TAUPO AIRPORT AUTHORITY
LAKE TAUPO · NEW ZEALAND

Annual Report 2018

DIRECTORY

Governing Body	**Taupō Airport Authority Committee** Mayor David Trewavas Councillor Rosanne Jollands (Council Representative) Councillor Christine Rankin (Council Representative) Chris Johnstone (Business Representative) John Funnell (Taupō Airport User Group Representative) Kathy Guy (DGLT representative)
Airport General Manager	Mike Groome
Bankers	Bank of New Zealand, Taupō – transactional banking
Auditors	Audit New Zealand on behalf of The Controller & Auditor General
Solicitors / Legal Advisors	Le Pine & Co, Taupō
Insurance Brokers	Aon New Zealand Limited
Joint Venture Partners	Taupō District Council 50% The Crown (Ministry of Transport) 50%
Address	Anzac Memorial Drive, TAUPŌ RD 2, TAUPŌ
Telephone	Airport Manager [07] 378-7771 Facsimile [07] 377-7776 email airport@Taupōairport.co.nz website www.Taupōairport.co.nz

04

CONTENTS

CONTENTS 2
STATEMENT OF PERFORMANCE: PERFORMANCE TARGETS AND RESULTS ACHIEVED TO DATE 3
SUMMARY OF AIRCRAFT MOVEMENTS 3
CHAIRMAN'S REPORT -TAUPŌ AIRPORT AUTHORITY 4
REPORT OF THE AUDITOR GENERAL 5
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE 9
STATEMENT OF CHANGES IN NET ASSETS/EQUITY 9
STATEMENT OF FINANCIAL POSITION 10
STATEMENT OF CASHFLOWS 11

STATEMENT OF PERFORMANCE: PERFORMANCE TARGETS AND RESULTS ACHIEVED TO DATE

Non-financial performance:

Taupō Airport

Objective:
To operate a successful commercially viable business providing land and infrastructure for the safe, appropriate and efficient air transport needs of the Taupō district.

Performance targets	Results	Achievement
To maintain facilities so as to avoid any diversion or cancellation of scheduled flights other than for weather or airline problems	Achieved	No diversions or cancellations due to facility maintenance (2017 Achieved)
The airport will be operated in such a way as to continue to hold CAA Part 139 certified	Achieved	The Airport is CAA Part 139 (2017 Achieved)
A positive financial return on Equity to be achieved annually.	Not Achieved	Annual result for the Airport is a loss of $140k (June 2017 Loss $129k)
The TAA be self-funding in terms of its own cash flow requirements.	Not Achieved	Operating cash flow for the year is -$62k (June 2017 $241k)

Financial performance:

Consolidated shareholder funds to total assets 90.01% (June 2017: 89.20%) against a projected 90%.

SUMMARY OF AIRCRAFT MOVEMENTS

For the year ended 30 June 2018

	Year to 30 June 2018	*Year to 30 June 2017*	*Year to 30 June 2016*	*Year to 30 June 2015*	*Year to 30 June 2014*
Scheduled airlines	2,992	2,914	3,334	3,462	3,782
Private operation	11,024	10,114	10,317	9,750	10,968
Parachuting	6,272	7,016	8,636	8,124	8,022
Charters	80	70	90	73	134
Military operations	24	30	16	66	70
Helicopters	5,316	5,100	4,948	4,550	4,482
	25,708	25,244	27,341	26,025	27,458

CHAIRMAN'S REPORT -TAUPŌ AIRPORT AUTHORITY

Taupo Airport Authority operates a small regional airport in the centre of the North Island and is an essential gateway to our region. The Taupo district has a strong tourism element to its economy so it is imperative that the airport continues to provide the infrastructure that allows for the many tourist related aircraft operations that occur each year.

Work is continuing on our Masterplan, specifically around the requirements of a new terminal, as the current building will not meet the specifications needed in the future. The change of government and a direction for economic support of the regions has provided some opportunities for an outcome that will benefit both the airport and the community.

The new covered baggage handling building has been completed along with an upgrade by Air New Zealand of their check in area. Air New Zealand continues to provide a strong service to Taupo with increased loadings over last year.

Sounds Air have filled the gap in the market that occurred with Air New Zealand cancelling the Taupo/Wellington leg and consequently have become an integral part of our transport network. This service continues to meet expectations, both for Sounds Air and the Taupo community. There has been no requirement from the Taupo District Council to underwrite this service this year.

GA traffic remains steady and is slightly ahead of last year, showing that the demand for this regional airport remains strong.

