

FINANCES

New rating valuations show increases

The revaluation of property in the Taupō District revealed a 12 per cent increase in overall capital value since 2013 to a total of \$15.07 billion.

Legislation requires local authorities to review rateable values every three years and property owners receive notices outlining the updated rating valuations once these are completed.

New valuations saw an average increase of 12 per cent for residential properties across the district, while rural properties rose by an average 22 per cent. Industrial property rose 5.2 per cent with commercial and accommodation properties up 7.8 per cent. Lifestyle properties increased an average of 10.5 per cent.

Taupō District rating valuations for 2016 were completed by Landmass Technology using a mass appraisal process and were a snapshot in time reflecting the market value as at July 1. They did not take into account the positive market movement since that time.

The process for determining rating values is independently audited by the Office of the Valuer General and stringent quality standards have to be met before a revaluation is confirmed.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR YEAR ENDED 30 JUNE 2017

	Note	Council			Group	
		Actual 2017 \$000	Budget 2017 \$000	Actual (Restated) 2016 \$000	Actual 2017 \$000	Actual (Restated) 2016 \$000
Revenue						
Rates	4	61,124	60,698	60,629	61,106	60,610
Subsidies and grants	6	3,129	4,326	2,931	3,129	2,931
Development and financial contributions		2,406	953	899	2,406	899
Fees and charges	5	11,092	9,215	9,935	11,934	10,830
Finance revenue	7	3,303	2,937	4,312	3,307	4,330
Other revenue	8,37	27,793	3,632	12,349	27,768	12,540
Total revenue		108,847	81,761	91,055	109,650	92,140
Expenses						
Employee benefit expenses	9	19,989	20,372	19,814	21,249	20,951
Depreciation and amortisation expense	9,10	21,069	19,818	19,524	21,393	19,828
Finance costs	7	9,009	8,755	9,786	9,009	9,786
Other expenses	9	34,433	28,243	41,813	34,056	41,558
Total expenses		84,500	77,188	90,937	85,707	92,123
Surplus/(deficit) before tax		24,347	4,573	118	23,943	17
Income tax (expense)/credit	11	-	-	-	18	28
Surplus/(deficit) after tax		24,347	4,573	118	23,961	45
Other comprehensive revenue						
Property, plant & equipment revaluations	12	11,316	19,047	23,240	11,948	23,877
Available for sale financial assets at fair value through other comprehensive revenue	12	(11)	-	(151)	(11)	(151)
Tax on equity items	12	-	-	-	(172)	(56)
Total comprehensive revenue		11,305	19,047	23,089	11,765	23,670
Total comprehensive revenue and expenses		35,652	23,620	23,207	35,726	23,715
Net surplus/(deficit) after taxation is attributable to:						
Taupō District Council		24,347	4,573	118	24,025	108
Minority interest	13	-	-	-	(64)	(63)
		24,347	4,573	118	23,961	45
Total comprehensive revenue and expenses attributable to:						
Taupō District Council		35,652	23,620	23,207	35,560	23,706
Minority interest	13	-	-	-	166	9
		35,652	23,620	23,207	35,726	23,715

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 ENDED 30 JUNE 2017

	Note	Council			Group	
		Actual 2017 \$000	Budget 2017 \$000	Actual Restated) 2016 \$000	Actual 2017 \$000	Actual (Restated) 2016 \$000
Net Assets/Equity at start of the year		1,023,825	1,035,033	1,000,618	1,031,368	1,007,653
Total comprehensive revenue and expenses previously reported	37	35,652	23,620	23,207	35,726	23,715
Balance at 30 June	12,37	1,059,477	1,058,653	1,023,825	1,067,094	1,031,368
Total recognised revenue and expenses are attributable to:						
Taupō District Council		35,652	23,620	23,207	35,560	23,706
Minority interest		-	-	-	166	9
Total comprehensive revenue and expenses		35,652	23,620	23,207	35,726	23,715

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

AS AT 30 JUNE 2017

	Note	Council			Group	
		Actual 2017 \$000	Budget 2017 \$000	Actual (Restated) 2016 \$000	Actual 2017 \$000	Actual (Restated) 2016 \$000
ASSETS						
Cash and cash equivalents	14	8,294	5,041	2,878	9,167	3,754
Other financial assets	17	89,840	55,628	66,301	89,840	66,301
Trade and other receivables	15	5,282	5,181	4,922	5,381	5,004
Inventories	16	1,453	509	766	1,486	801
Prepayments		1,254	408	553	1,267	586
Non-current assets held for sale	18	10,011	2,353	2,328	10,011	2,328
Total current assets		116,134	69,120	77,748	117,152	78,774
Non-current assets						
Other financial assets	17	11,840	25,127	23,348	11,840	23,348
Investment in CCO and other similar entities	17	3,460	3,217	3,237	237	230
Intangible assets	21	722	593	885	726	888
Investment property	22,37	14,819	23,325	25,691	14,819	25,691
Biological assets - forestry	20	7,450	5,656	6,293	7,450	6,293
Property, plant and equipment	19	1,086,345	1,108,745	1,077,156	1,097,947	1,088,149
Total non-current assets		1,124,636	1,166,663	1,136,610	1,133,019	1,144,599
Total assets		1,240,770	1,235,783	1,214,358	1,250,171	1,223,373
LIABILITIES						
Current Liabilities						
Trade and other payables	23	9,928	8,923	8,676	10,415	9,032
Employee entitlements	24	2,241	2,753	2,098	2,384	2,216
Borrowings	26	21,094	49,310	23,035	21,094	23,035
Current tax liabilities		-	-	-	76	76
Total current liabilities		33,263	60,986	33,809	33,969	34,359
Non-current liabilities						
Provisions	25	69	64	63	69	63
Derivative financial instruments	27	22,443	19,399	31,247	22,443	31,247
Borrowings	26	125,142	96,409	125,065	125,142	125,065
Employee entitlements	24	376	272	349	384	354
Deferred tax liabilities	11	-	-	-	1,070	917
Total non-current liabilities		148,030	116,144	156,724	149,108	157,646
Total liabilities		181,293	177,130	190,533	183,077	192,005
Net assets (assets minus liabilities)		1,059,477	1,058,653	1,023,825	1,067,094	1,031,368
EQUITY						
Accumulated funds	12,37	782,836	787,284	770,992	784,179	772,657
Other reserves	12	276,641	271,369	252,833	279,530	255,492
Minority interest	13	-	-	-	3,385	3,219
		1,059,477	1,058,653	1,023,825	1,067,094	1,031,368

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 ENDED 30 JUNE 2017

	Note	Council			Group	
		Actual 2017 \$000	Budget 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Cash flows from operating activities						
Rates		61,193	60,698	60,774	61,175	60,755
Subsidies and grants		1,754	1,960	3,079	1,754	3,079
Development and financial contributions		2,757	953	723	2,757	723
Fees and charges		11,168	9,215	10,254	12,013	11,129
Finance revenue		3,172	2,937	4,038	3,176	4,056
Dividends or similar distributions		237	-	155	237	155
Other revenue		1,396	1,017	1,194	1,114	1,385
Net GST received		-	-	-	-	8
Payments to suppliers		(28,203)	(28,243)	(27,818)	(27,833)	(27,465)
Payments to employees		(19,607)	(20,372)	(20,155)	(20,839)	(21,333)
Interest paid		(9,002)	(8,750)	(9,930)	(9,002)	(9,930)
Net GST paid		(154)	-	(12)	(152)	-
Net cash flow from operating activities	28	24,711	19,415	22,302	24,400	22,562
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment		10,650	2,147	4,653	10,650	4,653
Capital subsidies		1,353	2,366	-	1,353	-
Purchase and development of property, plant and equipment		(17,855)	(18,700)	(15,772)	(17,979)	(15,825)
Net increase in investments		(11,579)	(2,800)	(13,433)	(11,147)	(13,433)
Net cash flow from investing activities		(17,431)	(16,987)	(24,552)	(17,123)	(24,605)
Cash flows from financing activities						
Loans raised		7,505	6,466	5,512	7,505	5,512
Net raising of finance lease liabilities		136	-	40	136	40
Repayment of loans		(9,505)	(11,569)	(7,512)	(9,505)	(7,512)
Net cash flow from financing activities		(1,864)	(5,103)	(1,960)	(1,864)	(1,960)
Net increase (decrease) in cash held		5,416	(2,675)	(4,210)	5,413	(4,003)
Add cash at start of year		2,878	7,716	7,088	3,754	7,757
Cash, cash equivalents, and bank overdrafts at the end of the year	14	8,294	5,041	2,878	9,167	3,754

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 form part of these financial statements.

1. STATEMENT OF ACCOUNTING POLICIES FOR YEAR ENDED 30 JUNE 2017

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 2017. The financial statements were authorised for issue by Council on 26 September 2017.

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 and the Local Government (Financial Reporting and Prudence) Regulations 2014, which include 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), other than the remuneration disclosures in note 31 which are rounded to the nearest dollar. The functional currency of Taupō District Council and Group is New Zealand dollars.

Changes in accounting policies

There have been no changes in accounting policies during the financial year, other than impairment of revalued assets as detailed below.

