	20	7
Balance at 30 June	148	298	148	298

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

Council created reserves	Activities to which the funds relate	Opening balance \$000	Additions \$000	Withdrawals \$000	Closing balance \$000
2016					
Depreciation Reserves					
Water Taupō	Water	1,028	1,266	(1,596)	698
Water Acacia Bay	Water	333	95	(116)	312
Water Kinloch	Water	1,684	89	(128)	1,645
Water Waitahanui	Water	(20)	47	(60)	(33)
Water River Road	Water	107	22	(6)	123
Water Mapara	Water	371	38	(14)	395
Water Whakamoenga	Water	36	16	(28)	24
Water Bonshaw Park	Water	66	28	(11)	83
Water Centennial Drive Bores	Water	(36)	124	(53)	35
Water Centennial Drive	Water	(23)	-	(23)	(46)
Water Whakaroa	Water	224	39	(32)	231
Water Mangakino	Water	435	116	(408)	143
Water Waihaha	Water	428	55	(11)	472
Water Tirohanga	Water	496	83	(49)	530
Water Atiamuri	Water	137	22	(2)	157
Water Whakamaru	Water	(249)	21	(6)	(234)
Water Motuoapa	Water	203	44	(58)	189
Water Turangi	Water	1,755	226	(500)	1,481
Water Omori	Water	822	87	(38)	871
Water Whareroa	Water	(2)	22	(2)	18
Water Hatepe	Water	78	30	(20)	88
Wastewater District	Wastewater	5,754	4,852	(3,564)	7,042
Solid Waste District	Solid Waste	693	554	(285)	962
Transport & Stormwater District	Transport	3,381	4,932	(3,441)	4,872

Forestry District	Investments	4,229	-	(103)	4,126
Buildings District	Community Facilities, Community Services, Water, Wastewater, Solid Waste, Investments, Economic Development	2,825	3,080	(2,478)	3,427
Operational Assets	All activities with the exception of Democracy & Planning	4,494	3,485	(2,888)	5,091
Development Contribution Reserves					
Community Infrastructure District	Community Facilities	867	-	(3)	864
Parks & Reserves Land (Residential)	Community Facilities	3,448	3	(943)	2,508
District Wide Parks	Community Facilities	66	(12)	(8)	46
Water Taupō	Water	-	168	(5)	163
Water Kinloch	Water	-	25	-	25
Water River Road	Water	5	-	-	5
Water Mapara	Water	1	-	-	1
Water Turangi	Water	14	-	-	14
Water Omori	Water	29	-	-	29
Wastewater Taupō	Wastewater	213	353	(7)	559
Wastewater Kinloch	Wastewater	(55)	47	-	(8)
Wastewater Mangakino	Wastewater	-	-	-	-
Wastewater Atiamuri	Wastewater	2	-	-	2
Wastewater Turangi	Wastewater	29	-	-	29
Stormwater Taupō Industrial	Stormwater	(17)	-	-	(17)
Transport District Wide	Transport	205	266	(43)	428
Other Reserves					
Disaster Recovery Fund	All Activities	1,627	70	(67)	1,630
District Airport Reserve	Taupō Airport (CCO)	69	-	(2)	67
Lake Taupō Protection Rate	Lakes, Rivers & Mountains	1,312	-	(1,312)	-
Parking	Community Services	75	-	(5)	70
Forestry Silviculture & Tending	Investments	149	-	(417)	(268)
Strategic Property Purchase - District	Investments	1,364	4,392	(1,605)	4,151
TEL	Investments	55,201	2,632	(2,020)	55,813
Total reserves at 30 June 2016		93,853	27,317	(22,357)	98,813

Council created reserves	Activities to which the funds relate	Opening balance \$000	Additions \$000	Withdrawals \$000	Closing balance \$000
2015					
Depreciation Reserves					
Water Taupō	Water	1,485	961	(1,418)	1,028
Water Acacia Bay	Water	331	93	(91)	333
Water Kinloch	Water	1,573	134	(23)	1,684
Water Waitahanui	Water	(34)	23	(9)	(20)
Water River Road	Water	85	23	(1)	107
Water Mapara	Water	354	33	(16)	371
Water Whakamoenga	Water	20	17	(1)	36
Water Bonshaw Park	Water	50	23	(7)	66
Water Centennial Drive Bores	Water	(96)	122	(62)	(36)
Water Centennial Drive	Water	-	-	(23)	(23)
Water Whakaroa	Water	189	39	(4)	224
Water Mangakino	Water	336	114	(15)	435
Water Waihaha	Water	375	54	(1)	428
Water Tirohanga	Water	421	82	(7)	496
Water Atiamuri	Water	133	22	(18)	137
Water Whakamaru	Water	18	20	(287)	(249)
Water Motuoapa	Water	186	38	(21)	203
Water Turangi	Water	1,604	205	(54)	1,755
Water Omori	Water	828	86	(92)	822
Water Whareroa	Water	(24)	22	-	(2)
Water Hatepe	Water	64	27	(13)	78
Wastewater District	Wastewater	4,013	4,869	(3,128)	5,754
Solid Waste District	Solid Waste	631	249	(187)	693
Transport & Stormwater District	Transport	9,033	5,661	(11,313)	3,381
Forestry District	Investments	4,769	1,465	(2,005)	4,229
Buildings District	Community Facilities, Community Services, Water, Wastewater, Solid Waste, Investments, Economic Development	2,178	2,637	(1,990)	2,825
Operational Assets	All activities with the exception of Democracy & Planning	4,432	3,226	(3,164)	4,494
Development Contribution Reserves					
Community Infrastructure	Community Facilities	854	13	-	867
District Parks & Reserves Land (Residential)	Community Facilities	4,205	88	(845)	3,448
District Wide Parks	Community Facilities	72	13	(19)	66
Water Taupō	Water	-	24	(24)	-
Water Kinloch	Water	30	-	(30)	-
Water River Road	Water	5	-	-	5
Water Mapara	Water	1	-	-	1
Water Turangi	Water	14	-	-	14
Water Omori	Water	29	-	-	29
Wastewater Taupō	Wastewater	650	315	(752)	213
Wastewater Kinloch	Wastewater	(48)	-	(7)	(55)
Wastewater Mangakino	Wastewater	-	-	-	-
Wastewater Atiamuri	Wastewater	2	-	-	2

Wastewater Turangi	Wastewater	41	3	(15)	29
Stormwater Taupō Industrial	Stormwater	(14)	-	(3)	(17)
Transport District Wide	Transport	1,818	304	(1,917)	205
Other Reserves					
Disaster Recovery Fund	All Activities	1,752	109	(234)	1,627
District Airport Reserve	Taupō Airport (CCO)	69	-	-	69
Lake Taupō Protection Rate	Lakes, Rivers & Mountains	1,003	309	-	1,312
Parking	Community Services	75	-	-	75
Forestry Silviculture & Tending	Investments	440	-	(291)	149
Strategic Property Purchase - District	Investments	2,244	693	(1,573)	1,364
TEL	Investments	55,187	2,998	(2,984)	55,201
Total reserves at 30 June 2015		101,383	25,114	(32,644)	93,853

(i) Depreciation Reserves

These reserves are utilised to fund for renewals, capital expenditure and loan repayments for the assets tagged to each reserve.

(ii) Development Contribution Reserves

These reserves are utilised to fund for development contribution capital expenditure, loan repayments and interest for the assets tagged to each reserve.

(iii) Disaster Recovery Fund

To provide \$70,000 annually to assist with readily available funds in the case of a significant natural disaster.

(iv) District Airport Reserve

To provide for heavy periodic maintenance charges on assets such as buildings, roads etc. and for future capital works of this nature.

(v) Lake Taupō Protection Rate

For the protection of Lake Taupō's water quality. This reserve is now closed.

(vi) Parking

For the purchase or development of parking.

(vii) Forestry

To be used in the establishment, maintenance and operating of Council's forestry blocks.

(viii) Strategic Property Purchase - District

To fund specific strategically based property purchases and associated projects - District.

(ix) TEL

To provide revenue to meet the level of District rate subsidy set by Council without diminishing the value of the fund.

13. MINORITY INTEREST

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Balance at the beginning of the year	-	-	3,210	3,281
Share of revaluation reserve change in asset value	-	-	72	-
Share of surplus/(deficit)	-	-	(63)	(71)
Balance at the end of the year	-	-	3,219	3,210

14. CASH AND CASH EQUIVALENTS

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Cash at bank and in hand	38	87	40	102
Call deposits	2,840	4,999	3,714	5,653
Term deposits with maturities of less than three months at acquisition	-	2,002	-	2,002
Total cash and cash equivalents used in statement of cashflows	2,878	7,088	3,754	7,757

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value.

15. TRADE AND OTHER RECEIVABLES

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Rates receivable	2,506	2,535	2,506	2,535
General debtors	1,398	1,861	1,472	1,940
Receivables from controlled entities	22	4	-	-
Other	1,330	1,157	1,360	1,206
Receivables prior to impairment	5,256	5,557	5,338	5,681
Less: Provision for Impairment	(334)	(376)	(334)	(376)
Total current net trade and other receivables	4,922	5,181	5,004	5,305
Total debtors and other receivables from exchange transactions	-	-	76	-
Total current net trade and other receivables from non-exchange transactions	4,922	5,181	4,928	5,305
Total current net trade and other receivables	4,922	5,181	5,004	5,305

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.

(a) Impaired receivables

Taupō District Council does not provide for any impairment on rates receivable, with the exception of multiple owned Maori Freehold Land, as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. Ratepayers can apply for payment plan options in special circumstance. Where such repayment plans are in place debts are discounted to their present value of future payments if the impact of discounting is material.

These powers allow Taupō District Council to commence legal proceedings to recover any rates that remain unpaid four months after due date for payment. If payment has not been made within three months of the Court's judgement, then Taupō District Council can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

The carrying amount of receivables that would otherwise be impaired, whose terms have been renegotiated is \$30,468 (2015 \$45,212).