The airport authority has utilised some of the accumulated funds from the airport operation for some capital works. Firstly the baggage handling area was enhanced with a cost effective add on, which can be relocated for other use within the airport if the terminal is rebuilt. The other important work this year was the increase to the apron size at the southern end of the airport. This was a congested area with a lot of activity from sky diving and maintenance companies. The additional area eliminates potential risk of close contact within a busy area.

Apart from this overrun the SOI for this year was a true reflection of our business.
A big thank you, to all staff and Taupo District Council for their continued work on operating a successful airport operation.

Chris Johnston

Independent Auditor's Report

To the readers of Taupo Airport Authority's financial statements and performance information for the year ended 30 June 2018

The Auditor-General is the auditor of Taupo Airport Authority (the Authority). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Authority on his behalf.

Opinion

We have audited:

- the financial statements of the Authority on pages 9 to 29, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Authority on page 3.

In our opinion:

- the financial statements of the Authority on pages 9 to 29:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards with reduced disclosure requirements; and
- the performance information of the Authority presents fairly, in all material respects, the Authority's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Authority's objectives, for the year ended 30 June 2018.

Our audit was completed on 17 September 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Committee and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Committee for the financial statements and the performance information

The Committee is responsible on behalf of the Authority for preparing financial statements and performance information that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Committee is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and performance information, the Committee is responsible on behalf of the Authority for assessing the Authority's ability to continue as a going concern. The Committee is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Authority or to cease operations, or there is no realistic alternative but to do so.

The Committee's responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually, or in the aggregate, they could reasonably be expected to influence the decision of readers taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Authority's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of the internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Committee.

- We evaluate the appropriateness of the reported performance information within the company's framework for reporting performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Committee and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Committee is responsible for the other information. The other information comprises the information included on pages 3 to 4, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of the Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Authority.

Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2018

	Note	Actual 2018 $	Airport SOI 2018 $	Actual 2017 $
Revenue				
Revenue from services provided	4	**513,937**	**480,983**	502,865
Finance revenue	5	**289**	**2,000**	1,773
Total revenue		**514,226**	**482,983**	504,638
Expenditure				
Employee benefit expenses	6	**171,596**	**165,360**	169,140
Depreciation and amortisation expense	11,12	**248,404**	**229,068**	286,017
Other expenses	6	**290,907**	**202,089**	221,138
Total operating expenditure		**710,907**	**596,517**	676,295
Surplus/(deficit) before tax		**(196,681)**	**(113,534)**	(171,657)
Income tax (expense)/credit	7	**57,076**	**-**	42,985
Surplus/(deficit) after tax		**(139,605)**	**(113,534)**	(128,672)
Other comprehensive revenue				
Property, plant & equipment revaluations	8	**-**	**-**	632,151
Deferred tax on revaluation		**-**	**-**	(171,962)
Total other comprehensive income		**-**	**-**	460,189
Total comprehensive income		**(139,605)**	**(113,534)**	331,517
Net surplus/(deficit) after taxation is attributable to:				
TDC and The Crown		**(139,605)**	**(113,534)**	(128,672)
Total comprehensive revenue and expenses attributable to:				
TDC and The Crown		**(139,605)**	**(113,534)**	331,517
		(139,605)	**(113,534)**	331,517

Explanations of major variances against budget are provided in note 15.

Statement of Changes in Net Assets/Equity
For the year ended 30 June 2018

	Note	Actual 2018 $	Airport SOI 2018 $	Actual 2017 $
Equity at start of the year	8	**10,700,992**	**-**	10,369,477
Total comprehensive revenue and expenses previously reported		**(139,605)**	**-**	331,515
Equity injections by Crown		**-**	**-**	-
Equity injections by Taupo District Council		**-**	**-**	-
Equity as at 30 June 2018	8	**10,561,387**	**-**	10,700,992
Total recognised revenue and expenses are attributable to:				
Taupo District Council		**(69,802)**	**-**	165,758
The Crown		**(69,803)**	**-**	165,757
Total comprehensive revenue and expenses		**(139,605)**	**-**	331,515