Standards issued and not yet effective that have been early adopted

Impairment of revalued assets

In April 2017, the XRB issued an Impairment of Revalued Assets, which now scopes in revalued property, plant and equipment into the impairment accounting standards. Previously, only property, plant and equipment assets measured at cost were scoped into impairment accounting standards.

The Council has early adopted this amendment in preparing its 30 June 2017 financial statements. From the 30 June 2017 year onwards, the Council is required to assess the recoverable amount of that asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. The Council can therefore impair a revalued asset without having to revalue the entire class-of-asset to which the asset belongs.

Standards issued and not yet effective and not early adopted

Standards, interpretations, and amendments issued but not yet effective that have not been early adopted, and which are relevant to Taupō District Council include:

- Interests in other entities
- In January 2017, the XRB issued new standards for interests in other entities (PBE IPSAS 34-38). These new standards replace the existing standards for interest in other entities (PBE IPSAS 6-8). The new standards are effective for annual

periods beginning on or after 1 January 2019, with early application permitted.

The Council plans to apply the new standards in preparing the 30 June 2020 financial statements. The Council and Group has not yet assessed the effects of the new standards.

·In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

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

The Council plans to apply this standard in preparing its 30 June 2022 financial statements. The Council and Group has not yet assessed the effects of the new standard.

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.

The net GST recoverable from, or payable to the IRD, is included as part of receivables or payables in the Statement of Financial Position.

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

Commitments and contingencies are disclosed exclusive of GST.

2.6 Revenue

Revenue is measured at fair value.

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

For assets received for no or nominal consideration, the asset is recognised at its fair value when Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

The fair value of vested or donated assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer.

For long-lived assets that must be used for a specific use (e.g. land must be used as a recreation reserve), the Council immediately recognises the fair value of the asset as revenue. A liability is recognised only if Council expects that it will need to return or pass the asset to another party.

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

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

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 at the time of disposal.

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

provide, the service.

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.

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

- Asset Revaluation Reserves

- Available for Sale Revaluation Reserve

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.

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 2.14 of the policies.

Available for Sale Revaluation Reserves arise from available for sale investments being revalued to current fair value. The treatment of revaluation movements is detailed in 2.10 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 Groups 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.

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the FIFO method) and net realisable value.

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

Property, plant and equipment is revalued on a class of asset basis and 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 assets 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, Mairi Macdonald MPINZ, BBS (VPM), GradDipBusStud (Rural Valuation), of 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, Mairi Macdonald MPINZ, BBS (VPM), GradDipBusStud (Rural Valuation), of 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 Opus International Consultants Limited at 30 June 2014. These were revalued at optimised depreciated replacement cost on the same basis by John Vessey BE(Civil), BA (Econ), CPEng, FIPENZ, affiliate Member of PINZ, Member of ACENZ, of Opus International Consultants Limited at 30 June 2017.

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, Sarah Seel, Principal Asset Management Consultant, of 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, Angela Scott MPINZ, BBS (VPM) of 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, Mairi Macdonald MPINZ, BBS (VPM), GradDipBusStud (Rural Valuation), of 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 2014. These were revalued at optimised depreciated replacement cost by independent valuer, Vaibhav Gandhi of Beca Valuations Ltd effective 30 June 2017.

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
Leased assets	3 - 5 yrs	20% - 33.3% 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:		
Buildings	40 - 75 yrs	1.3% - 2.5% SL
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
Solid waste	4 - 24 yrs	4.166% - 25%
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 and are shown at cost less any impairment. 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.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

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

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

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

Value in use is 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 KiwiSaver are accounted for as defined contribution superannuation schemes and 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 the 2016/17 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
General rates	39,261	38,396	39,261	38,396
Total general rates	39,261	38,396	39,261	38,396
Targeted rates, excluding targeted rates for water supply				
Refuse disposal	1,059	1,214	1,059	1,214
Sewage disposal	12,477	12,788	12,477	12,788
Water supply	7,664	7,663	7,664	7,663
Water by meter	1,699	1,670	1,699	1,670
Taupō Town Centre	164	164	164	164
Turangi/Tongariro community board	80	80	80	80
Whakamaru fire protection	3	3	3	3
Total targeted rates	23,146	23,582	23,146	23,582
Penalties revenue				
Rates penalties	366	372	366	372
Total penalties revenue	366	372	366	372
Total rates	62,773	62,350	62,773	62,350
Less - Rates remissions	(789)	(826)	(789)	(826)
Less - Internal rates on Council/Group properties	(860)	(895)	(878)	(914)
Total rates	61,124	60,629	61,106	60,610

Rating Base Information

As at 30 June 2016 there were 22,862 rating units in the District with a total capital value of \$13.363 billion and a total land value of \$6.716 billion (30 June 2015 22,859 rating units, \$13.247b capital value, \$6.710b 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 2017 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure are as per the table above.

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 2015-25 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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Landfill charges	2,792	2,656	2,792	2,656
Building and resource consent charges	1,532	1,317	1,532	1,317
Other regulatory revenue	1,100	969	1,100	969
Swimming pools revenue	1,349	1,260	1,349	1,260
Rendering of services	287	276	287	276
Sale of goods	1,940	1,623	2,510	2,289
User charges	1,656	1,444	1,526	1,263
Facility membership fees	436	390	436	390
Taupō Airport landing fees	-	-	175	174
Destination Great Lake Taupō marketing fees	-	-	227	236
Total fees and charges	11,092	9,935	11,934	10,830

6. SUBSIDIES AND GRANTS

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Operational subsidies and grants				
NZ Transport Agency subsidy	1,612	1,516	1,612	1,516
Other government grants	157	148	157	148
Other grants and donations	153	163	153	163
Capital subsidies and grants				
NZ Transport Agency subsidy	1,065	1,045	1,065	1,045
Other government capital grants	103	56	103	56
Non-government capital grants	39	3	39	3
Total subsidies and grants	3,129	2,931	3,129	2,931

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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Finance revenue				
Interest revenue - term deposits	2,860	3,480	2,864	3,498
Interest revenue - bonds	327	637	327	637
Interest revenue - community loans	62	130	62	130
Interest revenue - borrower notes	54	65	54	65
Total finance revenue	3,303	4,312	3,307	4,330
Less finance costs				
Interest on borrowings	(8,986)	(9,776)	(8,986)	(9,776)
Finance charges on leased assets	(23)	(10)	(23)	(10)
Total finance costs	(9,009)	(9,786)	(9,009)	(9,786)
Net finance costs	(5,706)	(5,474)	(5,702)	(5,456)

8. OTHER REVENUE

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Vested land and infrastructure from property development	4,248	-	4,248	-
Other vested assets	263	63	263	63
First time recognition of assets	2,756	-	2,756	-
Petrol tax	440	428	440	428
Infringements and fines	500	411	500	411
Gain on sale of properties intended for resale	4,722	2,266	4,722	2,266
Gain on sale of property, plant and equipment	1,081	182	1,081	182
Dividends or similar distributions	237	155	237	155
Change in fair value of forestry assets	1,406	1,072	1,406	1,072
Change in fair value of investment properties	1,826	2,566	1,826	2,566
Gain on revaluation of restricted reserves and infrastructural buildings	-	4,915	-	4,915
Realised gain on sale of shares & corporate bonds	352	93	352	93
Unrealised gain on shares	627	-	627	-
Unrealised gain on derivatives not hedge accounted	8,804	-	8,804	-
Rental revenue from investment properties	134	83	324	274
Other revenue	366	93	151	93
Foreign exchange gains (net)	-	21	-	21
Insurance recoveries	31	1	31	1
Total other revenue	27,793	12,349	27,768	12,540

9. OPERATING EXPENDITURE

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Employee benefit expenses				
Salaries and wages	19,344	19,949	20,547	21,110
Increase/(decrease) in employee entitlements/liabilities	170	(578)	197	(632)
Severance	12	9	12	9
Defined contribution plan employer contributions	463	434	493	464
Total employee benefit expenses	19,989	19,814	21,249	20,951
Depreciation				
Total depreciation (note 19)	20,723	19,285	21,047	19,588
Total amortisation (note 21)	346	239	346	240
Total depreciation and amortisation	21,069	19,524	21,393	19,828

9. OPERATING EXPENDITURE

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Other expenses				
Audit fees for financial statements	136	130	165	159
Maintenance	9,500	8,984	9,562	9,046
Service delivery contracts	5,307	4,883	3,568	3,144
Electricity and gas	2,108	2,103	2,135	2,131
Materials and supplies	1,421	1,345	1,465	1,427
Professional services fees/legal fees	1,997	1,216	2,055	1,571
Lake Taupō Protection Trust (rates)	-	799	-	799
Resource consenting and compliance	936	1,023	936	1,023
Mobile plant and vehicle running costs	564	584	554	578
Insurance	441	344	453	355
Town Centre Taupō (rates)	162	162	162	162
Community grant programme	525	540	525	540
Other grants	515	477	515	477
Donations	2	1	2	1
Councillor fees	460	452	460	452
Community Board fees	55	50	55	50
Directors' fees	-	-	38	41
Minimum lease payments under operating leases	72	62	74	65
Other expenses	3,962	3,608	4,906	4,333
Inventory consumption	128	148	275	297
Inventory writeoff	8	-	14	4
Impairment of receivables	128	161	128	161
Loss on disposal of property, plant & equipment	3,127	1,469	3,130	1,470
Change in fair value of investment properties	-	-	-	-
Impairment of non current assets held for sale	-	138	-	138
Loss on revaluation of property, plant & equipment	58	43	58	43
Loss on sale of shares and corporate bonds (foreign exchange)	15	-	15	-
Change in fair value of shares	-	636	-	636
Unrealised loss on shares (foreign exchange)	57	559	57	559
Unrealised foreign exchange loss	14	49	14	49
Unrealised loss on derivatives not hedge accounted	-	11,847	-	11,847
Asset writeoffs	2,735	-	2,735	-
Total other expenses	34,433	41,813	34,056	41,558

Severance payments

In 2016/17 the Group made severance payments to 3 employees, one of \$3,846, one of \$4,000 and one of \$8,029 (2015/16: 2 employees, \$3,336 & \$6,135).

10. DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY

	Council	
	Actual 2017 \$000	Actual 2016 \$000
Water	3,354	3,281
Community Services	213	185
Transport	5,157	5,321
Community Facilities	5,151	4,038
Solid Waste	265	197
Stormwater	901	886
Wastewater	4,575	4,552
Economic Development	14	13
Democracy & Planning	20	10
Investments	326	214
Total depreciation and amortisation expense by activity	19,976	18,697
Depreciation and amortisation not directly related to group of activities	1,093	827
Total depreciation and amortisation expense by activity	21,069	19,524

11. INCOME TAX

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Current tax expense				
Deferred taxation	-	-	(18)	(28)
Total income tax expense/(benefit)	-	-	(18)	(28)
Relationship between income tax and accounting profit:				
Operating surplus/(deficit) before taxation	24,347	118	23,943	17
Surplus/(deficit) before taxation	24,347	118	23,943	17
Tax calculated at 28%	6,817	33	6,704	5
Less tax effect of:				
Non taxable expenditure	(6,817)	(33)	(6,722)	(33)
Tax expense	-	-	(18)	(28)
Deferred tax liabilities				
Council and Group	Property, plant and equipment \$000	Non-deductible provisions \$000	Tax losses \$000	Total \$000
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
Balance at 1 July 2016	1,428	(10)	(501)	917
Charged to surplus or deficit	(48)	(1)	30	(19)
Charged to equity	172	-	-	172
Balance at 30 June 2017	1,552	(11)	(471)	1,070

Data Capture Systems Limited, a subsidiary of Council, has unrecognised tax losses as at 30 June 2017 of \$225,325 to carry forward (2016 \$225,325). The tax effect of these losses is \$67,598 (2016 \$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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Accumulated funds	782,836	770,992	784,179	772,657
Reserves	276,641	252,833	279,530	255,492
Balance at 30 June	1,059,477	1,023,825	1,063,709	1,028,149

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

Accumulated funds				
Balance at 1 July	770,992	774,285	772,657	775,960
Transfer from special fund	18,756	19,290	18,756	19,290
Transfer to special fund	(32,335)	(24,252)	(32,335)	(24,252)
Disposal of property, plant and equipment	1,077	1,551	1,077	1,551
Correction for rounding *	(1)	-	(1)	-
Surplus/(deficit) for the year	24,347	118	24,025	108
Balance 30 June	782,836	770,992	784,179	772,657

* Correction to fix rounding within accounting model used to prepare financial results

Reserves includes				
Asset revaluation reserves	164,111	153,872	167,000	156,531
Available-for-sale investments revaluation reserve	136	148	136	148
Council created reserves (see analysis below)	112,394	98,813	112,394	98,813
Total reserves	276,641	252,833	279,530	255,492

Asset revaluation reserves				
Balance at 1 July	153,872	132,182	156,531	134,332
Revaluation gains/(losses)	11,316	23,241	11,948	23,878
Deferred tax on revaluation	-	-	(172)	(56)
Transfer to accumulated funds	(1,077)	(1,551)	(1,077)	(1,551)
Less minority interest share in change in asset value	-	-	(230)	(72)
Balance at 30 June	164,111	153,872	167,000	156,531

Asset revaluation reserves for each asset class consist of:

Operational assets				
Operational land	5,637	6,210	5,637	6,210
Operational buildings	14,347	14,411	14,442	14,506
Fencing	-	-	30	23
Land improvements	-	-	65	59
Investment properties - land	5,314	6,008	5,314	6,008
Restricted assets				
Reserves	6,028	5,455	7,373	6,800
Infrastructure assets				
Land under roads	5,927	5,914	5,927	5,914
Roading	56,810	45,697	56,995	45,766
Wastewater	34,889	35,018	34,889	35,018

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Water	17,856	17,856	17,856	17,856
Stormwater	17,229	17,229	17,326	17,315
Runways	-	-	1,072	982
Infrastructure buildings	74	74	74	74
Total asset revaluation reserves	164,111	153,872	167,000	156,531

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Available-for-sale investments revaluation reserve				
Balance at 1 July	148	298	148	298
Revaluation of corporate bonds	(12)	(170)	(12)	(170)
Fair value gains/(losses) in year	-	20	-	20
Balance at 30 June	136	148	136	148

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
2017					
Depreciation Reserves					
Water Taupō	Water	698	1,987	(1,854)	831
Water Acacia Bay	Water	312	101	(78)	335
Water Kinloch	Water	1,645	100	(39)	1,706
Water Waitahanui	Water	(33)	25	(2)	(10)
Water River Road	Water	123	23	(2)	144
Water Mapara	Water	395	43	(7)	431
Water Whakamoenga	Water	24	17	-	41
Water Bonshaw Park	Water	83	32	(95)	20
Water Centennial Drive Bores	Water	35	134	(168)	1
Water Centennial Drive	Water	(46)	-	(24)	(70)
Water Whakaroa	Water	231	42	(10)	263
Water Mangakino	Water	143	127	(45)	225
Water Waihaha	Water	472	52	(50)	474
Water Tirohanga	Water	530	81	(16)	595
Water Atiamuri	Water	157	22	(28)	151
Water Whakamaru	Water	(234)	30	(3)	(207)
Water Motuoapa	Water	189	48	(143)	94
Water Turangi	Water	1,481	257	(393)	1,345
Water Omori	Water	871	105	(47)	929
Water Whareroa	Water	18	23	(18)	23
Water Hatepe	Water	88	27	(40)	75
Wastewater District	Wastewater	7,042	4,680	(3,748)	7,974
Solid Waste District	Solid Waste	962	164	(286)	840
Transport & Stormwater District	Transport	4,872	4,521	(2,945)	6,448
Forestry District	Investments	4,126	981	-	5,107
Buildings District	Community Facilities, Community Services, Water, Wastewater, Solid waste, Investments, Economic Development	3,427	2,920	(4,116)	2,231
Operational Assets	All activities with the exception of Democracy & Planning	5,091	3,332	(3,414)	5,009
Development Contribution Reserves					
Community Infrastructure District	Community Facilities	864	-	-	864
Parks & Reserves Land (Residential)	Community Facilities	2,508	176	13	2,697
District Wide Parks	Community Facilities	46	27	286	359
Water Taupō	Water	163	463	-	626
Water Kinloch	Water	25	225	-	250
Water River Road	Water	5	-	-	5
Water Mapara	Water	1	9	-	10
Water Turangi	Water	14	-	-	14
Water Omori	Water	29	8	-	37
Wastewater Taupō	Wastewater	559	762	4	1,325
Wastewater Kinloch	Wastewater	(8)	165	-	157
Wastewater Mangakino	Wastewater	-	-	-	-
Wastewater Atiamuri	Wastewater	2	-	-	2
Wastewater Turangi	Wastewater	29	-	(29)	-
Stormwater Taupō Industrial	Stormwater	(17)	-	-	(17)
Transport District Wide	Transport	428	515	(643)	300

Council created reserves	Activities to which the funds relate	Opening balance \$000	Additions \$000	Withdrawals \$000	Closing balance \$000
Other Reserves					
Disaster Recovery Fund	All Activities	1,630	100	(6)	1,724
District Airport Reserve	Taupō Airport (CCO)	67	-	-	67
Lake Taupō Protection Rate	Lakes, Rivers & Mountains	-	-	-	-
Parking	Community Services	70	-	-	70
Forestry Silviculture & Tending	Investments	(268)	-	(224)	(492)
Strategic Property Purchase - District	Investments	4,151	8,667	(815)	12,003
TEL	Investments	55,813	2,496	(921)	57,388
Total reserves at 30 June 2017		98,813	33,487	(19,906)	112,394

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 Whakarua	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

Council created reserves	Activities to which the funds relate	Opening balance \$000	Additions \$000	Withdrawals \$000	Closing balance \$000
District 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

Nature and purpose of reserves

(i) Depreciation Reserves

These reserves are utilised to fund for renewals, capital expenditure, loan repayments and interest 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 \$100,000 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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Balance at the beginning of the year	-	-	3,219	3,210
Share of revaluation reserve change in asset value	-	-	230	72
Share of surplus/(deficit)	-	-	(64)	(63)
Balance at the end of the year	-	-	3,385	3,219

14. CASH AND CASH EQUIVALENTS

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Cash at bank and in hand	11	38	15	40
Call deposits	5,274	2,840	6,143	3,714
Term deposits with maturities of less than three months at acquisition	3,009	-	3,009	-
Total cash and cash equivalents used in statement of cash-flows	8,294	2,878	9,167	3,754

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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Rates receivable	2,438	2,506	2,438	2,506
General debtors	1,089	1,398	1,166	1,472
Receivables from controlled entities (note 29)	4	22	-	-
Other	2,096	1,330	2,122	1,360
Receivables prior to impairment	5,627	5,256	5,726	5,338
Less: Provision for Impairment	(345)	(334)	(345)	(334)
Total current net trade and other receivables	5,282	4,922	5,381	5,004
Total debtors and other receivables from exchange transactions	-	-	78	76
Total current net trade and other receivables from non-exchange transactions	5,282	4,922	5,303	4,928
Total current net trade and other receivables	5,282	4,922	5,381	5,004

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 \$24,708 (2016 \$30,468).