The status of receivables as at 30 June 2016 are detailed below:

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Current	1,163	1,237	1,213	1,287
Past due 1-30 days	1,671	1,486	1,674	1,495
Past due 31-60 days	61	157	74	167
Past due 61+ days	1,009	1,516	1,020	1,526
Impairment	(334)	(376)	(334)	(376)
Total individual impairment	3,570	4,020	3,647	4,099

The impairment provision has been calculated based on expected losses for the Council and Group's pool of debtors. Expected losses determined based on analysis of the Council's losses in previous periods and review of specific debtors are detailed below:

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Individual impairment	52	60	52	60
Collective impairment	282	316	282	316
At 30 June	334	376	334	376

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

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Current	-	-	-	-
Past due 1-30 days	-	-	-	-
Past due 31-60 days	-	-	-	-
Past due 61+ days	52	60	52	60
Balance at 30 June	52	60	52	60

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

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Opening Balance	376	395	376	395
Additional provisions	112	87	112	87
Receivables written off during the year	(154)	(106)	(154)	(106)
Balance at 30 June	334	376	334	376

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

16. INVENTORIES

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Commercial inventories				
- held for use in the provision of services	463	253	498	293
Held for distribution				
- water reticulation spare parts	33	42	33	42
- parks & reserves chemicals	40	44	40	44
- wastewater spare parts	166	106	166	106
- swimming pool chemicals	8	4	8	4
- other	56	60	56	60
Total inventories	766	509	801	549

No inventories are pledged as security for liabilities (2015 \$nil).

17. OTHER FINANCIAL ASSETS

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Current portion				
Short term bank deposits with maturities of 4-12 months	60,238	54,881	60,238	54,881
Local government (NZLGFA) and corporate bonds	6,063	-	6,063	-
Total current portion	66,301	54,881	66,301	54,881
Non-current portion				
Shares in CCOs and other similar entities				
- Taupō Airport Authority	3,007	3,007	-	-
- NZ Local Government Funding Agency (NZLGFA)	100	100	100	100
- NZ Local Government Insurance Corporation Ltd	121	101	121	101
- Bay of Plenty Local Authority Shared Services Ltd	9	9	9	9
Total investment in CCOs and similar entities	3,237	3,217	230	210
Investment in other entities				
Local government & corporate bonds	4,236	10,504	4,236	10,504
Term deposits	12,161	5,108	12,161	5,108
Local government (NZLGFA) and corporate bonds	2,182	1,717	2,182	1,717
Community loans	1,104	1,557	1,104	1,557
Equity securities	3,665	4,189	3,665	4,189
Total investment in other entities	23,348	23,075	23,348	23,075
Total non-current portion	26,585	26,292	23,578	23,285
Total other financial assets	92,886	81,173	89,879	78,166

Fair value**Term deposits**

The carrying amount of term deposits approximates their fair value.

Bonds

Government and commercial bonds are carried at amortised cost. The fair value of these bonds is \$10,298,846 (2015 \$10,504,023). Fair value has been determined using quoted market bid prices from independently sourced market information.

Controlled entities

Taupo District Council has 50% ownership of the Taupo Airport Authority Joint Venture. The Crown is the owner of the other 50%. The Taupo Airport Authority balance date is 30 June.

Taupo District Council has settled \$100 on the Destination Lake Taupo Trust. The Trust's balance date is 30 June.

Taupō District Council has 100% ownership (100 shares) of the subsidiary Data Capture Systems Limited (2015 150 shares). This company is dormant.

Taupō District Council has 100% ownership (100 shares) of the subsidiary Destination Lake Taupō Limited (2015 100 shares). This company is dormant.

Listed shares

Council has current investments in listed shares on LSE, ASX & NZX. Listed shares are recognised at fair value which are determined by reference to published current bid price quotations in an active market.

Council holds the following listed equity investments:

Tesco 230,000 shares at market value of \$3.30 each (2015 230,000 @ \$4.90).

BHP Billiton 30,000 shares at market value of \$19.55 each (2015 20,000 @ \$30.44).

ANZ Bank 30,000 shares at market value of \$25.28 each (2015 20,000 @ \$36.24).

Westpac Bank shares were sold in 2015/16 (2015 20,000 @ \$36.18).

Worley Parsons 80,000 shares at market value of \$7.55 each (2015 40,000 @ \$11.72).

NAB Bank 20,000 shares at market value of \$26.66 each.

Hallensteins Glassons 160,000 shares at market value of \$2.65 each (2015 160,000 @ \$3.35).

Community loans

Loans to community organisations made at nil or below market interest rates are initially recognised at the present value of their expected future cashflows, discounted at the current market rate of return for a similar financial instrument. These loans are subsequently valued at amortised cost using the effective interest method. The face value of the loans is \$1,103,842 (2015 \$1,557,338).

Impairment

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

Other shares in companies

Council holds the following equity investments:

NZ Local Government Insurance Corporation Ltd 83,971 shares at fair value of \$1.44 (2015 \$1.20) each.

Waikato Local Authority Shared Services Ltd 1 ordinary capital share (uncalled) of \$1,000 (2015 \$1,000).

BOP Local Authority Shared Services Ltd 1 ordinary capital share of \$1,000 (2015 \$1,000).

NZ Local Government Funding Agency 100,000 ordinary shares @ \$1.00 and 100,000 ordinary unpaid shares @ \$1.00 (2015 \$1.00).

18. NON-CURRENT ASSETS HELD FOR SALE

Total fair value of non-current assets held for sale is shown in the table below:

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Non-current assets held for sale are:				
Land	2,328	2,310	2,328	2,310
Buildings	-	43	-	43
Total non-current assets held for sale	2,328	2,353	2,328	2,353

The movement of non-current assets held for sale is as follows:

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Opening balance	2,353	3,555	2,353	3,555
Disposals	(2,085)	(392)	(2,014)	(392)
Asset reclassifications	2,123	(1,305)	-	(1,305)
Additions	75	544	1,989	544
Impairment	(138)	(49)	-	(49)
Total	2,328	2,353	2,328	2,353

The non-current assets held for sale are made up of residential and non-residential land and buildings. An asset will only be shown in this category if it has been approved by Council for sale, it is being actively marketed, and it is expected to sell within the next financial year.

19. PROPERTY, PLANT AND EQUIPMENT

Council 2016	Cost / revaluation 1 Jul 15 \$000	Accumulated depreciation 1 Jul 15 \$000	Carrying amount 1 Jul 15 \$000	Current year additions (+ gains) \$000	Current year disposals (+ losses) \$000	Current year depreciation \$000	Transfers \$000	Revaluation surplus \$000	Cost / revaluation 30 Jun 16 \$000	Accumulated depreciation 30 Jun 16 \$000	Carrying amount 30 Jun 16 \$000
Operating assets at cost and valuation											
Land	30,395	-	30,395	673	(45)	-	(32)	4,901	35,892	-	35,892
Buildings	60,627	(5,053)	55,574	2,009	(846)	(2,485)	-	11,691	65,974	(31)	65,943
Library books	5,577	(4,404)	1,173	306	(1)	(305)	-	-	5,882	(4,709)	1,173
Leased plant & equipment	476	(419)	57	99	-	(60)	-	-	96	-	96
Office furniture and fittings	27,489	(13,256)	14,233	2,209	(11)	(1,504)	-	-	29,652	(14,725)	14,927
Mobile plant and equipment	9,858	(6,062)	3,796	902	(255)	(896)	-	-	9,766	(6,219)	3,547
Heritage assets	1,975	(1)	1,974	78	-	-	-	-	2,062	(10)	2,052
Capital work in progress - land	6	-	6	1,748	-	-	(1,741)	-	13	-	13
Capital work in progress - buildings	90	-	90	1,327	-	-	(1,378)	-	39	-	39
Capital work in progress - library books	-	-	-	306	-	-	(306)	-	-	-	-
Capital work in progress - office furniture & fittings	588	-	588	2,515	-	-	(2,845)	-	258	-	258
Capital work in progress - mobile plant & equipment	29	-	29	601	-	-	(624)	-	6	-	6
Capital work in progress - heritage assets	-	-	-	31	-	-	(31)	-	-	-	-
Total operating assets	137,110	(29,195)	107,915	12,804	(1,158)	(5,250)	(6,957)	16,592	149,640	(25,694)	123,946
Infrastructural assets at cost and valuation											
Roading	317,038	(4,785)	312,253	2,234	(462)	(5,296)	-	-	318,714	(9,985)	308,729
Water supply	73,927	-	73,927	2,065	(55)	(3,098)	-	-	75,933	(3,094)	72,839
Wastewater reticulation	109,426	-	109,426	2,335	(29)	(4,323)	-	-	111,731	(4,322)	107,409
Stormwater reticulation	51,112	-	51,112	262	(16)	(885)	-	-	51,358	(885)	50,473
Land under roads	271,027	-	271,027	-	-	-	-	1,111	272,138	-	272,138
Infrastructural buildings	13,361	(1,064)	12,297	2	-	(322)	-	278	12,255	-	12,255
Solid waste	4,271	(3,045)	1,226	-	-	(112)	-	-	4,271	(3,157)	1,114
Capital work in progress - roading	251	-	251	2,616	-	-	(2,184)	-	683	-	683
Capital works in progress - water supply	593	-	593	1,759	-	-	(2,102)	-	250	-	250
Capital work in progress - wastewater	602	-	602	4,150	-	-	(2,332)	-	2,420	-	2,420
Capital work in progress - stormwater	-	-	-	252	-	-	(251)	-	1	-	1
Capital work in progress - solid waste	-	-	-	81	-	-	(63)	-	18	-	18
Total infrastructural assets	841,608	(8,894)	832,714	15,756	(562)	(14,036)	(6,932)	1,389	849,772	(21,443)	828,329
Restricted assets at cost and valuation											
Reserves	114,679	-	114,679	38	-	-	32	10,132	124,881	-	124,881
Total restricted assets	114,679	-	114,679	38	-	-	32	10,132	124,881	-	124,881
Total Council	1,093,397	(38,089)	1,055,308	28,598	(1,720)	(19,286)	(13,857)	28,113	1,124,293	(47,137)	1,077,156