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

Statement of Financial Position
As at 30 June 2018

	Note	Actual 2018 $	Airport SOI 2018 $	Actual 2017 $
ASSETS				
Current assets				
Cash and cash equivalents	9	**266,432**	-	449,478
Trade and other receivables	10	**64,441**	-	67,404
Prepayments		**4,974**	-	5,116
Total current assets		**335,847**	-	521,998
Non-current assets				
Intangible assets	12	**2,946**	-	3,986
Property, plant and equipment	11	**11,394,500**	-	11,520,546
Total non-current assets		**11,397,446**	-	11,524,532
Total assets		**11,733,293**	-	12,046,530
LIABILITIES				
Current liabilities				
Trade and other payables	13	**104,484**	-	226,002
Employee benefit liabilities	14	**41,857**	-	33,000
Total current liabilities		**146,341**	-	259,002
Non-current liabilities				
Employee benefits liabilities	14	**1,484**	-	5,379
Deferred tax liabilities	7	**1,024,081**	-	1,081,157
Total non-current liabilities		**1,025,565**	-	1,086,536
Total liabilities		**1,171,906**	-	1,345,538
Net assets (assets minus liabilities)		**10,561,387**	-	10,700,992
EQUITY				
Equity interest of joint venture partners	8	**4,071,585**	-	4,071,585
Appropriation accounts	8	**2,057,635**	-	2,019,163
	8	**-**	-	178,077
Asset revaluation reserves	8	**4,432,167**	-	4,432,167
Total equity		**10,561,387**	-	10,700,992

Explanations of major variances against budget are provided in note 15.

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

The financial statements of the Taupo Airport Authority are for the year ended 30 June 2018. The financial statements were authorised for issue by the Airport Committee on 17th September 2018.

Statement of cashflows

For the year ended 30 June 2018

	Note	Actual 2018 $	Airport SOI 2018 $	Actual 2017 $
Cash flows from operating activities				
Receipts from customers		**503,203**	-	472,920
Finance revenue		**289**	-	1,773
Payments to suppliers		**(276,928)**	-	(55,835)
Payments to employees		**(166,634)**	-	(165,839)
Net GST paid		**12,721**	-	(11,740)
Net cash flow from operating activities		**72,651**	-	241,279
Cash flows from investing activities				
Purchase of property, plant and equipment		**(255,700)**	-	(263,868)
Net cash flow from investing activities		**(255,700)**	-	(263,868)
Net increase (decrease) in cash and cash equivalents held		**(183,049)**	-	(22,589)
Add cash and cash equivalents at the beginning of the year		**449,478**	-	472,067
Cash, cash equivalents, and bank overdrafts at the end of the year	9	**266,429**	-	449,478

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

1 Statement of accounting policies for the year ended 30 June 2018

1.1 Reporting entity

The Taupo Airport Authority is a joint venture between Taupo District Council and the Crown with both parties having a 50% interest. Taupo District Council has responsibility for the management of the Airport. Governance is provided by a Committee of Council

The primary objective of the Airport is to operate a successful commercially viable business providing land and infrastructure for the safe, appropriate, and efficient air transport needs of the Taupo district, rather than making a financial return. Accordingly, the Airport has designated itself a public benefit entity for the for the purposes of New Zealand equivalents to International Public Sector Accounting Standards (PBE IPSAS).

The financial statements of Taupo Airport Authority are for the year ended 30 June 2018. The financial statements were authorised for issue by the Airport Committee on 17th September 2018.

2 Summary of significant accounting policies

2.1 Statement of Compliance and Basis of Preparation

The financial statements have been prepared on the going concern basis and in accordance with the Civil Aviation Act 1990, the Airport Authorities Act 1966, and the Local Government Act 2002, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZGAAP). The financial statements have been prepared in accordance with Tier 2 PBE accounting standards and compy with PBE standards.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements are prepared using the historical cost basis except for certain classes of assets and liabilities which are recorded at fair value. These are detailed in the specific policies below.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Airport is New Zealand dollars.

Changes in accounting policies

There are no changes in accounting policies.

2.2 GST

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

Commitments and contingencies are disclosed exclusive of GST.

2.3 Revenue

Revenue is measured at the fair value of consideration received or receivable.

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

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

Landing revenue is recognised on a straight-line basis over the term of the payments.

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.

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

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

Revenue is measured at fair value of consideration received.

The main sources of revenue for the Airport are airfield landing charges and lease revenue from leasehold sites at the airport. Revenue is recognised in the period to which it relates. Payment is by cash, cheque, credit card, EFTPOS, automatic payment or direct debit.

2 Summary of significant accounting policies

2.4 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.

(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.

(iii) Finance leases

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.

(iv) Financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange losses, and losses on hedging instruments that are recognised in the Statement of Comprehensive Revenue and Expense using the effective interest rate method.

2.5 Equity

- Accumulated funds
- Revaluation Reserves

Equity is the community's interest in the Airport and is measured as the difference between total assets and total liabilities.