The status of receivables as at 30 June 2017 are detailed below:

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Current	827	1,163	886	1,213
Past due 1-30 days	100	115	108	118
Past due 31-60 days	1,458	1,617	1,461	1,630
Past due 61+ days	1,143	1,009	1,150	1,020
Impairment	(345)	(334)	(345)	(334)
Total individual impairment	3,183	3,570	3,260	3,647

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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Individual impairment	52	52	52	52
Collective impairment	293	282	293	282
Balance at 30 June	345	334	345	334

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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Current	-	-	-	-
Past due 1-30 days	-	-	-	-
Past due 31-60 days	-	-	-	-
Past due 61+ days	52	52	52	52
Balance at 30 June	52	52	52	52

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

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Opening Balance	334	376	334	376
Additional provisions	110	112	110	112
Receivables written off during the year	(99)	(154)	(99)	(154)
Balance at 30 June	345	334	345	334

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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Commercial inventories				
- held for use in the provision of services	519	463	552	498
- residential sections held for sale	696	-	696	-
	1,215	463	1,248	498
Held for distribution				
- water reticulation spare parts	10	33	10	33
- parks & reserves chemicals	30	40	30	40
- wastewater spare parts	130	166	130	166
- swimming pool chemicals	11	8	11	8
- other	57	56	57	56
Total inventory	1,453	766	1,486	801

No inventories are pledged as security for liabilities (2016 \$nil).

Inventories held for distribution

The write-down of inventories during the year was \$8k (2016 \$0). There have been no reversals of write-downs (2016 \$0).

17. OTHER FINANCIAL ASSETS

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Current portion				
Short term bank deposits with maturities of 4-12 months	89,840	60,238	89,840	60,238
Local government (NZLGFA) and corporate bonds	-	6,063	-	6,063
Total current portion	89,840	66,301	89,840	66,301
Non-current portion				
Shares in CCOs and other similar entities				
- Taupō Airport Authority	3,223	3,007	-	-
- NZ Local Government Funding Agency (NZLGFA)	100	100	100	100
- NZ Local Government Insurance Corporation Ltd	128	121	128	121
- Bay of Plenty Local Authority Shared Services Ltd	9	9	9	9
Total investment in CCOs and similar entities	3,460	3,237	237	230
Investment in other entities				
Local government & corporate bonds	4,158	4,236	4,158	4,236
Term deposits	-	12,161	-	12,161
Local government (NZLGFA) and corporate bonds	2,159	2,182	2,159	2,182
Community loans	866	1,104	866	1,104
Equity securities	4,657	3,665	4,657	3,665
Total investment in other entities	11,840	23,348	11,840	23,348
Total non-current portion	15,300	26,585	12,077	23,578
Total other financial assets	105,140	92,886	101,917	89,879

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 \$4,158,251 (2016 \$10,298,846). Fair value has been determined using quoted market bid prices from independently sourced market information.

Controlled entities

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

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

Taupō District Council has 100% ownership (100 shares) of the subsidiary Data Capture Systems Limited (2016 150 shares). This company is dormant.

Taupō District Council has 100% ownership (100 shares) of the subsidiary Destination Lake Taupō Limited (2016 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 is 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 \$3.00 each (2016 230,000 @ \$3.30).

BHP Billiton 30,000 shares at market value of \$24.48 each (2016 30,000 @ \$19.55).

ANZ Bank 30,000 shares at market value of \$30.21 each (2016 30,000 @ \$25.28).

Worley Parsons were sold in 2016/17 (2016 80,000 @ \$7.55).

NAB Bank were sold in 2016/17 (2016 20,000 @ \$26.66).

Sydney Airport 150,000 shares at market value of \$7.46 each.

Brambles Limited 50,000 shares at market value of \$10.23 each.

Scentre Group 50,000 shares at market value of \$4.26 each.

Hallensteins Glassons 160,000 shares at market value of \$3.02 each (2016 160,000 @ \$2.65).

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 \$866,163 (2016 \$1,103,842).

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 \$1.53 (2016 \$1.44) each.

Waikato Local Authority Shared Services Ltd 1 ordinary capital share (uncalled) of \$1,000 (2016 \$1,000).

BOP Local Authority Shared Services Ltd 1 ordinary capital share of \$1,000 (2016 \$1,000).

NZ Local Government Funding Agency 100,000 ordinary shares @ \$1.00 and 100,000 ordinary unpaid shares @ \$1.00 (2016 \$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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Non-current assets held for sale are:				
Land	10,011	2,328	10,011	2,328
Total non-current assets held for sale	10,011	2,328	10,011	2,328

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

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Opening balance	2,328	2,353	2,328	2,353
Disposals	(2,328)	(2,085)	(2,328)	(2,014)
Asset reclassifications	10,011	2,123	10,011	-
Additions	-	75	-	1,989
Impairment	-	(138)	-	-
Total	10,011	2,328	10,011	2,328

The non-current assets held for sale are made up of residential and non-residential land. 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 2017	Cost / revaluation 1 Jul 16 \$000	Accumulated depreciation 1 Jul 16 \$000	Carrying amount 1 Jul 16 \$000	Current year additions (+ gains) \$000	Current year disposals (+ losses) \$000	Current year impairment charges \$000	Current year depreciation \$000	Transfers \$000	Revaluation surplus \$000	Cost / revaluation 30 Jun 17 \$000	Accumulated depreciation 30 Jun 17 \$000	Carrying amount 30 Jun 17 \$000
Operating assets at cost and valuation												
Land	35,892	-	35,892	121	(302)	-	-	(575)	-	35,136	-	35,136
Buildings	65,974	(31)	65,943	1,148	-	(2,732)	(3,457)	-	-	64,294	(3,392)	60,902
Library books	5,882	(4,709)	1,173	315	-	-	(306)	-	-	6,197	(5,015)	1,182
Leased plant & equipment	96	-	96	281	(69)	-	(83)	-	-	298	(73)	225
Office furniture and fittings	29,652	(14,725)	14,927	1,985	(569)	(3)	(2,011)	-	-	29,643	(15,314)	14,329
Mobile plant and equipment	9,766	(6,219)	3,547	1,685	(437)	-	(844)	-	-	10,082	(6,131)	3,951
Heritage assets	2,062	(10)	2,052	-	(2)	-	-	-	-	2,060	(10)	2,050
Capital work in progress - land	13	-	13	2,276	-	-	-	(1,311)	-	978	-	978
Capital work in progress - buildings	39	-	39	1,184	-	-	-	(1,121)	-	102	-	102
Capital work in progress - library books	-	-	-	315	-	-	-	(315)	-	-	-	-
Capital work in progress - office furniture & fittings	258	-	258	1,986	-	-	-	(2,051)	-	193	-	193
Capital work in progress - mobile plant & equip- ment	6	-	6	1,497	-	-	-	(1,503)	-	-	-	-
Capital work in progress - heritage assets	-	-	-	17	-	-	-	-	-	17	-	17
Total operating assets	149,640	(25,694)	123,946	12,810	(1,379)	(2,735)	(6,701)	(6,876)	-	149,000	(29,935)	119,065
Infrastructural assets at cost and valuation												
Roading	318,714	(9,985)	308,729	7,536	(537)	-	(5,131)	-	11,258	321,887	(32)	321,855
Water supply	75,933	(3,094)	72,839	2,575	(15)	-	(3,078)	-	-	78,493	(6,172)	72,321
Wastewater reticulation	111,731	(4,322)	107,409	5,349	(501)	-	(4,402)	-	-	116,509	(8,654)	107,855
Stormwater reticulation	51,358	(885)	50,473	971	-	-	(901)	-	-	52,329	(1,786)	50,543
Land under roads	272,138	-	272,138	-	-	-	-	91	-	272,229	-	272,229
Infrastructural buildings	12,255	-	12,255	17	-	-	(357)	-	-	12,273	(358)	11,915
Solid waste	4,271	(3,157)	1,114	990	-	-	(152)	-	-	5,262	(3,310)	1,952
Capital work in progress - roading	683	-	683	2,632	-	-	-	(2,820)	-	495	-	495
Capital works in progress - water supply	250	-	250	3,316	-	-	-	(2,043)	-	1,523	-	1,523
Capital work in progress - wastewater	2,420	-	2,420	2,792	-	-	-	(4,739)	-	473	-	473
Capital work in progress - stormwater	1	-	1	305	-	-	-	(305)	-	1	-	1
Capital work in progress - solid waste	18	-	18	1,071	-	-	-	(1,089)	-	-	-	-
Total infrastructural assets	849,772	(21,443)	828,329	27,554	(1,053)	-	(14,021)	(10,905)	11,258	861,474	(20,312)	841,162
Restricted assets at cost and valuation												
Reserves	124,881	-	124,881	662	-	-	-	575	-	126,118	-	126,118
Total restricted assets	124,881	-	124,881	662	-	-	-	575	-	126,118	-	126,118
Total Council	1,124,293	(47,137)	1,077,156	41,026	(2,432)	(2,735)	(20,722)	(17,206)	11,258	1,136,592	(50,247)	1,086,345