Council 2015	Cost / revaluation 1 Jul 14 \$000	Accumulated depreciation 1 Jul 14 \$000	Carrying amount 1 Jul 14 \$000	Current year additions (+ gains) \$000	Current year disposals (+ losses) \$000	Current year depreciation \$000	Transfers \$000	Revaluation surplus \$000	Cost / revaluation 30 Jun 15 \$000	Accumulated depreciation 30 Jun 15 \$000	Carrying amount 30 Jun 15 \$000
Operating assets at cost and valuation											
Land	30,388	-	30,388	7	-	-	-	-	30,395	-	30,395
Buildings	59,950	(2,647)	57,303	741	(123)	(2,396)	49	-	60,627	(5,053)	55,574
Library books	5,211	(4,109)	1,102	365	-	(294)	-	-	5,577	(4,404)	1,173
Leased plant & equipment	448	(317)	131	28	-	(102)	-	-	476	(419)	57
Office furniture and fittings	25,615	(11,894)	13,721	2,040	(6)	(1,473)	(49)	-	27,489	(13,256)	14,233
Mobile plant and equipment	9,434	(5,928)	3,506	1,677	(305)	(1,082)	-	-	9,858	(6,062)	3,796
Heritage assets	1,878	(1)	1,877	97	-	-	-	-	1,975	(1)	1,974
Capital work in progress - land	44	-	44	1,556	-	-	(1,594)	-	6	-	6
Capital work in progress - buildings	50	-	50	765	-	-	(725)	-	90	-	90
Capital work in progress - library books	21	-	21	344	-	-	(365)	-	-	-	-
Capital work in progress - office furniture & fittings	233	-	233	2,390	-	-	(2,035)	-	588	-	588
Capital work in progress - mobile plant & equipment	309	-	309	1,239	-	-	(1,519)	-	29	-	29
Capital work in progress - heritage assets	5	-	5	16	-	-	(21)	-	-	-	-
Total operating assets	133,586	(24,896)	108,690	11,265	(434)	(5,347)	(6,259)	-	137,110	(29,195)	107,915
Infrastructural assets at cost and valuation											
Roading	383,332	(20)	383,312	28,754	(93,569)	(6,244)	-	-	317,038	(4,785)	312,253
Water supply	63,528	(4,064)	59,464	2,151	(882)	(2,831)	9,534	6,491	73,927	-	73,927
Wastewater reticulation	106,688	(8,854)	97,834	3,761	(17)	(4,552)	-	12,400	109,426	-	109,426
Stormwater reticulation	49,006	(1,738)	47,268	439	-	(876)	-	4,281	51,112	-	51,112
Land under roads	244,085	-	244,085	28,428	(1,676)	-	190	-	271,027	-	271,027
Infrastructural buildings	22,878	(735)	22,143	17	-	(328)	(9,535)	-	13,361	(1,064)	12,297
Solid waste	4,192	(2,897)	1,295	80	-	(149)	-	-	4,271	(3,045)	1,226
Capital work in progress - roading	273	-	273	2,212	-	-	(2,234)	-	251	-	251
Capital works in progress - water supply	1,105	-	1,105	1,239	-	-	(1,751)	-	593	-	593
Capital work in progress - wastewater	2,209	-	2,209	1,673	-	-	(3,280)	-	602	-	602
Capital work in progress - stormwater	27	-	27	104	-	-	(132)	-	-	-	-
Capital work in progress - solid waste	15	-	15	109	-	-	(124)	-	-	-	-
Total infrastructural assets	877,338	(18,308)	859,030	68,967	(96,144)	(14,980)	(7,332)	23,172	841,608	(8,894)	832,714
Restricted assets at cost and valuation											
Reserves	114,485	-	114,485	193	(1)	-	2	-	114,679	-	114,679
Total restricted assets	114,485	-	114,485	193	(1)	-	2	-	114,679	-	114,679
Total Council	1,125,409	(43,204)	1,082,205	80,425	(96,579)	(20,327)	(13,589)	23,172	1,093,397	(38,089)	1,055,308

Group 2016	Cost / revaluation 1 Jul 15 \$000	Accumulated depreciation 1 Jul 15 \$000	Carrying amount 1 Jul 15 \$000	Current year additions (+ gains) \$000	Current year disposals (+ losses) \$000	Current year depreciation \$000	Transfers \$000	Revaluation surplus \$000	Cost / revaluation 30 Jun 16 \$000	Accumulated depreciation 30 Jun 16 \$000	Carrying amount 30 Jun 16 \$000
Operating assets at cost and valuation											
Land	30,395	-	30,395	673	(45)	-	(32)	4,901	35,892	-	35,892
Buildings	60,996	(5,077)	55,919	2,009	(846)	(2,496)	-	11,893	66,511	(32)	66,479
Library books	5,577	(4,404)	1,173	306	(1)	(305)	-	-	5,882	(4,709)	1,173
Leased plant & equipment	476	(419)	57	99	-	(60)	-	-	96	-	96
Office furniture and fittings	27,919	(13,352)	14,567	2,225	(12)	(1,527)	-	-	30,096	(14,843)	15,253
Mobile plant and equipment	10,111	(6,202)	3,909	912	(255)	(930)	-	-	10,033	(6,397)	3,636
Heritage assets	1,975	(1)	1,974	78	-	-	-	-	2,062	(10)	2,052
Capital work in progress - land	6	-	6	1,748	-	-	(1,741)	-	13	-	13
Capital work in progress - buildings	91	-	91	1,327	(1)	-	(1,378)	-	39	-	39
Capital work in progress - library books	-	-	-	306	-	-	(306)	-	-	-	-
Capital work in progress - office furniture & fittings	588	-	588	2,515	-	-	(2,845)	-	258	-	258
Capital work in progress - mobile plant & equipment	29	-	29	601	-	-	(624)	-	6	-	6
Capital work in progress - heritage assets	-	-	-	31	-	-	(31)	-	-	-	-
Total operating assets	138,163	(29,455)	108,708	12,830	(1,160)	(5,318)	(6,957)	16,794	150,888	(25,991)	124,897
Infrastructural assets at cost and valuation											
Roading	318,183	(4,796)	313,387	2,234	(462)	(5,306)	-	-	319,859	(10,006)	309,853
Water supply	73,927	-	73,927	2,065	(55)	(3,098)	-	-	75,933	(3,094)	72,839
Wastewater reticulation	109,426	-	109,426	2,335	(29)	(4,323)	-	-	111,731	(4,322)	107,409
Stormwater reticulation	51,489	(14)	51,475	262	(16)	(898)	-	-	51,735	(912)	50,823
Land under roads	271,027	-	271,027	-	-	-	-	1,111	272,138	-	272,138
Infrastructural buildings	13,361	(1,064)	12,297	2	-	(322)	-	278	12,255	-	12,255
Solid waste	4,271	(3,045)	1,226	-	-	(112)	-	-	4,271	(3,157)	1,114
Capital work in progress - roading	251	-	251	2,616	-	-	(2,184)	-	683	-	683
Capital works in progress - water supply	593	-	593	1,759	-	-	(2,102)	-	250	-	250
Capital work in progress - wastewater	602	-	602	4,150	-	-	(2,332)	-	2,420	-	2,420
Capital work in progress - stormwater	-	-	-	252	-	-	(251)	-	1	-	1
Capital work in progress - solid waste	-	-	-	81	-	-	(63)	-	18	-	18
Taupō Airport Runways	5,020	(210)	4,810	8	-	(210)	-	-	5,028	(420)	4,608
Capital work in progress Taupō Airport runways	-	-	-	15	-	-	-	-	15	-	15
Total infrastructural assets	848,150	(9,129)	839,021	15,779	(562)	(14,269)	(6,932)	1,389	856,337	(21,911)	834,426
Restricted assets at cost and valuation											
Reserves	114,679	-	114,679	38	-	-	32	10,132	124,881	-	124,881
Taupō Airport Land	3,510	-	3,510	-	-	-	-	435	3,945	-	3,945
Total restricted assets	118,189	-	118,189	38	-	-	32	10,567	128,826	-	128,826
Total Group	1,104,502	(38,584)	1,065,918	28,647	(1,722)	(19,587)	(13,857)	28,750	1,136,051	(47,902)	1,088,149

Group 2015	Cost / revaluation 1 Jul 14 \$000	Accumulated depreciation 1 Jul 14 \$000	Carrying amount 1 Jul 14 \$000	Current year additions (+ gains) \$000	Current year disposals (+ losses) \$000	Current year depreciation \$000	Transfers \$000	Revaluation surplus \$000	Cost / revaluation 30 Jun 15 \$000	Accumulated depreciation 30 Jun 15 \$000	Carrying amount 30 Jun 15 \$000
Operating assets at cost and valuation											
Land	30,388	-	30,388	7	-	-	-	-	30,395	-	30,395
Buildings	60,319	(2,659)	57,660	741	(123)	(2,408)	49	-	60,996	(5,077)	55,919
Library books	5,211	(4,109)	1,102	365	-	(294)	-	-	5,577	(4,404)	1,173
Leased plant & equipment	448	(317)	131	28	-	(102)	-	-	476	(419)	57
Office furniture and fittings	26,022	(11,968)	14,054	2,056	(6)	(1,495)	(42)	-	27,919	(13,352)	14,567
Mobile plant and equipment	9,652	(6,061)	3,591	1,742	(323)	(1,101)	-	-	10,111	(6,202)	3,909
Heritage assets	1,878	(1)	1,877	97	-	-	-	-	1,975	(1)	1,974
Capital work in progress - land	44	-	44	1,556	-	-	(1,594)	-	6	-	6
Capital work in progress - buildings	51	-	51	765	-	-	(725)	-	91	-	91
Capital work in progress - library books	21	-	21	344	-	-	(365)	-	-	-	-
Capital work in progress - office furniture & fittings	236	-	236	2,390	-	-	(2,038)	-	588	-	588
Capital work in progress - mobile plant & equipment	309	-	309	1,239	-	-	(1,519)	-	29	-	29
Capital work in progress - heritage assets	5	-	5	16	-	-	(21)	-	-	-	-
Total operating assets	134,584	(25,115)	109,469	11,346	(452)	(5,400)	(6,255)	-	138,163	(29,455)	108,708
Infrastructural assets at cost and valuation											
Roading	384,484	(20)	384,464	28,754	(93,569)	(6,255)	(7)	-	318,183	(4,796)	313,387
Water supply	63,528	(4,064)	59,464	2,151	(882)	(2,831)	9,534	6,491	73,927	-	73,927
Wastewater reticulation	106,688	(8,854)	97,834	3,761	(17)	(4,552)	-	12,400	109,426	-	109,426
Stormwater reticulation	49,383	(1,738)	47,645	439	-	(890)	-	4,281	51,489	(14)	51,475
Land under roads	244,085	-	244,085	28,428	(1,676)	-	190	-	271,027	-	271,027
Infrastructural buildings	22,878	(735)	22,143	17	-	(328)	(9,535)	-	13,361	(1,064)	12,297
Solid waste	4,192	(2,897)	1,295	80	-	(149)	-	-	4,271	(3,045)	1,226
Capital work in progress - roading	273	-	273	2,212	-	-	(2,234)	-	251	-	251
Capital works in progress - water supply	1,105	-	1,105	1,239	-	-	(1,751)	-	593	-	593
Capital work in progress - wastewater	2,209	-	2,209	1,673	-	-	(3,280)	-	602	-	602
Capital work in progress - stormwater	27	-	27	105	-	-	(132)	-	-	-	-
Capital work in progress - solid waste	15	-	15	109	-	-	(124)	-	-	-	-
Taupō Airport Runways	5,014	-	5,014	7	-	(211)	-	-	5,020	(210)	4,810
Total infrastructural assets	883,881	(18,308)	865,573	68,975	(96,144)	(15,216)	(7,339)	23,172	848,150	(9,129)	839,021
Restricted assets at cost and valuation											
Reserves	114,485	-	114,485	193	(1)	-	2	-	114,679	-	114,679
Taupō Airport Land	3,510	-	3,510	-	-	-	-	-	3,510	-	3,510
Total restricted assets	117,995	-	117,995	193	(1)	-	2	-	118,189	-	118,189
Total Group	1,136,460	(43,423)	1,093,037	80,514	(96,597)	(20,616)	(13,592)	23,172	1,104,502	(38,584)	1,065,918