2.6 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.

2.7 Financial assets

Taupo Airport classifies its investments as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market. 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.

2.8 Trade and other receivables

Trade and other receivables are recognised at their cost less impairment losses

A provision for impairment of receivables is established when there is objective evidence that the Airport 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.

2.9 Property, plant and equipment

Property, plant, and equipment consist of operational assets, which include office equipment, furniture and fittings, computer equipment, and a vehicle.

2 Summary of significant accounting policies

These assets are shown at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of an item of property, plant, and equipment is recognised 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 Airport and the cost of the item can be reliably measured.

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Airport 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.

Additions
Additions between valuations are shown at cost.

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

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

When the use of a property changes from owner-occupied to investment property, the property is reclassified to investment property at its fair value at the date of the transfer.

Subsequent measurement
Property, plant, and equipment, and intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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. 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 Summary of significant accounting policies

Depreciation

Land is not depreciated. Depreciation has been provided on a straight-line basis on all property, plant, and equipment. Depreciation is provided at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Class of PP&E	Estimated useful life	Depreciation rates
Buildings	5 - 57 Years	1.75% - 20%
Furniture and Fittings	4 - 10 Years	10% - 25.2%
Office Equipment and Plant and Equipment	4 - 50 Years	2% - 25%
Motor vehicles	5 Years	20%
Infrastructural assets		
Runway & Roading network		
Formation	Indefinite	
Pavement	60 Years	
Top surface (seal)	15 Years	
Stormwater	50 - 80 Years	
Footpaths	80 Years	
Kerbs	50 Years	
Fencing	10 Years	
Streetlights	15 Years	

The depreciation rates are applied at a component level and are dependent on the expected remaining useful life of each component.

Details of valuations by asset class

Valuation of land and buildings

Airport land was initially valued at fair value by independent valuer Quotable Value New Zealand as at 1 July 2005, which was considered deemed cost. The land and buildings were revalued to fair value on the same basis by independent valuer, Quotable Value New Zealand at 30 June 2016. Land is not depreciated.

Valuation of infrastructural assets

Infrastructure assets are the utility systems that provide a continuing service to the Airport and are not generally regarded as tradeable. They include the runways, roads, and stormwater systems together with other improvements of an infrastructural nature. These assets were valued at fair value by Beca Projects NZ Limited at 30 June 2017.

Assets under construction/work in progress.

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

All the Airport's assets are classed as non-generating, that is they are not held with the primary objective of generating a commercial return.

2.10 Intangible assets

Website

The website has been capitalised on the basis of costs incurred to acquire and bring to use the website. This has been valued at cost, and will be amortised over the expected useful life of the website.

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

2 Summary of significant accounting policies

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

2.11 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, Taupo Airport Authority 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 statement of comprehensive revenue and expense.

All investment properties have been disposed.

2.12 Financial Liabilities

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

2.13 Employee entitlements

Short-term employee entitlements

Provision is made in respect of the Airport's liability for salaries and wages accrued up to balance date, annual leave, long service leave, and lieu leave.

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 day leave are accrued on an actual entitlement basis, using current rates of pay.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Superannuation schemes

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

2.14 Income tax

Income tax on the surplus or deficit for the year comprises current and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable surpluses will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

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2 Summary of significant accounting policies

Current tax and deferred tax is charged or credited to the statement of comprehensive revenue and expense, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in equity.

2.15 Budget figures

The budget figures are those approved by the Committee in the Statement of Intent and in complying with sections 64, 66, and 67 of the Local Government Act 2002.

2.16 Going Concern

The Taupo Airport Authority consider that the continued adoption of the going concern assumption for the preparation of this financial report is appropriate. This conclusion has been reached having regard to assurances from the Taupo District Council that financial support and / or funding will be made available to ensure that the Airport can continue its current operations.

3 Critical accounting estimates and judgements

In preparing the financial statements the Airport 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.