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 impairment charges \$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 & equip- ment	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

Group 2017	Cost / revaluation 1 Jul 16 \$000	Accumulated depreciation 1 Jul 16 \$000	Carrying amount 1 Jul 16 \$000	Current year additions (+ gains) \$000	Current year disposals (+ losses) \$000	Current year impairment charges \$000	Current year depreciation \$000	Transfers \$000	Revaluation surplus \$000	Cost / revaluation 30 Jun 17 \$000	Accumulated depreciation 30 Jun 17 \$000	Carrying amount 30 Jun 17 \$000
Operating assets at cost and valuation												
Land	35,892	-	35,892	121	(302)	-	-	(575)	-	35,136	-	35,136
Buildings	66,511	(32)	66,479	1,148	-	(2,732)	(3,478)	-	-	64,831	(3,414)	61,417
Library books	5,882	(4,709)	1,173	315	-	-	(306)	-	-	6,197	(5,015)	1,182
Leased plant & equipment	96	-	96	281	(69)	-	(83)	-	-	298	(73)	225
Office furniture and fittings	30,096	(14,843)	15,253	2,022	(569)	(3)	(2,029)	-	47	30,149	(15,428)	14,721
Mobile plant and equipment	10,033	(6,397)	3,636	1,696	(437)	-	(884)	-	-	10,354	(6,343)	4,011
Heritage assets	2,062	(10)	2,052	-	(2)	-	-	-	-	2,060	(10)	2,050
Capital work in progress - land	13	-	13	2,276	-	-	-	(1,311)	-	978	-	978
Capital work in progress - buildings	39	-	39	1,201	-	-	-	(1,121)	-	119	-	119
Capital work in progress - office furniture & fittings	258	-	258	1,986	-	-	-	(2,051)	-	193	-	193
Capital work in progress - mobile plant & equipment	6	-	6	1,497	-	-	-	(1,503)	-	-	-	-
Capital work in progress - heritage assets	-	-	-	17	-	-	-	-	-	17	-	17
Total operating assets	150,888	(25,991)	124,897	12,560	(1,379)	(2,735)	(6,780)	(6,561)	47	150,332	(30,283)	120,049
Infrastructural assets at cost and valuation												
Roading	319,859	(10,006)	309,853	7,536	(537)	-	(5,142)	-	11,569	323,311	(32)	323,279
Water supply	75,933	(3,094)	72,839	2,575	(15)	-	(3,078)	-	-	78,493	(6,172)	72,321
Wastewater reticulation	111,731	(4,322)	107,409	5,349	(501)	-	(4,402)	-	-	116,509	(8,654)	107,855
Stormwater reticulation	51,735	(912)	50,823	979	-	-	(915)	-	31	52,704	(1,786)	50,918
Land under roads	272,138	-	272,138	-	-	-	-	91	-	272,229	-	272,229
Infrastructural buildings	12,255	-	12,255	17	-	-	(357)	-	-	12,273	(358)	11,915
Solid waste	4,271	(3,157)	1,114	990	-	-	(152)	-	-	5,262	(3,310)	1,952
Capital work in progress - roading	683	-	683	2,632	-	-	-	(2,820)	-	495	-	495
Capital works in progress - water supply	250	-	250	3,316	-	-	-	(2,043)	-	1,523	-	1,523
Capital work in progress - wastewater	2,420	-	2,420	2,792	-	-	-	(4,739)	-	473	-	473
Capital work in progress - stormwater	1	-	1	305	-	-	-	(305)	-	1	-	1
Capital work in progress - solid waste	18	-	18	1,071	-	-	-	(1,089)	-	-	-	-
Taupō Airport Runways	5,028	(420)	4,608	240	-	-	(218)	-	243	4,874	-	4,874
Capital work in progress Taupō Airport runways	15	-	15	-	-	-	-	(15)	-	-	-	-
Total infrastructural assets	856,337	(21,911)	834,426	27,802	(1,053)		(14,264)	(10,920)	11,843	868,147	(20,312)	847,835
Restricted assets at cost and valuation												
Reserves	124,881	-	124,881	662	-	-	-	575	-	126,118	-	126,118
Taupō Airport Land	3,945	-	3,945	-	-	-	-	-	-	3,945	-	3,945
Total restricted assets	128,826	-	128,826	662	-	-	-	575	-	130,063	-	130,063
Total Group	1,136,051	(47,902)	1,088,149	41,024	(2,432)	(2,735)	(21,044)	(16,906)	11,890	1,148,542	(50,595)	1,097,947

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 impairment charges \$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 & equip- ment	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

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 (2016 \$254,000).

Restrictions to title and security over property, plant and 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 (note 26)

Impairment

Impairment losses of \$2,735,349 (2016 \$nil) have been recognised for the Council offices at 72 Lake Terrace. The building has several health & safety issues including asbestos, high earthquake risk and fire hazards. The Council has decided to vacate the building to protect staff and the public. The Council confirmed at the 7th June 2017 Council meeting that it will not proceed with a minor, partial or full refurbishment of the Council building at 72 Lake Terrace, and confirmed a preference for a new civic administration building to be built. Not included in the impairment provision are the HVAC systems, which will be removed and used in other buildings around the district. Council believes that any recoverable value from the building will be immaterial.

Insurance on assets

The total book value of all assets covered by insurance contracts is \$126 million (2016 \$106m).

The Council has chosen to insure these assets for \$305 million (2016 \$173m).

The Council has chosen to self-insure Infrastructure assets as outlined in Council's Taupō Recovery Plan December 2013, by "ring fencing" the cash investments of the TEL Fund of \$55m (2016 \$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 \$553 million (2016 \$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 2017	Closing book value \$000	Additions constructed by Council \$000	Assets transferred to Council \$000	Estimated replacement cost \$000
Infrastructural assets				
Water treatment plants & facilities	18,702	832	-	32,134
Other water assets	53,619	1,207	537	100,855
Wastewater treatment plants & facilities	54,490	3,713	-	89,527
Other wastewater assets	53,365	1,008	628	93,054
Stormwater drainage	50,543	305	667	84,994
Roads & footpaths	321,855	2,869	4,667	456,852
Total infrastructural assets	552,574	9,934	6,499	857,416

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

Roads and footpaths latest valuation 30/6/2017.

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

Group 2017	Closing book value \$000	Additions constructed by Council \$000	Assets transferred to Council \$000	Estimated replacement cost \$000
Infrastructural assets				
Water treatment plants & facilities	18,702	832	-	32,134
Other water assets	53,619	1,207	537	100,855
Wastewater treatment plants & facilities	54,490	3,713	-	89,527
Other wastewater assets	53,365	1,008	628	93,054
Stormwater drainage	50,918	305	667	85,369
Roads & footpaths	323,279	2,869	4,667	458,276
Taupō Airport runways	4,881	240	-	4,881
Total infrastructural assets	559,254	10,174	6,499	864,096

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

Roads and footpaths latest valuation 30/6/2017.

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
Taupō Airport runways	4,608	8	-	5,025
Total infrastructural assets	545,532	6,904	-	837,360

Disposals

During the year, Council decommissioned parts of the Waitahanui wastewater treatment plant. The wastewater treatment service is now being delivered by the Taupō plant. The carrying value of the plant decommissioned of \$500,711 was recognised as a loss.

The hockey pitch at Hickling Park was replaced in the 2016/17 year and the carrying value of the replaced pitch of \$531,023 was recognised as a loss.

Finance leases as lessee

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

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Computer equipment	173	19	173	19
Gym equipment	52	76	52	76
Total	225	95	225	95

20. BIOLOGICAL ASSETS – FORESTRY

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Opening balance	6,293	4,918	6,293	4,918
Gains/(losses) arising from changes in fair value	1,406	1,072	1,406	1,072
Additions	224	303	224	303
Disposals	(473)	-	(473)	-
Carrying amount at 30 June	7,450	6,293	7,450	6,293

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 1075.2 hectares (2016 1069 hectares) however for the valuation an area of 1032.1 hectares has been used due to inaccessibility issues.

Part of the tree crop (53.5 ha) in the Tirohanga has been sold under a 'Pay-as-cut' sale. At balance date 27.8 ha remained to be harvested under this contract. The estimated value of the area remaining under the contract at 30 June 2017, valued at the contracted tonnage rate, is \$1,282,000.

Feasibility, cost and timing of developing access to the remaining part of the Tirohanga forest block (which represents 51% of the remaining 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.