Heritage assets

Council owns a variety of heritage type assets around the Taupō District that are of cultural or historical significance which are not included in values in the note above.

These assets are made up of mainly carvings and sculptures and Council estimates their value at \$254,000 (2015 \$254,000).

Restrictions to title and security over property, plant & equipment

Land in the “Restricted Asset” category is subject to either restrictions on use, or disposal, or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977), or other restrictions (such as land under a bequest or donation that restricts the purpose for which the assets are used).

Infrastructural assets

Council manages infrastructural assets in accordance with Asset Management Plans. These plans detail the level of service required, the current physical extent, condition and capacity of the network and the timing, extent and cost of work required to maintain and restore the network’s defined capacity in future years.

Computers and fitness equipment

These assets are subject to finance leases.

Impairment

There is no provision for impairment this year (2015 \$nil)

Insurance on assets

The total book value of all assets covered by insurance contracts is \$106 million (2015 \$106m).

The Council has chosen to insure these assets for \$173 million (2015 \$173m).

The Council has chosen to self-insure Infrastructure assets as outlined in Council’s Taupō Recovery Plan December 2013, by “ring fencing” the TEL Fund of \$54m (2015 \$54m) and providing other funding options including undrawn credit lines, other reserve funds and sufficient head room with respect to borrowing limits. The value of the Roding, Water, Wastewater, Stormwater & Solid Waste assets that are self-insured is \$540 million (2015 \$540m). With the provisions made above, in the event of a loss Council will be eligible for 60% financial support for essential infrastructure recovery from Central Government.

Infrastructural assets - further disclosures

Council 2016	Closing book value \$000	Additions constructed by Council \$000	Assets transferred to Council \$000	Estimated replacement cost \$000
Infrastructural assets				
Water treatment plants & facilities	19,484	537	-	31,362
Other water assets	53,355	1,528	-	99,265
Wastewater treatment plants & facilities	54,022	1,895	-	86,948
Other wastewater assets	53,387	440	-	91,334
Stormwater drainage	50,473	262	-	84,022
Roads & footpaths	308,729	2,234	-	427,922
Total infrastructural assets	539,450	6,896	-	820,853

Water, wastewater and stormwater assets latest valuation 30/6/2015.

Roads and footpaths latest valuation 30/6/2014.

Council 2015	Closing book value \$000	Additions constructed by Council \$000	Assets transferred to Council \$000	Estimated replacement cost \$000
Infrastructural assets				
Water treatment plants & facilities	21,093	1,337	-	30,829
Other water assets	52,835	814	245	101,370
Wastewater treatment plants & facilities	55,291	3,204	-	85,039
Other wastewater assets	54,135	556	441	90,964
Stormwater drainage	51,113	439	280	83,791
Roads & footpaths	312,255	2,653	26,644	396,308
Total infrastructural assets	546,722	9,003	27,610	788,301

Group 2016	Closing book value \$000	Additions constructed by Council \$000	Assets transferred to Council \$000	Estimated replacement cost \$000
Infrastructural assets				
Water treatment plants & facilities	20,705	537	-	31,362
Other water assets	52,134	1,528	-	99,265
Wastewater treatment plants & facilities	54,284	1,895	-	86,948
Other wastewater assets	53,125	440	-	91,334
Stormwater drainage	50,823	262	-	93,971
Roads & footpaths	309,853	2,234	-	429,455
Total infrastructural assets	540,924	6,896	-	832,335

Water, wastewater and stormwater assets latest valuation 30/6/2015.

Roads, footpaths and airport infrastructural assets latest valuation 30/6/2014.

Group 2015	Closing book value \$000	Additions constructed by Council \$000	Assets transferred to Council \$000	Estimated replacement cost \$000
Infrastructural assets				
Water treatment plants & facilities	21,488	1,337	-	36,026
Other water assets	56,773	814	245	104,765
Wastewater treatment plants & facilities	55,291	3,204	-	85,039
Other wastewater assets	60,122	556	441	101,041
Stormwater drainage	56,866	439	280	93,740
Roads & footpaths	312,255	2,662	26,644	397,841
Total infrastructural assets	562,795	9,012	27,610	818,452

Finance leases as lessee

The net carrying amount of property, plant and equipment leased under finance leases is as follows:

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Computer equipment	19	56	19	56
Gym equipment	76	1	76	1
Total	95	57	95	57

20. BIOLOGICAL ASSETS – FORESTRY

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Opening balance	4,918	4,705	4,918	4,705
Gains/(losses) arising from changes in fair value	1,072	(79)	1,072	(79)
Additions	303	292	303	292
Carrying amount at 30 June	6,293	4,918	6,293	4,918

The forest estate comprises a number of relatively small forests and two larger forests (Rangitaiki & Tirohanga) in the Taupō basin of radiata pine. The total net stocked area of the estate is estimated to be 1069 hectares (2015 899.9 hectares) however for the valuation an area of 1032ha has been used due to inaccessibility issues.

Feasibility, cost and timing of developing access to the Tirohanga forest block (which represents 63% of the forestry valuation) are presently unknown. The realisation of the fair value assessed for the Tirohanga block is contingent on securing access and an assumption has been made in the valuation as to the timing of securing this access. The securing of access may involve additional costs that are not considered in reaching the assessed fair value for these assets.

Independent valuers, Chandler Fraser Keating Limited have valued the forestry assets as at 30 June 2016. The following assumptions have been adopted in determining the fair value of forestry assets:

- a pre tax discount rate of 10.5% (2015 11%) has been used in discounting the present value of expected cashflows
- notional land rental costs have been included for freehold land
- forests have been valued on a going concern basis and includes the value of the existing crops on a single rotational basis
- costs are current average costs. No allowance has been made for cost improvements in future operations.
- log prices are based on national export log price indices for the benchmark China A grade.

The 28% increase in value has come about largely through tree growth and updated log prices and a lower discount rate, countered by assuming that part of the Tirohanga forest volume is unavailable, and an increased estimate of production costs.

There are no restrictions over the title of forestry assets, nor is any forestry asset pledged as security for liabilities (2015 Nil).

Financial risk management strategies

Council is exposed to financial risks arising from changes in timber prices. As Council is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future, it has not taken any measures to manage the risk of a decline in timber prices.

21. INTANGIBLE ASSETS

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Opening carrying amounts				
Computer software cost	2,413	2,233	2,418	2,252
Accumulated amortisation	(1,820)	(1,609)	(1,821)	(1,626)
	593	624	597	626
Movements				
Opening net book amount	593	624	597	626
Additions	531	196	531	201
Amortisation	(239)	(227)	(240)	(228)
Disposals	-	-	-	(2)
	885	593	888	597
Comprising				
Computer software cost	2,934	2,413	2,939	2,418
Accumulated amortisation	(2,049)	(1,820)	(2,051)	(1,821)
Closing carrying amounts	885	593	888	597

22. INVESTMENT PROPERTY

Total fair value of investment properties is shown in the table below:

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Land	29,666	23,385	29,666	23,385
Buildings	1,284	1,167	1,284	1,167
Balance at 30 June	30,950	24,552	30,950	24,552

The movement of investment property is as follows:

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Opening balance	24,552	23,496	24,552	23,496
Fair value gains/(losses) on valuation	7,825	(445)	7,825	(445)
Additions	698	389	698	389
Transfers (to)/ from property plant and equipment	(2)	(193)	(2)	(193)
Transfers (to)/ from inventories and owner occupied property	(2,123)	1,305	(2,123)	1,305
Balance at 30 June	30,950	24,552	30,950	24,552

Investment properties are valued annually effective at 30 June to fair value. The valuation was performed by M MacDonaly BBS (VPM) GradDipBusStud (Rural valuation), an independent valuer from QV Asset & Advisory. QV Asset & Advisory is an experienced valuer with extensive market knowledge in the types and location of investment properties owned by the Council.

The valuation methodology and assumptions used were:

- all land has been valued on a fair market, highest and best use basis, each site has been individually considered and valued in accordance with current market conditions;
- all buildings are valued with reference to the market where market evidence exists, highest and best use of the property has been considered when formulating the valuation approach;
- site and other improvements relating to various land assets have been assessed on a fair value market basis, in the absence of conclusive market value evidence, improvements have been valued by the depreciated replacement cost approach; and
- all lessee (non Council) improvements have been excluded from the valuation.