4 Revenue from services provided

	Airport Actual 2018 $	Airport Actual 2017 $
Landing fees	181,313	174,992
Lease revenue	192,169	189,794
Other services	140,325	136,825
Other revenue	130	1,254
Total revenue from services provided	513,937	502,865

5 Finance revenue

	Airport Actual 2018 $	Airport Actual 2017 $
Interest revenue	289	1,773
Total finance revenue	289	1,773

6 Operating expenditure

Employee benefit expenses		
Salaries and wages	161,782	161,008
Increase/(decrease) in employee entitlements/liabilities	4,961	3,302
Defined contribution plan employer contributions	4,853	4,830
Total employee benefit expenses	171,596	169,140
Depreciation by asset class:		
Total depreciation	247,364	285,843
Total amortisation	1,040	174
Total depreciation and amortisation	248,404	286,017
Other expenses		
Audit fees for financial statements audit	12,672	12,499
Maintenance	24,288	22,123
Ground maintenance	41,324	20,763
Runway & pavement maintenance	5,839	6,242
Terminal maintenance	8,228	3,862
Airfield contractors	15,246	11,045
Electricity and gas	13,986	12,842
Materials and supplies	8,039	6,246
Professional services fees/legal fees	51,102	15,829
Accountancy & business services TDC	12,500	12,500
Vehicle running costs	1,429	945
Insurance	7,649	7,470
Committee expenses	531	-
Cleaning	17,704	17,348
Equipment hire	20,315	31,107
Provision for Bad Debts	3,506	33
Loss on disposal of property, plant & equipment	4	2,670
Other expenses	46,545	37,614
Total other expenses	290,907	221,138

7 Income tax

	Airport Actual 2018 $	Airport Actual 2017 $
Components of tax expense		
Current tax	-	-
Deferred tax	(57,076)	(42,985)
Tax expense	(57,076)	(42,985)
Relationship between tax expense and accounting profit:		
Net surplus/(deficit)	(196,681)	(171,657)
Net Surplus/(deficit)	(196,681)	(171,657)
Tax calculated at 28%	(55,071)	(48,064)
Plus (Less) tax effect of:		
Deferred tax adjustment	(2,005)	5,079
Tax expense	(57,076)	(42,985)

No Imputation credits are available to distribute to owners

Deferred tax liabilities

Airport	**Property, plant and equipment $**	**Non-deductible provisions $**	**Tax losses $**	**Total $**
Balance at 1 July 2016	(1,428,225)	10,010	466,034	(952,181)
Charged to surplus or deficit	48,479	736	(6,230)	42,985
Charged to equity	(171,962)	-	-	(171,962)
Balance at 30 June 2017	(1,551,708)	10,746	459,804	(1,081,158)

	Property, plant and equipment $	**Non-deductible provisions $**	**Tax losses $**	**Total $**
Balance at 1 July 2017	(1,551,708)	10,746	459,804	(1,081,158)
Charged to surplus or deficit	37,914	1,389	17,773	57,076
Charged to other comprehensive income	-	-	-	-
Charged directly to equity	-	-	-	-
Balance at 30 June 2018	(1,513,794)	12,135	477,577	(1,024,082)

8 Net assets/equity

	Airport Actual 2018 $	Actual 2017 $
(a) Equity Interest of Joint Venture Partners		
(i) Taupo District Council		
Opening balance	2,003,902	2,003,902
Closing balance	2,003,902	2,003,902
(ii) The Crown		
Opening balance	2,067,683	2,067,683
Closing balance	2,067,683	2,067,683
Total closing balance of equity accounts	4,071,585	4,071,585
(b) Appropriation Accounts		
(i) Taupo District Council		
Opening balance	2,423,248	2,487,584
Share of net surplus (deficit)	(69,802)	(64,336)
Closing balance	2,353,446	2,423,248
(ii) The Crown		
Opening balance	(226,008)	(161,672)
Share of net surplus (deficit)	(69,803)	(64,336)
Closing balance	(295,811)	(226,008)
Total closing balance of appropriation accounts	2,057,635	2,197,240

The breakdown of asset revaluation reserves are disclosed as follows:

	Airport Actual 2018 $	Actual 2017 $
Opening balance	4,432,167	4,432,167
Property, plant and equipment revaluation reserve		
Balance at 1 July	4,432,167	3,971,980
Revaluation gains/(losses)	-	632,149
Deferred tax on revaluation	-	(171,962)
Transfer to accumulated funds	-	-
Less minority interest share in change in asset value	-	-
Balance at 30 June	4,432,167	4,432,167
Operational assets:		
Land	1,345,000	1,345,000
Buildings	189,754	189,754
Fencing	59,664	59,664
Land improvements	130,967	130,967
Infrastructure assets		
Roading & streetlighting	370,095	370,095
Stormwater	192,645	192,645
Runways	2,144,042	2,144,042
Total asset revaluation reserves	4,432,167	4,432,167

9 Cash and cash equivalents

	Airport Actual 2018 $	Actual 2017 $
Cash at bank and in hand	3,624	2,606
Call deposits	262,808	446,872
Total cash and cash equivalents used in statement of cashflows	266,432	449,478

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

10 Trade and other receivables

	Airport Actual 2018 $	Actual 2017 $
Trade receivables	66,787	53,382
Provision for doubtful receivables	(3,506)	-
Net trade receivables	63,281	53,382
Other	1,160	14,022
Total current net trade and other receivables	64,441	67,404
Receivables from exchange transactions	67,947	54,683
Receivables from non-exchange transactions	(3,506)	12,721
Total current net trade and other receivables	64,441	67,404

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.