Mike Colley of Woodlands Pacific Consulting Limited, an independent valuer, has valued the remaining forestry assets at \$6,243,000 as at 30 June 2017. The following assumptions have been adopted in determining the fair value of forestry assets (excluding the area currently under contract) :

- a pre tax discount rate of 10% (2016 10.5%) 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 and prices are held constant in 2017 NZ dollars i.e. the net impact of inflation is assumed to be zero
- 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 18% increase in value has come about largely through tree growth and updated log prices and a lower discount rate, countered by an increased estimate of production costs and area harvested under the standing timber sale. There are no restrictions over the title of forestry assets, nor is any forestry asset pledged as security for liabilities (2016 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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Opening carrying amounts				
Computer software cost	2,934	2,413	2,939	2,418
Accumulated amortisation	(2,049)	(1,820)	(2,051)	(1,821)
Opening carrying amount	885	593	888	597
Movements				
Opening net book amount	885	593	888	597
Additions	184	531	187	531
Amortisation	(347)	(239)	(347)	(240)
Disposals	-	-	(2)	-
Closing carrying amounts	722	885	726	888
Comprising				
Computer software cost	3,118	2,934	3,122	2,939
Accumulated amortisation	(2,396)	(2,049)	(2,396)	(2,051)
Closing carrying amounts	722	885	726	888

22. INVESTMENT PROPERTY

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

	Council		Group	
	Actual 2017 \$000	Actual (Restated) 2016 \$000	Actual 2017 \$000	Actual (Restated) 2016 \$000
Land	13,972	24,407	13,972	24,407
Buildings	847	1,284	847	1,284
Balance at 30 June	14,819	25,691	14,819	25,691

The movement of investment property is as follows:

	Council		Group	
	Actual 2017 \$000	Actual (Restated) 2016 \$000	Actual 2017 \$000	Actual (Restated) 2016 \$000
Opening balance	25,691	24,552	25,691	24,552
Fair value gains/(losses) on valuation	1,826	2,566	1,826	2,566
Additions	1,018	698	1,018	698
Disposals	(2,917)	-	(2,917)	-
Transfers (to)/ from property plant and equipment	(91)	(2)	(91)	(2)
Transfers (to)/ from inventories and owner occupied property	(10,708)	(2,123)	(10,708)	(2,123)
Balance at 30 June	14,819	25,691	14,819	25,691

Investment properties are valued annually effective at 30 June to fair value. The valuation was performed by M MacDonald BBS (VPM) GradDipBusStud (Rural valuation) MPINZ, 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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Rental revenue from investment property	134	83	134	83
Direct operating expenses related to investment property that generated rental revenue during the period	31	47	31	47
Direct operating expenses related to investment property that did not generate rental revenue during the period	155	145	155	145

There were no contractual obligations for capital or operating expenses in relation to investment property (2016: Nil).

23. TRADE AND OTHER PAYABLES

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Trade payables	4,441	3,522	4,722	3,703
Accrued expenses	1,610	1,478	1,753	1,625
Councillor fees payable	13	8	13	8
Accrued interest on borrowings	382	375	382	375
Deposits and bonds	682	894	696	895
Revenue in advance	2,801	2,399	2,850	2,426
Total creditors and other payables	9,929	8,676	10,416	9,032
Total creditors and other payables from exchange transactions	6,424	5,374	6,864	5,724
Total creditors and other payables from non-exchange transactions	3,505	3,302	3,552	3,308
Total current creditors and other payables from exchange and non-exchange transactions	9,929	8,676	10,416	9,032

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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Current portion				
Accrued pay	74	19	77	16
Annual leave	1,788	1,810	1,920	1,919
Lieu leave	131	114	135	120
Retirement gratuities & long service leave	209	116	213	122
Sick leave	39	39	39	39
Total current portion	2,241	2,098	2,384	2,216
Non-current portion				
Retirement gratuities & long service leave	376	349	384	354
Total non-current portion	376	349	384	354
Total employee entitlements	2,617	2,447	2,768	2,570

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 1.97% (2016 2.12%) and an inflation factor of 2% (2016 2%) were used.

25. PROVISIONS

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Non-current portion				
Value landfill - closure and post closure provision	69	63	69	63
	69	63	69	63
Movements in provisions				
Opening balance	63	59	63	59
Additional provisions made during the year	6	4	6	4
Closing balance	69	63	69	63

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	Ongoing 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 2017 is approximately 325,177 cubic metres (2016 356,035 cubic metres).

The estimated remaining life as at 30 June 2017 is 10 years (2016 13 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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Current portion				
Commercial paper	21,000	23,000	21,000	23,000
Finance lease liabilities	94	35	94	35
Total secured current interest bearing borrowings	21,094	23,035	21,094	23,035
Non-current portion				
Debentures	125,000	125,000	125,000	125,000
Finance lease liabilities	142	65	142	65
Total secured non-current interest bearing borrowings	125,142	125,065	125,142	125,065
Total borrowings	146,236	148,100	146,236	148,100

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 2015-2025 Long-term Plan.

Bank Facilities

Council has a total of \$50m (2016 \$50m) committed bank facilities, \$10m expires June 2021 and \$40m expires December 2019. Of the facilities nil (2016 \$nil) was drawn as at balance date.

Commercial paper, fixed and floating rate notes

Council has issued nil (2016 \$nil) of fixed and floating rate notes at balance date.

Council has commercial paper of \$21m currently on issue (2016 \$23m)

NZ Local Government Funding Agency

Council has issued \$125m (2016 \$125m) 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 \$111.5 million at 30 June 2017 (2016 \$103.5 million) to secure the various debentures issued, bank loan facilities, guarantees issued on behalf of Council and other general banking facilities.

Effective interest rate

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Loans	5.882%	5.966%	5.882%	5.966%
Lease liabilities	5.503%	10.007%	5.503%	10.007%
Weighted average effective interest rate	5.882%	5.969%	5.882%	5.969%

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

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Payable no later than one year	21,099	23,041	21,099	23,041
Later than one, not later than two years	30,102	25,028	30,102	25,028
Later than two, not later than five years	20,035	50,031	20,035	50,031
Later than five years	75,000	50,000	75,000	50,000
	146,236	148,100	146,236	148,100

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Analysis of finance lease liabilities				
Payable no later than one year	109	48	109	48
Later than one, not later than two years	106	32	106	32
Later than two, not later than five years	36	32	36	32
Total minimum lease payments	251	112	251	112
Future finance charges	(15)	(12)	(15)	(12)
Present value of minimum lease payments	236	100	236	100
Represented by:				
Current	99	35	99	35
Non-current	137	65	137	65
Total finance leases	236	100	236	100

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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Non-current liability portion				
Interest rate swaps	22,443	31,247	22,443	31,247
Total non-current liability portion	22,443	31,247	22,443	31,247

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 2017.

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2017 were \$153,350,000 (2016 \$128,350,000).

At 30 June 2017, the fixed interest rates of interest rate swaps vary from 4.05% to 6.16% (2016 4.64% to 6.16%).

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

	Council		Group	
	Actual 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Surplus/(deficit) after tax	24,347	118	23,961	45
Add/(less) non-cash items				
Depreciation and amortisation	21,058	19,514	21,382	19,818
Vested and first time recognition assets	(7,267)	(63)	(7,267)	(63)
Unrealised (gains)/losses in fair value of biological assets	(1,406)	(1,072)	(1,406)	(1,072)
Unrealised (gains)/losses in fair value of non-hedge accounted derivatives	(8,804)	11,848	(8,804)	11,848
Unrealised (gains)/losses in fair value of investment properties	(1,768)	(2,566)	(1,768)	(2,566)
Unrealised (gains)/losses on equities	(556)	1,244	(556)	1,244
Unrealised (gains)/losses on revaluation of PPE	-	(4,915)	-	(4,915)
Asset impairment and write-off	2,735	138	2,735	138
Add/(less) items classified as investing activity				
Net (gain)/loss on sale/write-offs	(2,676)	(979)	(2,673)	(978)
Capital subsidies	(1,353)	-	(1,353)	-
Non-operating movement in deferred tax	-	-	(153)	(28)
Decrease/(increase) in creditors for capital expenditure	258	(83)	258	(83)
Non-cash adjustment to Airport Capital	-	-	(216)	-
(Increase)/decrease in accounts receivable	(1,061)	114	(1,058)	139
(Increase)/decrease in inventories	9	(257)	11	(252)
Increase/(decrease) in accounts payable	1,195	(739)	1,307	(713)
Net cash inflow/(outflow) from operating activities	24,711	22,302	24,400	22,562

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 arms 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 2017 \$000	Actual 2016 \$000
Councillors		
Remuneration (Council Elected Members)	460	451
Full-time equivalent members	11	11
Senior Leadership Group, including the Chief Executive		
Remuneration (CEO & SLG)	1,319	1,261
Full-time equivalent members*	7	5
Total key management personnel compensation	1,779	1,712
Total full-time equivalent members	18	16

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time 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.

* note as at the 30 June 2017 there were nine actual members of the Senior Leadership Group.