Amounts relating to investment property and recognised in surplus or deficit include:

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Rental revenue from investment property	83	74	83	74
Direct operating expenses related to investment property that generated rental revenue during the period	47	28	47	28
Direct operating expenses related to investment property that did not generate rental revenue during the period	145	154	145	154

There were no contractual obligations for capital or operating expenses in relation to investment property (2015: Nil).

23. TRADE AND OTHER PAYABLES

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Trade payables	3,522	3,884	3,703	3,977
Accrued expenses	1,478	1,452	1,625	1,559
Councillor fees payable	8	22	8	22
Accrued interest on borrowings	375	519	375	519
Deposits and bonds	894	829	895	838
Revenue in advance	2,399	2,216	2,426	2,285
Total trade and other payables	8,676	8,922	9,032	9,200
Total creditors and other payables from exchange transactions	5,374	5,852	5,724	6,057
Total creditors and other payables from non-exchange transactions	3,302	3,070	3,308	3,143
Total trade and other payables	8,676	8,922	9,032	9,200

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

24. EMPLOYEE BENEFIT LIABILITIES

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Current portion				
Accrued pay	19	758	16	800
Annual leave	1,810	1,861	1,919	1,993
Lieu leave	114	-	120	-
Retirement gratuities & long service leave	116	95	122	95
Sick leave	39	39	39	39
Total current portion	2,098	2,753	2,216	2,927
Non-current portion				
Retirement gratuities & long service leave	349	272	354	276
Total non-current portion	349	272	354	276
Total employee entitlements	2,447	3,025	2,570	3,203

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

A discount factor of 2.12% (2015 6.6%) and an inflation factor of 2% (2015 2%) were used.

25. PROVISIONS

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Non-current portion				
Value landfill - closure and post closure provision	63	59	63	59
	63	59	63	59
Movements in provisions				
Opening balance	59	55	59	55
Additional provisions made during the year	4	4	4	4
Closing balance	63	59	63	59

Taupō District Council gained resource consent in September 1998 to operate the Broadlands Road Landfill. The Council has responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed.

There are closure and post-closure responsibilities such as the following:

Closure responsibilities	Post-closure responsibilities
Final application and vegetation	Treatment and monitoring of leachate
Final application and vegetation	Ground water and surface monitoring
Facilities for leachate collection and monitoring	Gas monitoring and recovery
Facilities for water quality monitoring	Implementation of remedial measures such as needed for cover and control systems
Facilities for monitoring and recovery of gas	On going site maintenance for drainage systems, final cover and vegetation

The management of the landfill will influence the timing of recognition of some liabilities, for example, the current landfill consists of a series of new cells being progressively opened as old ones are completed. Each of these requires additional capital expenditure and the recalculation of the landfill aftercare provision.

Capacity of the site

The estimated remaining capacity of the site as at 30 June 2016 is approximately 356,035 cubic metres (2015 392,074 cubic metres).

The estimated remaining life as at 30 June 2016 is 13 years (2015 15 years).

Estimates of the remaining capacity and life have been made by Council's engineers based on historical volume information and early results from the Solid Waste Management Strategy.

The cash outflows for landfill post-closure are expected to occur between 2030 and 2035. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 7.75%.

26. BORROWINGS

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Current portion				
Commercial paper	23,000	25,000	23,000	25,000
Debentures	-	25,000	-	25,000
Finance lease liabilities	35	40	35	40
Total secured current interest bearing borrowings	23,035	50,040	23,035	50,040
Non-current portion				
Debentures	125,000	100,000	125,000	100,000
Finance lease liabilities	65	20	65	20
Total secured non-current interest bearing borrowings	125,065	100,020	125,065	100,020
Total borrowings	148,100	150,060	148,100	150,060

Council manages its borrowing in accordance with its funding and financial policies, which includes a Treasury Management Policy. This policy has been adopted as part of the Council's Long-Term Plan 2015-2025.

Bank facilities

Council has a total of \$50m (2015 \$50m) committed bank facilities. \$10m expires June 2021 and \$40m expires December 2019. Of the facilities nil (2015 \$nil) was drawn as at balance date.

Commercial paper, fixed and floating rate notes

Council has issued nil (2015 \$25m) of fixed and floating rate notes at balance date.

Council has commercial paper of \$23m currently on issue (2015 \$25m)

NZ Local Government Funding Agency

Council has issued \$125m (2015 \$100m) of floating rate debt securities as at balance date and these are entirely covered by interest rate swaps at fixed rates.

Security

All of Council's secured loans are secured under the terms of the Debenture Trust Deed between the Council and Trustees Executors, as Trustee. Security is by a charge over the Council's ability to levy rates in favour of the Trustee. Pursuant to the Trust Deed Council has issued debenture and security stock certificates of \$103.5 million at 30 June 2016 (2015 \$130.5 million) to secure the various debentures issued, bank loan facilities, guarantees issued on behalf of Council and other general banking facilities.

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Effective Interest Rates				
Loans	5.966%	6.506%	5.966%	6.506%
Lease liabilities	10.007%	3.552%	10.007%	3.552%
Weighted average effective interest rate	5.969%	6.505%	5.969%	6.505%

Lease liabilities are effectively secured, as the rights to the leased asset revert to the lessor in the event of default.

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Payable no later than one year	23,041	50,040	23,041	50,040
Later than one, not later than two years	25,028	18	25,028	18
Later than two, not later than five years	50,031	55,002	50,031	55,002
Later than five years	50,000	45,000	50,000	45,000
	148,100	150,060	148,100	150,060

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Analysis of finance lease liabilities				
Payable no later than one year	48	42	48	42
Later than one, not later than two years	32	18	32	18
Later than two, not later than five years	32	2	32	2
Total minimum lease payments	112	62	112	62
Future finance charges	(12)	(2)	(12)	(2)
Present value of minimum lease payments	100	60	100	60
Represented by:				
Current	35	40	35	40
Non-current	65	20	65	20
Total finance leases	100	60	100	60

At the Council, finance leases are largely related to the leasing of computer equipment. A summary of the net carrying amount of all leased assets is in note 19.

The finance leases can be renewed at the Council and Group's option, with rents set by reference to current market rates for items of an equivalent age and condition. The Council and Group do have the option to purchase the assets at the end of the lease term.

There are no restrictions placed on the Council or Group by any of the finance leasing arrangements.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Non-current liability portion				
Interest rate swaps	31,247	19,399	31,247	19,399
Total non-current liability portion	31,247	19,399	31,247	19,399

The fair value of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced (Infoscan) market parameters such as interest rate yield curves. The interest rate swaps have been valued by Hedgebook as at 30 June 2016.

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2016 were \$128,350,000 (2015 \$128,350,000).

At 30 June 2016, the fixed interest rates of interest rate swaps vary from 4.64% to 6.16% (2015 5.09% to 6.37%).

28. RECONCILIATION OF NET SURPLUS (DEFICIT) AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Surplus/(deficit) after tax	5,377	(47,381)	5,304	(47,509)
Add/(less) non-cash items				
Depreciation and amortisation	19,514	20,542	19,818	20,833
Vested assets	(63)	(56,351)	(63)	(56,351)
Unrealised (gains)/losses in fair value of biological assets	(1,072)	79	(1,072)	79
Unrealised (gains)/losses in fair value of non-hedge accounted derivatives	11,848	8,280	11,848	8,280
Unrealised (gains)/losses in fair value of investment properties	(7,825)	494	(7,825)	494
Unrealised (gains)/losses on equities	1,244	53	1,244	53
Unrealised (gains)/losses on revaluation of PPE	(4,915)	-	(4,915)	-
Asset impairment and write-off	138	-	138	-
Add/(less) items classified as investing activity				
Net (gain)/loss on sale/write-offs	(979)	95,927	(978)	95,933
Non-operating movement in deferred tax	-	-	(28)	(50)
Decrease/(increase) in creditors for capital expenditure	(83)	(137)	(83)	(137)
(Increase)/decrease in accounts receivable	114	(70)	139	(50)
(Increase)/decrease in inventories	(257)	84	(252)	87
Increase/(decrease) in accounts payable	(739)	695	(713)	691
Net cash inflow/(outflow) from operating activities	22,302	22,215	22,562	22,353

29. RELATED PARTY TRANSACTIONS

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

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

Key management personnel compensation

	Council	
	Actual 2016 \$000	Actual 2015 \$000
Mayor & Councillors		
Remuneration (Council Elected Members)	451	440
Full-time equivalent members	11	11
Senior Leadership Group, including the Chief Executive		
Remuneration (CEO & SLG)	1,261	1,068
Full-time equivalent members	5	5
Total key management personnel compensation	1,712	1,508
Total full-time equivalent members	16	16

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

It should be noted that the definition of key management personnel for this disclosure includes the Mayor, Councillors, the Chief Executive and members of the Senior Leadership Group. Details of remuneration paid to Councillors and Community Board members are provided in note 31.

30. FINANCIAL INSTRUMENTS

Council is risk averse and seeks to minimise risk exposure associated with financial instruments and treasury activity. Council has risk management policies and processes in place particularly with regard to risk exposures relating to interest rates and the concentration of credit risk.

Council has established a Treasury Management Policy specifying what transactions can be entered into. The policy does not allow any transactions that are speculative in nature.