Bad and doubtful trade receivables
The Airport has recognised a loss of $3,506 (2017: $0) in respect of bad and doubtful trade receivables during the year ended 30 June 2018. The loss has been included in 'other expenses' in the surplus and deficit component of the statements of comprehensive income.

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

	Airport Actual 2018 $	Actual 2017 $
Current	57,294	61,868
Past due 1-30 days	3,120	3,518
Past due 31-60 days	4,033	325
Past due 61+ days	2,340	1,693
Total individual impairment	66,787	67,404

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June 2017	Cost / revaluation 1 Jul 2016 $	Accumulated depreciation 1 Jul 2016 $	Carrying amount 1 Jul 2016 $	Current year additions (+ gains) $	Current year disposals (+ losses) $	Current year depreciation $	Transfers $	Revaluation surplus $	Cost / revaluation 30 Jun 2017 $	Accumulated depreciation 30 Jun 2017 $	Carrying amount 30 Jun 2017 $
Operating assets At cost & valuation											
Buildings	536,771	(717)	536,054	-	-	(20,932)	-	-	536,771	(21,649)	515,122
Office furniture and fittings	85,159	(74,967)	10,192	7,559	-	(2,703)	-	-	91,034	(75,986)	15,048
Plant and equipment	152,724	(129,927)	22,797	1,210	-	(7,916)	-	-	153,934	(137,843)	16,091
Motor Vehicles	23,043	(8,693)	14,350	-	-	(2,870)	-	-	23,043	(11,563)	11,480
Capital work in progress - buildings	-	-	-	17,305	-	-	-	-	17,305	-	17,305
Land Improvements	-	-	-	-	-	-	-	18,000	-	-	-
Street Lighting	20,418	(6,124)	14,294	-	-	(3,166)	-	11,072	22,200	-	22,200
Fencing	42,950	(12,247)	30,703	-	-	(6,115)	-	18,212	42,800	-	42,800
Total operating assets	861,065	(232,675)	628,390	26,074	-	(43,702)	-	47,284	887,087	(247,041)	640,046
Infrastructural assets At cost & valuation											
Roading	1,145,100	(21,114)	1,123,986	-	-	(10,531)	-	310,745	1,424,200	-	1,424,200
Stormwater	376,800	(27,064)	349,736	8,200	-	(13,513)	-	30,777	375,200	-	375,200
Runways	5,028,217	(420,231)	4,607,986	240,465	-	(218,096)	-	243,345	4,873,700	-	4,873,700
Capital work in progress - Taupo Airport runways	15,031	-	15,031	-	(15,031)	-	-	-	-	-	-
Total infrastructural assets	6,565,148	(468,409)	6,096,739	248,665	(15,031)	(242,140)	-	584,867	6,673,100	-	6,673,100
Restricted assets At cost & valuation											
Land	3,945,000	-	3,945,000	-	-	-	-	-	3,945,000	-	3,945,000
Land Improvements	244,400	-	244,400	-	-	-	-	-	262,400	-	262,400
Total restricted assets	4,189,400	-	4,189,400	-	-	-	-	-	4,207,400	-	4,207,400
Total	11,615,613	(701,084)	10,914,529	274,739	(15,031)	(285,842)	-	632,151	11,767,587	(247,041)	11,520,546