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 2017					
Cash and cash equivalent	-	-	8,294	-	8,294
Receivables	-	-	4,651	-	4,651
Other financial assets:					
Bonds	-	-	-	4,158	4,158
Term deposits	-	-	89,840	-	89,840
Borrowers notes	-	-	2,159	-	2,159
Community loans	-	-	866	-	866
Listed shares	-	4,657	-	3,323	7,980
Unlisted shares	-	-	-	238	238
Total assets	-	4,657	105,810	7,719	118,186
30 June 2016					
Cash and cash equivalent	-	-	2,878	-	2,878
Receivables	-	-	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

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 2017					
Cash and cash equivalents	-	-	9,167	-	9,167
Receivables	-	-	4,766	-	4,766
Other financial assets:					
Bonds	-	-	-	-	-
Term deposits	-	-	89,840	-	89,840
Borrowers notes	-	-	2,159	-	2,159
Community loans	-	-	866	-	866
Listed shares	-	4,657	-	-	4,657
Unlisted shares	-	-	-	100	100
Total assets	-	4,657	106,798	100	111,555
30 June 2016					
Cash and cash equivalent	-	-	3,754	-	3,754
Receivables	-	-	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

Liabilities - Council	Held for trading \$000	Measured at amortised cost \$000	Total \$000
30 June 2017			
Borrowings			
- Debentures & commercial paper	-	146,000	146,000
Payables and accruals	-	6,871	6,871
Derivative financial instruments	22,443	-	22,443
Total liabilities	22,443	152,871	175,314
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

Liabilities - Group	Held for trading \$000	Measured at amortised cost \$000	Total \$000
30 June 2017			
Borrowings			
- Debentures & commercial paper	-	146,000	146,000
Payables and accruals	-	7,297	7,297
Derivative financial instruments	22,443	-	22,443
Total liabilities	22,443	153,297	175,740
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

(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	2017				2016			
	-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)	-	54	-	(53)	-	109	-	(107)
Financial liabilities								
Borrowings (5)	-	-	-	-	-	-	-	-
Interest rate derivatives (6)	(10,015)	-	9,122	-	(11,103)	-	10,125	-
Total sensitivity to interest rate risk	(10,015)	54	9,122	(53)	(11,103)	109	10,125	(107)

Council and Group

Foreign Exchange Risk	2017				2016			
	-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)	220	-	(199)	-	171	-	(154)	-
Total sensitivity to foreign exchange risk	220	-	(199)	-	171	-	(154)	-
Financial assets								
Quoted share investments (7b)	(233)	-	233	-	(183)	-	183	-
Total sensitivity to equity price risk	(233)	-	233	-	(183)	-	183	-

Explanation of sensitivity analysis – Council and Group**1 – Cash and Cash Equivalents**

Cash and cash equivalents include deposits at call of \$5,284,543 (2016 \$3,714,000), which are at an interest rate close to the Official Cash Rate and term deposits of less than three months from acquisition date of \$3,009,223 (2016 \$nil). 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 \$89,840,040 (2016 \$72,398,288). A movement of plus or minus 1% in the interest rate has nil effect on the profit and loss (2016 \$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 \$128,513 (2016 \$117,721) at balance date. Taupō District Council has lent TMP Properties Ltd \$737,650 (2016 \$986,121) 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 \$4,158,251 (2016 \$10,298,846). A movement of plus or minus 1% in the interest rate has an effect on other equity of (\$53,332)/\$54,317 (2016 (\$107,000)/\$109,000).

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 \$22,442,756 (2016 \$31,246,605). A movement in interest rate of plus/minus 1% has an effect on the unrealised value of the derivatives of \$9,122,000/ (\$10,015,000) (2016 \$10,125,000/ (\$11,103,000)).

7 - Quoted Share Investments

a) Taupō District Council holds listed equity instruments in Tesco Ltd, BHP Billiton, ANZ, Sydney Airport, Brambles and Scentre Group which are publicly traded and included in the LSE 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 (\$199,000)/\$220,000 in the fair value through profit (2016 (\$154,000)/\$171,000).

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 \$233,000/ (\$233,000) in the fair value through profit (2016 \$183,000/ (\$183,000)).

(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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Cash at bank and term deposits	98,134	75,276	99,007	76,152
Debtors and other receivables	4,651	4,445	4,766	4,500
Community & related party loans	866	1,104	866	1,104
Local authority & government stock (NZLGFA)	2,159	2,182	2,159	2,182
Corporate stock	4,158	10,299	4,158	10,299
Total credit risk	109,968	93,306	110,956	94,237

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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Counterparties with credit ratings				
Cash at bank and term bank deposits				
AA-	98,134	75,276	99,007	76,152
Total cash at bank and term bank deposits	98,134	75,276	99,007	76,152
Bonds				
AA+	-	2,182	-	2,182
Total local authority & government stock	-	2,182	-	2,182
Corporate stock				
AA-	4,158	4,236	4,158	4,236
BBB+	-	6,063	-	6,063
Total corporate stock	4,158	10,299	4,158	10,299
Counterparties without credit ratings				
Community & related party loans	866	1,104	866	1,104
Total community & related party loans	866	1,104	866	1,104

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 2017, had \$50m of un-drawn committed bank facilities (2016: \$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 2017						
Financial assets						
Cash and cash equivalents	8,301	-	-	-	8,301	8,294
Debtors and other receivables	4,627	24	-	-	4,651	4,651
Term deposits	91,300	-	-	-	91,300	89,840
Community loans	100	116	347	810	1,373	866
Local authority stock (NZLGFA)	-	584	368	1,509	2,461	2,159
Bonds	229	4,146	-	-	4,375	4,158
Total financial assets	104,557	4,870	715	2,319	112,461	109,968
Financial liabilities						
Creditors and other payables	6,871	-	-	-	6,871	6,871
Net settled derivative liabilities	4,792	4,792	14,073	14,937	38,594	22,443
Secured loans	68	68	116	-	252	-
Debentures & commercial papers	24,300	33,033	26,620	82,044	165,997	146,000
Finance leases	109	106	36	-	251	236
Total financial liabilities	36,140	37,999	40,845	96,981	211,965	175,550
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
Group 2017						
Financial assets						
Cash and cash equivalents	9,167	-	-	-	9,167	9,167
Debtors and other receivables	4,742	24	-	-	4,766	4,766
Term deposits	91,300	-	-	-	91,300	89,840
Community loans	100	116	347	810	1,373	866
Local authority stock (NZLGFA)	-	584	368	1,509	2,461	2,159
Bonds	229	4,146	-	-	4,375	4,158
Total financial assets	105,538	4,870	715	2,319	113,442	110,956

	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	7,297	-	-	-	7,297	7,297
Net settled derivative liabilities	4,792	4,792	14,073	14,937	38,594	22,443
Secured loans	68	68	116	-	252	-
Debentures & commercial papers	24,300	33,033	26,620	82,044	165,997	146,000
Finance leases	109	106	36	-	251	236
Total financial liabilities	36,566	37,999	40,845	96,981	212,391	175,976
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
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

(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 2017				
Financial assets				
Local government and corporate bonds	4,158	-	4,158	-
Listed shares	4,657	4,657	-	-
Unlisted shares	238	-	238	-
Total financial assets	9,053	4,657	4,396	-
Financial liabilities				
Derivative financial instruments	22,443	22,443	-	-
Total financial liabilities	22,443	22,443	-	-
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	-	-
Group 2017				
Financial assets				
Local government and corporate bonds	4,158	-	4,158	-
Listed shares	4,657	4,657	-	-
Unlisted shares	238	-	238	-
Total financial assets	9,053	4,657	4,396	-
Financial liabilities				
Derivatives financial instruments	22,443	22,443	-	-
Total financial liabilities	22,443	22,443	-	-
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				
Derivative financial instruments	31,247	31,247	-	-
Total financial liabilities	31,247	31,247	-	-

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 \$280,511 (2016 \$397,105 (former CEO) & \$36,919 (interim CEO)).

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 2017 \$000	Actual 2016 \$000
Mayor		
Trewavas, David	112,596	110,702
Total	112,596	110,702

The figure disclosed for the Mayors' remuneration includes a non-cash benefit of \$4,427 (2015 \$4,427) in relation to the mayoral car.

Councillors		
Boddy, John	33,360	32,851
Cozens, Zane	34,735	33,795
Harvey, Rosie	37,932	32,851
Hickling, Barry	35,853	40,099
Jollands, Rosanne	33,360	32,851
Kingi, Tonganui	25,246	-
Park, Anna	34,672	33,866
Rankin, Christine	23,521	-
Trueman, Kirsty	34,362	33,551
Williamson, John	33,360	32,851
Chrustowski, Bernhard	10,080	33,621
Stewart, Margaret	10,735	34,076
Total Councillors remuneration	347,216	340,412
Turangi/Tongariro Community Board		
Hema, Andy	12,061	-
Donlon, Karen	5,601	-
Holt, Sharlyn	5,601	-
Nelson, Sally	5,601	-
New, Te Takinga	8,282	7,860
Van der Aa, Walter	7,982	7,860
Kingi, Tonganui	4,762	15,720
Saunders, Neale	-	3,240
Smallman, Mary	2,403	7,860
Te Whare, Chris	2,403	7,860
Total community board remuneration	54,696	50,400

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 \$6,662 was paid to the IRD by Council for a vehicle supplied to Mayor David Trewavas (2016 \$6,726).