(a) Financial instrument categories

Assets - Council	Held for trading \$000	Assets at fair value through surplus or deficit \$000	Loans and receivables \$000	Available for sale \$000	Total \$000
30 June 2016					
Cash and cash equivalent	-	-	2,878	-	2,878
Receivables and prepayments	-	-	4,445	-	4,445
Other financial assets:					
Bonds	-	-	-	10,299	10,299
Term deposits	-	-	72,399	-	72,399
Borrowers notes	-	-	2,182	-	2,182
Community loans	-	-	1,104	-	1,104
Listed shares	-	3,665	-	-	3,665
Unlisted shares	-	-	-	230	230
Total assets	-	3,665	83,008	10,529	97,202
30 June 2015					
Cash and cash equivalent	-	-	7,088	-	7,088
Receivables and prepayments	-	-	4,716	-	4,716
Other financial assets:					
Bonds	-	-	-	10,504	10,504
Term deposits	-	-	59,989	-	59,989
Borrowers notes	-	-	1,717	-	1,717
Community loans	-	-	1,557	-	1,557
Listed shares	-	4,189	-	-	4,189
Unlisted shares	-	-	-	210	210
Total assets	-	4,189	75,067	10,714	89,970

Assets - Group	Held for trading \$000	Assets at fair value through surplus or deficit \$000	Loans and receivables \$000	Available for sale \$000	Total \$000
30 June 2016					
Cash and cash equivalents	-	-	3,754	-	3,754
Receivables and prepayments	-	-	4,500	-	4,500
Other financial assets:					
Bonds	-	-	-	10,299	10,299
Term deposits	-	-	72,399	-	72,399
Borrowers notes	-	-	2,182	-	2,182
Community loans	-	-	1,104	-	1,104
Listed shares	-	3,665	-	-	3,665
Unlisted shares	-	-	-	230	230
Total assets	-	3,665	83,939	10,529	98,133
30 June 2015					
Cash and cash equivalent	-	-	7,757	-	7,757
Receivables and prepayments	-	-	4,793	-	4,793
Other financial assets:					
Bonds	-	-	-	10,504	10,504
Term deposits	-	-	59,989	-	59,989
Borrowers notes	-	-	1,717	-	1,717
Community loans	-	-	1,557	-	1,557
Listed shares	-	4,189	-	-	4,189
Unlisted shares	-	-	-	210	210
Total assets	-	4,189	75,813	10,714	90,716

Liabilities - Council	Held for trading \$000	Measured at amortised cost \$000	Total \$000
30 June 2016			
Borrowings			
- Debentures & commercial paper	-	148,000	148,000
Payables and accruals	-	6,036	6,036
Derivative financial instruments	31,247	-	31,247
Total liabilities	31,247	154,036	185,283
30 June 2015			
Borrowings			
- Debentures & commercial paper	-	150,000	150,000
Payables and accruals	-	6,673	6,673
Derivative financial instruments	19,399	-	19,399
Total liabilities	19,399	156,673	176,072

Liabilities - Group	Held for trading \$000	Measured at amortised cost \$000	Total \$000
30 June 2016			
Borrowings			
- Debentures & commercial paper	-	148,000	148,000
Payables and accruals	-	6,353	6,353
Derivative financial instruments	31,247	-	31,247
Total liabilities	31,247	154,353	185,600
30 June 2015			
Borrowings			
- Debentures & commercial paper	-	150,000	150,000
Payables and accruals	-	6,881	6,881
Derivative financial instruments	19,399	-	19,399
Total liabilities	19,399	156,881	176,280

(b) Market risk

Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. Council is exposed to price risk through its equity securities, which are classified as financial assets held at fair value through the surplus or deficit. This price risk arises due to market movements in the value of listed securities. This price risk is managed by the diversification of Council's investment portfolio and is managed by Council's Treasury Management Group and external Fund Advisors in accordance with Council's Investment Policy.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Taupō District Council has no significant exposure to currency risk.

Interest rate risk

The main objective of interest rate risk management is to reduce uncertainty around net interest expense as interest rates change. Mechanisms used include matching the interest rate profile of the Council and group's financial investments and financial liabilities and, where appropriate, fixing rates through fixed rate borrowings and the use of interest rate derivatives.

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. This could impact on the cost of borrowing or the return from an investment.

Council's Liability Management Policy sets minimum and maximum levels of fixed rate exposure for borrowings, across various time windows.

Council's Investment Policy provides for interest rate risk on investments to be managed by Council as part of its overall investment strategy.

Cash flow interest rate risk

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

Taupō District Council manages its cash flow interest rate risk on borrowings by using floating-to-fixed interest rate swaps. These interest rate swaps have the economic effect of converting floating rate borrowings into fixed rates that are generally lower than those available if Taupō District Council borrowed at fixed rates directly.

Under the interest rate swaps, Taupō District Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Disclosure of the value of Council's interest rate swap instruments is made in note 27.

Sensitivity analysis

The tables below illustrate the potential profit and loss and equity (excluding retained earnings) impact for reasonable possible market movements, with all other variables held constant, based on Taupō District Council's financial instrument exposures at balance date. These tables represent both the Council & Group position as there are no financial instruments requiring analysis for controlled entities.

Council and Group

Interest Rate Risk	2016				2015			
	-100bps		+100bps		-100bps		+100bps	
	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000
Financial assets								
Cash and cash equivalents (1)	-	-	-	-	-	-	-	-
Term deposits (2)	-	-	-	-	-	-	-	-
Community loans (3)	-	-	-	-	-	-	-	-
Local authority stock (4)	-	-	-	-	-	-	-	-
Bonds (4)	-	109	-	(107)	-	207	-	(201)
Financial liabilities								
Borrowings (5)	-	-	-	-	-	-	-	-
Interest rate derivatives (6)	(11,103)	-	10,125	-	(9,662)	-	8,863	-
Total sensitivity to interest rate risk	(11,103)	109	10,125	(107)	(9,662)	207	8,863	(201)

Council and Group

Foreign Exchange Risk	2016				2015			
	-5%		-5%		-5%		-5%	
	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000	Profit \$000	Other equity \$000
Financial assets								
Quoted share investments (7a)	171	-	(154)	-	192	-	(174)	-
Total sensitivity to foreign exchange risk	171	-	(154)	-	192	-	(174)	-
Financial liabilities								
Quoted share investments (7b)	(183)	-	183	-	(209)	-	209	-
Total sensitivity to equity price risk	(183)	-	183	-	(209)	-	209	-

Explanation of sensitivity analysis – Council and Group

1 – Cash and cash equivalents

Cash and cash equivalents include deposits at call of \$3,714,000 (2015 \$5,653,000), which are at an interest rate close to the Official Cash Rate. As the likelihood of this rate moving on balance date is unlikely no sensitivity analysis has been applied.

2 – Term deposits

Term deposits are valued at principal plus accrued interest \$72,398,288 (2015 \$59,989,000). A movement of plus or minus 1% in the interest rate has nil effect on the profit and loss (2015 \$Nil).

3 – Community loans

Taupō District Council has lent the Southern Lakes Taupō Health Trust \$300,000 for a period of 25 years at 2% pa, this loan was valued at fair value of \$117,721 (2015 \$107,351) at balance date. Taupō District Council has lent TMP Properties Ltd \$986,121 (2015 \$1,442,142) on normal commercial terms for a period of 15 years at BNZ commercial rate. Changes in interest rates at balance date will not affect the valuation of these loans.

4 - Local authority stock and corporate bonds

Corporate Bonds have a fair value of \$10,298,846 (2015 \$10,504,023). A movement of plus or minus 1% in the interest rate has an effect on other equity of (\$107,000)/\$109,000 (2015 (\$201,000)/\$207,000).

5 - Borrowings

Taupō District Council's bank facilities were nil at balance date, a movement of plus or minus 1% in the interest rate would have no effect. The fixed and floating rate notes are held to maturity therefore no sensitivity analysis has been completed.

6 - Interest rate derivatives

Derivative financial instruments liabilities include interest rate swaps with a fair value totalling \$31,246,605 (2015 \$19,399,000). A movement in interest rate of plus/minus 1% has an effect on the unrealised value of the derivatives of \$10,125,000/ (\$11,103,000) (2015 \$8,863,000/ (\$9,662,000)).

7 - Quoted share investments

a) Taupō District Council holds listed equity instruments in Tesco Ltd, Worley Parsons, BHP Billiton, ANZ and National Australia Bank which are publicly traded and included in the FTSE or ASX equity indices. If there was a movement of plus or minus 5% in the British pound and Australian dollar the effect has an impact of (\$154,000)/\$171,000 in the fair value through profit. (2015 (\$174,000)/\$192,000)

b) For these same shares and the NZ shareholdings in Hallenstein Glassons, if the share price moved plus or minus 5% the effect has an impact of \$183,000/ (\$183,000) in the fair value through profit. (2015 \$209,000/ (\$209,000))

(c) Credit risk

Credit risk is the risk that a third party will default on its obligation to Council, causing the Council to incur a loss. Financial instruments which potentially subject the Council to credit risk principally consist of bank balances, accounts receivable, all investments, and sports club and other guarantees.

Council's Investment Policy limits the amount of credit exposure on investment instruments to any one institution or organisation. There are also minimum credit rating limits in place.

The Council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in note 33

There are no significant concentrations of credit risk with accounts receivable balances as Council has a large number of credit customers, mainly ratepayers, and there are appropriate debt management practices in place. Council has significant powers under the Local Government (Rating) Act 2002 to recover outstanding amounts from ratepayers.

Maximum exposure to credit risk

Taupō District Council's maximum credit exposure (including accrued interest at balance date) for each class of financial instrument is as follows:

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Cash at bank and term deposits	75,276	67,077	76,152	67,746
Debtors and other receivables	4,445	4,716	4,500	4,793
Community & related party loans	1,104	1,557	1,104	1,557
Local authority & government stock (NZLGFA)	2,182	1,717	2,182	1,717
Corporate stock	10,299	10,504	10,299	10,504
Total credit risk	93,306	85,571	94,237	86,317

Credit quality of financial assets

The credit quality of financial assets, at carrying value, 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:

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Counterparties with credit ratings				
Cash at bank and term bank deposits				
AA-	75,276	67,077	76,152	67,746
Total cash at bank and term bank deposits	75,276	67,077	76,152	67,746
Bonds				
AA+	2,182	1,717	2,182	1,717
Total local authority & government stock	2,182	1,717	2,182	1,717
Corporate stock				
AA-	4,236	4,244	4,236	4,244
BBB+	6,063	6,260	6,063	6,260
Total corporate stock	10,299	10,504	10,299	10,504
Counterparties without credit ratings				
Community & related party loans	1,104	1,557	1,104	1,557
Total community & related party loans	1,104	1,557	1,104	1,557

Debtors and other receivables mainly arise from Taupō District Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Taupō District Council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and Taupō District Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

(d) Liquidity risk

Liquidity risk is the risk that Council will encounter difficulty in raising sufficient funds to meet financial commitments as they fall due.

Liquidity risk management ensures that there is sufficient cash available to meet obligations in an orderly manner as they fall due. As part of liquidity risk management Council, at 30 June 2016, had \$50m of un-drawn committed bank facilities (2015: \$50m). Councils' Treasury Management Policy also requires spreading of debt maturities across financial periods to avoid concentration of risk.