11 Property, plant and equipment

June 2018	Cost / revaluation 1 Jul 2017 $	Accumulated depreciation 1 Jul 2015 $	Carrying amount 1 Jul 2017 $	Current year additions (+ gains) $	Current year disposals (+ losses) $	Current year impairment charges $	Current year depreciation $	Transfers $	Revaluation surplus $	Cost / revaluation 30 June 2018 $	Accumulated depreciation 30 Jun 2018 $	Carrying amount 30 June 2018 $
Operating assets At cost & valuation												
Buildings	536,771	(21,649)	515,122	101,193	-	-	(22,968)	8,970	-	655,692	(53,375)	602,317
Office furniture and fittings	91,034	(75,986)	15,048	11,943	-	-	(16,929)	58,179	-	116,143	(47,902)	68,241
Plant and equipment	153,934	(137,843)	16,091	-	-	-	(651)	(9,949)	-	7,665	(2,174)	5,491
Motor Vehicles	23,043	(11,563)	11,480	-	-	-	(2,296)	-	-	36,043	(26,859)	9,184
Capital work in progress - buildings	17,305	-	17,305	-	(17,305)	-	-	-	-	-	-	-
Street Lighting	22,200	-	22,200	-	-	-	-	(22,200)	-	-	-	-
Fencing	42,800	-	42,800	-	-	-	-	(42,800)	-	-	-	-
Total operating assets	**887,087**	**(247,041)**	**640,046**	**113,136**	**(17,305)**	**-**	**(42,844)**	**(7,800)**	**-**	**815,543**	**(130,310)**	**685,233**
Infrastructural assets At cost & valuation												
Roading	1,424,200	-	1,424,200	-	-	-	(14,808)	-	-	1,424,200	(14,808)	1,409,392
Stormwater	375,200	-	375,200	-	-	-	(14,990)	-	-	375,200	(14,990)	360,210
Runways	4,873,700	-	4,873,700	25,494	-	-	(174,729)	-	-	4,899,194	(174,729)	4,724,465
Capital work in progress - Taupo Airport runways	-	-	-	-	-	-	-	-	-	-	-	-
Total infrastructural assets	**6,673,100**	**-**	**6,673,100**	**25,494**	**-**	**-**	**(204,527)**	**-**	**-**	**6,698,594**	**(204,527)**	**6,494,067**
Restricted assets At cost & valuation												
Land	3,945,000	-	3,945,000	-	-	-	-	(3,945,000)	-	-	-	-
Land Improvements	262,400	-	262,400	-	-	-	-	3,952,800	-	4,215,200	-	4,215,200
Total restricted assets	**4,207,400**	**-**	**4,207,400**	**-**	**-**	**-**	**-**	**7,800**	**-**	**4,215,200**	**-**	**4,215,200**
Total	**11,767,587**	**(247,041)**	**11,520,546**	**138,630**	**(17,305)**	**-**	**(247,371)**	**-**	**-**	**11,729,337**	**(334,837)**	**11,394,500**

Land (operational, restricted, and infrastructural)

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values. Adjustments have been made to the "unencumbered" land value where there is a designation against the land or the use of the land is restricted because of reserve or endowment status. These adjustments are intended to reflect the negative effect on the value of the land where an owner is unable to use the land more intensely.

Buildings (operational and restricted)

Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings. The Airport has no such buildings

Non-specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value.

In September 2013 an earthquake risk assessment was undertaken on the Airport terminal and offices by Ian Smith Project Services Ltd and both buildings were assessed as non earthquake risks. Based on this assessment no adjustments have been made for any estimated building strengthening costs or associated lost rental due to building strengthening work.

Infrastructural asset classes: sewerage, water, drainage, and roads

Sewerage, water, drainage, and roading infrastructural assets are valued using the depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

- Estimating any obsolescence or surplus capacity of the asset.
- Estimating the replacement cost of the asset. The replacement cost is derived from recent construction contracts in the region for similar assets.
- Estimates of the remaining useful life over which the asset will be depreciated. These estimates can be affected by the local conditions. For example, weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then the Airport could be over-or under-estimating the annual deprecation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, 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.

The most recent valuation of infrastructural assets was performed by V Gandhi of Beca Group, and the valuation is effective as at 30 June 2017.

Disposals
The Airport wrote off the website (intangable asset) and it was replaced by the current website during the financial year.

Impairment
No impairment losses have been recognised for plant and equipment during the year.

Leasing

The Airport has no plant and equipment held under finance leases (2017 $0).

Restrictions

The Airport has land in the "restricted Asset" category. Land in the 'Restricted Asset" category are subject to either restrictions on use, or disposal, or both. This includes restrictions from legislation (such as land declared as a reserves under the Reserves Act 1977), or other restrictions (such as land under a bequest or donation that restricts the purpose for which the assets can be used).

There are no buildings in this category.