Council employees

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

	Number of employees	
	2017	2016
Less than \$60,000	208	207
\$60,000-\$79,999	61	68
\$80,000-\$99,999	41	35
\$100,000-\$119,999	20	20
\$120,000-159,999	12	8
\$160,000-239,999	6	5
\$240,000-\$299,999	1	-
Total employees	349	343

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 246 (June 2016 247) full-time employees, with the balance of staff representing 46.4 (June 2016 47.2) 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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Capital commitments				
Water supply capex/renewals	18	-	18	-
Wastewater capex/renewal	311	595	311	595
Building renewals	477	-	477	-
Total capital commitments	806	595	806	595
Operational commitments				
Wastewater	2,135	2,278	2,135	2,278
District roading	3,609	3,611	3,609	3,611
Refuse	5,674	6,810	5,674	6,810
Supply of document production services	48	192	48	192
Office equipment leases	44	31	44	31
Security	116	116	116	116
District electricity supply	2,516	1,578	2,516	1,578
Three waters maintenance	10,114	12,400	10,114	12,400
Building maintenance	198	-	198	-
Cleaning contracts	498	729	498	729
Generator contract	23	39	23	39
Property leases	942	899	942	899
Economic development	100	-	100	-
Total operational commitments	26,017	28,683	26,017	28,683
Total capital and operational commitments	26,823	29,278	26,823	29,278

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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Minimum operating lease payments payable:				
Payable no later than one year	120	86	120	86
Later than one, not later than two years	83	65	83	65
Later than two, not later than five years	85	85	85	85
Later than five years	661	689	661	689
Total non-cancellable operating leases	949	925	949	925

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$21,327 (2016 \$27,245).

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 2017 \$000	Actual 2016 \$000	Actual 2017 \$000	Actual 2016 \$000
Not later than one year	534	542	419	427
Later than one year and not later than five years	1,244	1,021	1,244	1,021
Later than five years	1,986	1,863	1,986	1,863
Total non-cancellable operating leases	3,764	3,426	3,649	3,311

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 2017, NZLGFA had borrowings totalling \$7,945m (2016 \$6,501m). This figure is made up of the face value of LGFA's bonds on issue of \$7,505m, accrued interest on bonds on issue of \$66m, the face value of bills on issue of \$350m and bonds LGFA lent to counterparties under bond repurchase transactions of \$25m.

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 (2016 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 (2016 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 (2016 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 (2016 One WHRS claim) which is likely to be accepted into the Government's Financial Assistance Package (FAP) scheme, the maximum financial exposure to Council is estimated at \$100,000. Any leaky building claims made against Council after 1 July 2009 are not covered by our insurers.

In April 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 Councils, including Taupō District Council alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates. The Councils have applied for orders setting aside and striking out CHH's claims against them. The MOE's claim

against CHH is for 833 school buildings, 40 of which are located within the Taupō District. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

In addition to the weather tightness building defect claim, there are a further 8 unresolved potential legal and insurance claims against Council as at 30 June 2017 (2016 18 claims). All matters present some contingent liability risk related to building or resource consents, property damage, or other aspects of Council's operations which the claimants believe has caused them loss. It is not possible for Council to quantify a maximum financial exposure for these claims. Council has notified its insurers where relevant and will seek to limit actual liability, 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 (2016 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 (2016 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, and the forestry reserve.

36. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanations for major variations from the Council's budget figures in the 2016/17 Annual Plan to 30 June 2017 are as follows:

Statement of Comprehensive Revenue and Expense

Council's actual surplus of \$24.347m is \$19.774m more than the \$4.573m surplus planned. The major variations are due to:

Revenue

- Rates revenue is higher than plan by \$426k due to building consents increasing the capital value of the district with an effect of \$60k, water by meter ahead of plan due to increased economic activity in the district with an effect of \$156k, rates remissions granted were less than budget by \$111k and internal rates deductions were less than budget by \$108k, offset by penalties being less than budget by \$9k.
- Subsidies and grants behind plan by \$1.197m, due to the Ministry of Health subsidy for connecting Waitahanui to the town water supply, behind budget by \$868k due to delays with the project starting, NZTA roading subsidies behind plan by \$438k due to projects either coming in under budget or being incomplete at balance date, offset by sundry grants received that were not budgeted for due to their nature \$109k.
- Development and financial contributions are ahead of plan by \$1.453m due to several new subdivisions being completed in the period.
- Fees and charges are \$1.877m ahead of plan. Revenue from landfill operations is \$516k ahead of plan due to increased economic activity in the district. Building and resource consenting charges are \$176k ahead of plan due to strong activity in the building sector, other regulatory functions \$99k ahead of plan and revenue from LIM requests is ahead of plan \$85k due to the buoyant property market. Haylage sales are \$177k ahead of plan, membership fees are ahead of plan by \$128k, revenue in the emergency management area is ahead of plan by \$127k due to a couple of large fires over summer. Revenue from our venues and community facilities is \$284k ahead of plan. Other sundry income is ahead of plan by \$150k. Cost of goods sold of \$128k has been reclassified from revenue to expenses in actuals which is not reflected in budget.
- Finance revenue is \$366k higher than plan due to cash operating surpluses in 2015/16 and the current year as well as the capital expenditure for 2016/17 being behind plan .
- Other revenue is \$24.161m ahead of plan. The following make up this variance:
 - Vested assets \$3.611m ahead of plan due to completed subdivisions.
 - First time recognition of assets of \$2.756m.
 - Gain on sale of properties ahead of plan by \$4.036m, gain on sale of plant & equipment \$1.081m, dividends \$237k ahead of plan, realised & unrealised gain on shares and bonds \$979k, revenue from investment properties \$134k ahead of plan (budget in fees and charges) and other revenue (including petrol tax & infringements) ahead of plan by \$407k.
 - Revaluation of derivatives \$8.804m ahead of plan, forestry revaluation being \$838k more than planned and gain on investment property valuation of \$1.365m more than planned.

Expenses

Expenses are \$7.312m higher than plan. Explanation of this variance is as follows:

- Employee benefit expenses are lower than plan by \$383k due to staff turnover.
- Depreciation is higher than plan by \$1.251m mainly due to the revaluation of buildings in the 2015/16 year being higher than anticipated.
- Finance costs are higher than budget by \$254k due to Council refinancing a debenture in order to reduce the ongoing weighted average borrowing cost.
- Loss on disposal of assets \$3.127m (unbudgeted).
- Impairment of 72 Lake Terrace Council offices \$2.735m and loss on valuation of financial assets \$86k. These items are not budgeted for due to their nature.
- Operational costs were slightly over budget by \$242k mainly due to costs relating to the assessment of the viability of Council Offices at 72 Lake Terrace.

Statement of Financial Position

Assets

- Investments, including cash, are \$24.178m higher than plan due to operational revenues being higher than plan for the last two financial years, property and forestry sales generating \$9.9m in the current year and capital expenditure being lower than plan.
- Trade and other receivables are \$101k higher than plan
- Inventory is \$944k higher than plan due to increased haylage stocks and residential sections held for sale.

- Prepayments are \$846k ahead of plan due to prepaid rents on temporary premises for Council offices
- Non-current assets held for sale \$7.659m higher than plan due to high demand for properties for development by third parties. As a result of this demand the investment properties in the non-current portion of the balance sheet have reduced by a similar amount.
- Property, plant and equipment, intangibles and forestry were \$20.477m less than plan due to the revaluation of roading assets being \$7.731m lower than plan, the 2015/16 revaluation of land assets being \$5.429m lower than plan. Capital expenditure was \$8.6m behind forecast for the last two financial years. Disposals and impairments were \$5.5m (not budgeted) offset by vested and first time recognition of assets \$6.4m higher than plan and the forestry revaluation being \$838k higher than plan.

Liabilities

- Trade and other payables \$1m higher than plan due to plan being based on 2015 closing balances and a high level of expenditure occurring in June.
- Derivative financial instrument liabilities are \$3.044m higher than plan mainly due to the budget being based on the 2015 balance and the net mark to market valuation movement over the last two financial years resulting in an increase in liability.
- Borrowings \$500k higher due to less supplementary repayments made than planned

Statement of Movements in Net Assets/Equity

Closing equity is \$824k higher than plan. The major variations are due to:

- The opening equity position being \$11.208m lower than plan, primarily due to the revaluation of land and buildings last year being lower than anticipated (\$5.429m) and a prior period adjustment of \$5.259m (see note 37).
- The 30 June 2017 revaluations of roading being \$7.731m lower than anticipated in the Annual Plan
- The net surplus for the year being \$19.774m more than planned (see explanation under 'Statement of Comprehensive Revenue and Expense' heading above).

37. ADJUSTMENTS TO THE COMPARATIVE YEAR FINANCIAL STATEMENTS

The Council and Group has adjusted its comparative year financial statements for the year ended 30 June 2016 for the correction of a prior period error.

When the investment property revaluation was completed in the 2016/17 year it was discovered that an error in hectareage was made in the valuation of a piece of land in the 2015/16 valuation, in effect double counting a portion of land. This means that the gain on revaluation of investment properties and the asset value was overstated in 2015/16 by \$5.259m. This figure is an estimate based on the dollar per hectare of the original valuation in June 2016. The financial statements for 2016, which are presented as comparative information in the 30 June 2017 financial statements, have been restated to correct this error.

The adjustments are shown in the table below.

	Explanatory Note	Actual 2016	
		Before adjustments \$000	After adjustments \$000
Council			
Revenue			
Other revenue	8	17,608	12,349
Non-current assets			
Investment property	22	30,950	25,691
Equity			
Accumulated funds	12	776,251	770,992
Group			
Revenue			
Other revenue	8	17,799	12,540
Non-current assets			
Investment property	22	30,950	25,691
Equity			
Accumulated funds	12	777,916	772,657