Council also holds cash and cash equivalents to manage short-term liquidity risk.

The Council is exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note 33.

Contractual maturity analysis of financial assets and liabilities

The table below analyses Taupō District Council's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt and interest rate derivatives are based on the relevant interest rate at balance date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year \$000	Between 1 and 2 years \$000	Between 2 and 5 years \$000	Over 5 years \$000	Total contractual cash flows \$000	Carrying amount (assets)/ liabilities \$000
Council 2016						
Financial assets						
Cash and cash equivalents	2,878	-	-	-	2,878	2,878
Debtors and other receivables	4,436	8	1	-	4,445	4,445
Term deposits	61,218	12,821	-	-	74,039	72,399
Community loans	136	136	425	1,040	1,737	1,104
Local authority stock (NZLGFA)	-	490	961	1,021	2,472	2,182
Bonds	6,447	226	4,144	-	10,817	10,299
Total financial assets	75,115	13,681	5,531	2,061	96,388	93,307
Financial liabilities						
Creditors and other payables	6,036	-	-	-	6,036	6,036
Net settled derivative liabilities	4,241	4,241	12,647	15,499	36,628	31,247
Secured loans	67	67	142	27	303	-
Debentures & commercial papers	26,260	27,793	54,591	26,332	134,976	148,000
Finance leases	48	32	32	-	112	100
Total financial liabilities	36,652	32,133	67,412	41,858	178,055	185,383
Council 2015						
Financial assets						
Cash and cash equivalents	7,088	-	-	-	7,088	7,088
Debtors and other receivables	4,695	8	13	-	4,716	4,716
Term deposits	57,721	5,367	-	-	63,088	59,989
Community loans	155	155	484	1,864	2,658	1,557
Local authority stock (NZLGFA)	-	-	1,095	933	2,028	1,717
Bonds	668	6,447	4,370	-	11,485	10,504
Total financial assets	70,327	11,977	5,962	2,797	91,063	85,571
Financial liabilities						
Creditors and other payables	6,673	-	-	-	6,673	6,673
Net settled derivative liabilities	3,371	3,361	10,093	11,180	28,005	19,399
Secured loans	67	61	60	-	188	-
Debentures & commercial papers	55,440	4,349	63,449	48,975	172,213	150,000
Finance leases	42	18	2	-	62	60
Total financial liabilities	65,593	7,789	73,604	60,155	207,141	176,132
Group 2016						
Financial assets						
Cash and cash equivalents	3,754	-	-	-	3,754	3,754
Debtors and other receivables	4,491	8	1	-	4,500	4,500
Term deposits	61,218	12,821	-	-	74,039	72,399
Community loans	136	136	425	1,040	1,737	1,104
Local authority stock (NZLGFA)	-	490	961	1,021	2,472	2,182
Bonds	6,447	226	4,144	-	10,817	10,299
Total financial assets	76,046	13,681	5,531	2,061	97,319	94,238

	Less than 1 year \$000	Between 1 and 2 years \$000	Between 2 and 5 years \$000	Over 5 years \$000	Total contractual cash flows \$000	Carrying amount (assets)/ liabilities \$000
Financial liabilities						
Creditors and other payables	6,353	-	-	-	6,353	6,353
Net settled derivative liabilities	4,241	4,241	12,647	15,499	36,628	31,247
Secured loans	67	67	142	27	303	-
Debentures & commercial papers	26,260	27,793	54,591	26,332	134,976	148,000
Finance leases	48	32	32	-	112	100
Total financial liabilities	36,969	32,133	67,412	41,858	178,372	185,700

Group 2015**Financial assets**

Cash and cash equivalents	7,757	-	-	-	7,757	7,757
Debtors and other receivables	4,772	8	13	-	4,793	4,793
Term deposits	57,721	5,367	-	-	63,088	56,598
Community loans	155	155	484	1,864	2,658	1,557
Local authority stock (NZLGFA)	-	-	1,095	933	2,028	1,717
Bonds	668	6,447	4,370	-	11,485	10,504
Total financial assets	71,073	11,977	5,962	2,797	91,809	82,926

Financial liabilities

Creditors and other payables	6,881	-	-	-	6,881	6,881
Net settled derivative liabilities	3,371	3,361	10,093	11,180	28,005	19,399
Secured loans	67	61	60	-	188	-
Debentures & commercial papers	55,440	4,349	63,449	48,975	172,213	150,000
Finance leases	42	18	2	-	62	60
Total financial liabilities	65,801	7,789	73,604	60,155	207,349	176,340

(e) Fair value estimation

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

- Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

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

	Total \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000
Council 2016				
Financial assets				
Local government and corporate bonds	10,299	-	10,299	-
Listed shares	3,665	3,665	-	-
Unlisted shares	230	-	230	-
Total financial assets	14,194	3,665	10,529	-
Financial liabilities				
Derivative financial instruments	31,247	31,247	-	-
Total financial liabilities	31,247	31,247	-	-

Council 2015				
Financial assets				
Local government and corporate bonds	10,504	-	10,504	-
Listed shares	4,189	4,189	-	-
Unlisted shares	210	-	210	-
Total financial assets	14,903	4,189	10,714	-
Financial liabilities				
Derivative financial instruments	19,399	19,399	-	-
Total financial liabilities	19,399	19,399	-	-

Group 2016				
Financial assets				
Local government and corporate bonds	10,299	-	10,299	-
Listed shares	3,655	3,655	-	-
Unlisted shares	230	-	230	-
Total financial assets	14,184	3,655	10,529	-
Financial liabilities				
Derivatives financial instruments	31,247	31,247	-	-
Total financial liabilities	31,247	31,247	-	-

Group 2015				
Financial assets				
Local government and corporate bonds	10,504	-	10,504	-
Listed shares	4,189	4,189	-	-
Unlisted shares	210	-	210	-
Total financial assets	14,903	4,189	10,714	-
Financial liabilities				
Derivative financial instruments	19,399	19,399	-	-
Total financial liabilities	19,399	19,399	-	-

31. REMUNERATION

Chief Executive Officer's remuneration

The total remuneration (including any non-financial benefits) paid or payable for the year to the Chief Executive was \$397,105 (2015 \$318,830), which included a severance benefit of \$6,822.

From the 1 May 2016 the total remuneration (including non-financial benefits) paid or payable to the Interim Chief Executive was \$36,919.

The Chief Executive Officer of the Taupō District Council is appointed under Section 42 of the Local Government Act 2002.

Elected representatives received the following remuneration (including non-financial benefits):

	Actual 2016 \$000	Actual 2015 \$000
Mayor		
Trewavas, David	110,702	106,441
Councillors		
Boddy, John	32,851	31,922
Chrustowski, Bernhard	33,621	32,622
Cozens, Zane	33,795	33,217
Harvey, Rosie	32,851	31,922
Hickling, Barry	40,099	39,357
Jollands, Roseanne	32,851	31,922
Park, Anna	33,866	32,797
Stewart, Margaret	34,076	34,127
Trueman, Kirsty	33,551	33,497
Williamson, John	32,851	31,922
Total Councillors remuneration	340,412	333,305
Turangi/Tongariro Community Board		
Kingi, Tonganui	15,720	15,660
New, Te Takinga	7,860	7,830
Saunders, Neale	3,240	7,830
Smallman, Mary	7,860	7,830
Te Whare, Chris	7,860	8,180
Van der Aa, Walter	7,860	7,830
Total Community Board remuneration	50,400	55,160

The monetary remuneration detailed above (salary and allowances) is determined by Council resolution within limits set by the Local Government Elected Members Determination in accordance with the provisions of Clause 6 Schedule 7 of the Local Government Act 2002. Fringe benefit tax of \$6,726 was paid to the IRD by Council for a vehicle supplied to Mayor David Trewavas (2015 \$6,674).

Council employees

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

	Number of employees
	2016
Less than \$60,000	207
\$60,000-\$79,999	68
\$80,000-\$99,999	35
\$100,000-\$119,999	20
\$120,000-\$159,999	8
\$160,000-\$239,999	5
Total employees	343

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

	Number of employees
	2015
Less than \$60,000	228
\$60,000-\$79,999	62
\$80,000-\$99,999	32
\$100,000-\$119,999	17
\$120,000-\$139,999	6
\$140,000-\$179,999	7
\$180,000-\$319,999	3
Total employees	355

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 247 (June 2015 246) full-time employees, with the balance of staff representing 47.2 (June 2015 51.5) full time equivalent employees. A full-time employee is determined on the basis of a 37.5 or 40-hour working week.

32. CAPITAL & OPERATIONAL COMMITMENTS AND OPERATING LEASES

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Capital commitments				
Water supply capex/renewals	-	606	-	606
Wastewater capex/renewal	595	-	595	-
District roading	-	900	-	900
Phone system	-	15	-	15
Total capital commitments	595	1,521	595	1,521
Operational commitments				
Wastewater	2,278	1,695	2,278	1,695
District roading	3,611	2,268	3,611	2,268
Refuse	6,810	8,133	6,810	8,133
Supply of document production services	192	336	192	336
Office and gym equipment leases	31	197	31	197
Security	116	314	116	314
District electricity supply	1,578	3,682	1,578	3,682
Street sweeping	-	101	-	101
Three waters maintenance	12,400	1,491	12,400	1,491
Water & wastewater electrical maintenance	-	332	-	332
Cleaning contracts	729	-	729	-
Generator contract	39	-	39	-
Property leases	899	978	899	978
Total operational commitments	28,683	19,527	28,683	19,527
Total capital and operational commitments	29,278	21,048	29,278	21,048

Non-cancellable operating leases as lessee:

Included in the above commitments are leases of property, plant and equipment that Taupō District Council has entered into in the normal course of its business. The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Minimum operating lease payments payable:				
Payable no later than one year	86	11	86	143
Later than one, not later than two years	65	11	65	13
Later than two, not later than five years	85	6	85	6
Later than five years	689	-	689	-
Total non-cancellable operating leases	925	28	925	162

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$27,245 (2015 \$nil).