12 Intangible assets

Movements in the carrying value for each class of intangible asset are as follows:

	Computer software $
At 1 July 2016	
Cost	4,784
Accumulated amortisation and impairment	(2,114)
Net book amount	2,670
Year ended Actual 2017	
Opening net book amount	2,670
Additions	4,160
Disposals	(2,670)
Amortisation charge	(174)
Closing net book amount	3,986
At Actual 2017	
Cost	4,160
Accumulated amortisation and impairment	(174)
Net book amount	3,986

	$
Year ended 30 June 2018	
Opening net book amount	3,986
Additions	-
Disposals	-
Amortisation charge	(1,040)
Closing net book amount	2,946
At 30 June 2018	
Cost	10,681
Accumulated amortisation and impairment	(7,735)
Net book amount	2,946

There are no restrictions over the title of intangible assets. No intangible assets are pledged as security for liabilities.

Impairment
No impairment losses have been recognised for any intangible asset.

13 Trade and other payables

	Airport	
	Actual 2018 $	Actual 2017 $
Trade payables	**33,981**	147,861
Retentions	**-**	13,437
Accrued expenses	**17,271**	15,583
Revenue in advance	**46,591**	49,121
Other payables	**6,641**	-
Total creditors and other payables	**104,484**	226,002
Total creditors and other payables from exchange transactions	**50,423**	176,038

13 Trade and other payables

Total creditors and other payables from non-exchange transactions	54,061	49,964
Total current creditors and other payables from exchange and non-exchange transactions	**104,484**	226,002

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.

14 Employee benefit liabilities

	Airport	
	Actual 2018 $	Actual 2017 $
Current portion		
Annual leave	41,857	33,000
Total current portion	**41,857**	33,000
Non-current portion		
Long service leave	1,484	5,379
Total non-current portion	**1,484**	5,379
Total employee entitlements	**43,341**	38,379

The present value of 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 1.78% (2017 1.97%) and an inflation factor of 2% (2017 2%) were used.

15 Explanation of major variances against budget

	Airport Actual 2018 $	SOI 2018 $
Total revenue	514,226	482,983
Total expenditure	(676,478)	(596,517)
	(162,252)	(113,534)

Explanations for major variations from the Statement of Intent

	Actual 2018 $	SOI 2018 $
Main variances in revenue against budget	-	-
Landing charges		
General Aviation	272,396	244,300
Charter and bulk landing	6,327	4,700
Higher than expected general aviation traffic	-	-
Increase in helicopters on bulk landing charges	-	-
Leases Income	192,169	193,683
Other services	39,245	34,306
Hay sales greater than forecast	-	-
Interest	289	2,000
Lower interest rate on Call account	-	-
Other	3,800	3,994
	514,226	482,983
Main variances in expense against budget	-	-
Consultants and professional fees	35,389	3,000
Consultants for the Safety Management System implimentation not forecast	-	-
Subscriptions	7,619	3,000
Subscription to Risk Management System not forecast	-	-
Ground Maintenance - other	36,524	10,000
Contractors	7,986	4,500
Addition of Safety Manager on Contract	-	-
Ground maintenance had been minimal in previous years	-	-
Building maintenance - Terminal	8,374	5,000
Maintenance work on lighting in Terminal not forecast	-	-
Depreciation	213,860	226,803
Depreciation lower than forecast as a result of previous year revaluations	-	-
Other expenses	366,726	344,214
Provision for Doubtful Debts and increase in general maintenance	-	-
	676,478	596,517

16 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 Airport would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with the Crown and with entities within the Taupo District 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

	Airport	
	Actual 2018 $	Actual 2017 $
Council members		
Full-time equivalent members	6	6
Total full-time equivalent personnel	6	6

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

17 Capital & operational commitments and operating leases

18 Contingencies

As at 30 June 2018 the Airport had no contingent liabilities or assets (2017: $0).

Contingent assets
There are no contingent assets at 30 June 2018 (June 2017 $0).

19 Financial instruments

Financial instrument categories

Assets	Held for trading $	Assets at fair value through surplus or deficit $	Loans and receivables $	Available for sale $	Total $
30 June 2018					
Cash and cash equivalent	-	-	266,432	-	266,432
Receivables and prepayments	-	-	64,441	-	64,441
Total assets	-	-	330,873	-	330,873
30 June 2017					
Cash and cash equivalent	-	-	449,478	-	449,478
Receivables and prepayments	-	-	54,683	-	54,683
Total assets	-	-	504,161	-	504,161

Liabilities	Held for trading $	Measured at amortised cost $	Total $
30 June 2018			
Payables and accruals	-	58,014	58,014
Total liabilities	-	58,014	58,014
30 June 2017			
Payables and accruals	-	176,882	176,882
Total liabilities	-	176,882	176,882

20 Events after balance date

There were no subsequent events after 30 June 2018.