Operating leases as lessor:

Investment property is leased under operating leases. The leases have various non-cancellable terms depending on the nature of the lease and the terms negotiated. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Council		Group	
	Actual 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Not later than one year	542	545	427	411
Later than one year and not later than five years	1,021	999	1,021	999
Later than five years	1,863	1,843	1,863	1,843
Total non-cancellable operating leases	3,426	3,387	3,311	3,253

No contingent rents have been recognised during the period.

33. CONTINGENCIES

Contingent liabilities

Taupō District Council is a guarantor of the New Zealand 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 current credit rating from Standard and Poor's of AA+.

Council is one of 30 local authority shareholders and 41 local authority guarantors of the NZLGFA. (In that regard it has uncalled capital of \$100,000). When aggregated with the uncalled capital of other shareholders, \$20m is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2016, NZLGFA had borrowings totalling \$6,501m (2015 \$4,995m).

Financial reporting standards require Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of 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 defaults 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.

Other contingencies

Taupō District Council

Scientific advice has been received regarding the Hipaua Geothermal Landslide risk near Waihi at the southern end of Lake Taupō. In the event of a landslide any property damage and/or loss of life could potentially give rise to claim(s) against Council, currently unquantifiable (2015 Same contingency disclosure made).

A land subsidence issue has been identified in the Taupō urban area, with the potential for property damage and therefore raising liability issues. Taupō District Council does not believe it has any direct potential liability, specifically related to the causes of the subsidence. The issue of contingent liability however, currently unquantifiable, is under review (2015 Same contingency disclosure made).

Council controls and has brought to account certain reserve lands throughout the District which will return to Iwi ownership in the event that they are no longer required for reserve purposes. Council does not envisage that this situation will ever eventuate (2015 Same disclosure of this contingency).

Council may be subject to claims relating to weather tightness building defects. As at the date of this report the Weathertight Home Resolution Service (WHRS) is investigating one claim affecting one property in the Taupō District (2015 Two WHRS claims).

The Council is not a respondent for this claim. No weather tightness claims have been lodged directly with Council.

All Councils with responsibilities under the Building Act have, to varying extents, been impacted by the leaky building issue. Unfortunately, as the issue has evolved, other parties to the claims have disappeared and Councils and Riskpool (our insurer) are often the only party responding to the claims. This has meant that judgements against Councils are increasing. Any leaky building claims made against Council after 1 July 2009 are not covered by our insurers.

In addition to the weather tightness building defect claims, there are a further 18 unresolved potential legal and insurance claims against Council as at 30 June 2016 (2015 13 claims). All seek compensation related to resource consents, property damage, contractual disputes, or other aspects of Council's operations which the claimants believe have caused them loss. It is not possible for Council to quantify a maximum financial exposure for these claims. Council will vigorously defend all claims and expects its actual liability to be minimal, if indeed there is any liability at all.

The potential for erosion and flooding risk has been identified through technical reports around the foreshore of Lake Taupō, with the potential for property damage and therefore raising liability issues. Taupō District Council does not believe it has any direct potential liability, specifically related to the causes of the erosion and flooding. The issue of contingent liability however, currently unquantifiable, is under review (2015 Same contingency disclosure made).

Due to recent earthquakes in Canterbury, Council needs to assess whether there is any risk to buildings in the Taupō District. Council has begun the task of evaluating its own buildings, commencing with the buildings of highest risk to human life, to determine if they may be earthquake prone, the buildings assessed so far comply for the intended use. The issue of contingent liability, if any, is unquantifiable.

There are no contingent assets or liabilities relating to the subsidiary entities (2015 nil).

34. EVENTS AFTER BALANCE DATE

There were no significant events after balance date that require reporting.

35. CAPITAL MANAGEMENT

The Council's capital is its equity (or ratepayers' funds), which comprise accumulated 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, general financial dealings prudently and in a manner that promotes the current and future interests of the community.

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

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets while 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 (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. 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 LTP.

Taupō District Council has the following Council created reserves:

- Depreciation reserves
- Development contributions
- TEL Fund
- Disaster recovery

- Other special purpose

Depreciation reserves reflect the value of depreciation expense charged in the financial statements and funded from rates. These reserves are utilised to fund the replacement and renewal of the assets that are being depreciated.

Development contribution reserves reflect development contributions invoiced and received, these are used to fund capital expenditure, loan repayments and loan interest on growth-related asset purchases or construction.

The TEL Fund was established in September 1995 when Taupō District Council sold its investments in Taupō Electricity Limited and Taupō Generation Limited. The fund is utilised to reduce the rating requirement of the District.

The disaster recovery reserve is set aside to assist with readily available funds in the case of a significant natural disaster.

The other special purpose reserves are an accumulation of a number of other designated reserves, funded and held for a variety of purposes. Among the more significant balances are the strategic property reserve, land subdivision reserves, the forestry reserve, and the Lake Taupō Protection Rate reserve.

36. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variations from the Council's budget figures in the 2015/16 Long-term Plan to 30 June 2016 are as follows:

Statement of Comprehensive Revenue and Expense

Council's actual surplus of \$5.377m is \$0.279m more than the \$5.098m surplus planned. The major variations are due to:

Revenue

- Rates revenue is higher by \$547k due to extra subdivisions increasing the number of rateable properties and building consents increasing the capital value of the district with an effect \$410k and water by meter ahead of plan due to increased economic activity in the district with an effect of \$191k. This is offset by revenue from rates penalties lower than budget by \$26k and rates remissions granted higher than budget by \$28k.
- Subsidies and grants behind plan by \$2.038m, due to the Ministry of Health subsidy, which was budgeted at \$2.125m, for connecting Waitahanui to the town water supply being deferred until 2016/17, offset by sundry grants received that were not budgeted for due to their nature.
- Development and financial contributions are behind plan by \$186k due to timing of subdivisions
- Fees and charges are \$253k behind plan. Revenue from landfill operations is \$481k ahead of plan due to increased economic activity in the District. Building and resource consenting charges are \$150k ahead of plan due to strong activity in the building sector and revenue from LIM requests is ahead of plan \$128k due to the buoyant property market. Membership fees are ahead of plan by \$82k. These gains are offset by haylage sales from our land disposal site below plan by \$294k. Cost of goods sold of \$181k has been reclassified from revenue to expenses in actuals which is not reflected in budget. The remaining amount is due to the budgets for infringements and fines (\$411k), petrol tax (\$428k) and other revenue (\$93k) being classified in fees and charges in the budget but the actuals are included in other revenue.
- Finance revenue is \$271k lower than plan due to reduced returns on investments \$116k and dividend revenue of \$155k budgeted in interest but reported in other revenue.
- Other revenue is \$14.434m ahead of plan. The following make up this variance:
 - Infrastructural vested assets \$900k behind plan and other vested assets \$63k ahead of plan.
 - Infringements and fines \$411k ahead of plan due to budget being shown in fees and charges (actually \$76k behind plan)
 - Petrol tax revenue \$428k ahead of plan due to budget being shown in fees and charges (actually \$58k ahead of plan)
 - Other revenue \$93k ahead of plan due to budget being shown in fees and charges (actually \$2k behind plan)
 - Gain on sale of properties ahead of plan by \$1.659m, gain on sale of plant & equipment \$182k, dividends \$155k ahead of plan, realised gain on sale of shares and bonds \$114k and revenue from investment properties \$82k ahead of plan (budget in fees and charges).

- Revaluation of investment properties \$7.319m ahead of plan, revaluation of restricted reserves and infrastructural buildings \$4.915m (partial recovery of revaluation losses in 2012/13), offset by forestry revaluation being \$89k less than planned.

Expenses

Expenses are \$11.954m higher than plan. Explanation of this variance is as follows:

- Employee benefit expenses are higher than plan by \$164k due to increased kiwisaver contributions \$78k, recognition of lieu leave not previously accounted for \$114k, offset by savings due to staff turnover.
- Depreciation is lower than plan by \$31k
- Loss on disposal of assets \$1.469m (unbudgeted).
- Loss on valuation of derivative financial instruments \$11.847m, loss on valuation of financial assets \$1.244m, impairment of assets held for sale \$138k and loss on valuation of property, plant and equipment \$43k. These items are not budgeted for due to their nature
- These losses are offset by operational savings of \$2.317m and savings on interest on debt of \$0.6m due to the reduction of debt to lower than planned levels.

Statement of Financial Position

Assets

- Investments, including cash, are \$6.377m higher than plan due to operational revenues being higher than plan and operational expenses being lower than plan.
- Trade and other receivables are \$1.333m lower than plan due to recovery of overdue debt for approximately \$500k and the budget being based on 2014 closing balances
- Inventory is \$173k higher than plan due to increased haylage stocks
- Prepayments are \$553k ahead of plan (unbudgeted)
- Non-current assets held for sale \$1.981m lower than plan due to higher than planned section sales and the next subdivision not yet available for sale.
- Investment properties \$7.449m higher than plan due to an increase in the land valuation
- Property, plant and equipment, intangibles and forestry were \$32.707m more than plan due to the under estimation of the effect of the ETA/SH1 exchange on the opening balance of fixed assets, revaluation of land and building assets being \$5.429m lower than plan, offset by the revaluation of infrastructural assets being \$16.2m higher than plan in 2014/15. Capital expenditure was \$11.2m behind plan and \$10.3m behind plan in 2014/15. Disposals were \$0.562 (not budgeted) and vested assets were \$0.837m lower than plan.

Liabilities

- Trade and other payables \$885k higher than plan due to plan being based on 2014 closing balances.
- Derivative financial instrument liabilities are \$20.128m higher than plan due to fair valuation changes of the current and previous year.
- Borrowings \$10.7m lower than plan mainly due to capital expenditure being below planned levels for the current and prior year.

Statement of Movements in Net Assets/Equity

Closing equity is \$30.868 higher than plan. The major variations are due to:

- The opening equity position being \$36.2m higher than plan, primarily due to the overestimation of the effect of the ETA/SH1 exchange in the Crown in the Long-term Plan
- The 30 June 2016 revaluations of land and buildings being \$5.429m lower than anticipated in the Long-term Plan.
- Revaluation loss on financial assets not planned \$151k.
- The net deficit for the year being \$278k more than planned (see explanation under 'Statement of Comprehensive Revenue and Expense' heading above).