

SECTION B: FINANCIAL STATEMENTS

Section B provides information on the financial outcomes for the year ended 30 June 2017.

Audit Report

This is a report from the Council's auditors outlining the scope of the audit and their audit opinion.

Statement of Compliance and Responsibility

Confirmation from senior Council officials that Council's systems comply with statutory requirements and that Council accepts responsibility for the information in the Annual Report.

Statement of Comprehensive Revenue and Expense

Effectively a profit and loss statement, this shows the summarised operating revenues and operating costs of the Council in 2016/17, and the operating surplus.

Statement of Movements in Ratepayers' Equity

This shows the sources of the movement in the net worth of the Council during 2016/17 (primarily the net surplus and changes to asset valuations).

Statement of Financial Position

Also known as the balance sheet, this shows the financial position of the Council as at 30 June 2017. It summarises what the Council owns (its assets) and what the Council owes (its liabilities). The equity of the Council is the difference between the two, and represents the net community ownership.

Statement of Cash Flows

This shows the source of the movements in and out of Council's cash and bank resources during 2016/17.

Funding Impact Statement

This shows the Council's operating and capital funding received and how it was applied during 2016/17.

Accounting Policies

These set out the accounting policies that the financial statements are based on, covering such matters as: when revenue is recognised, what depreciation rates are used and how assets are valued. These policies reflect generally accepted accounting practice.

Notes to the Accounts

The notes to the accounts are a series of notes that are referred to in the main body of the financial statements. The notes give further details on the numbers given in the accounts. The importance of these numbers should not be underestimated.

Audit Report

Draft

Statement of Compliance

Horowhenua District Council hereby confirms that all statutory requirements relating to the annual report, as outlined in the Local Government Act 2002, have been complied with.

Michael Feyen
District Mayor
11 October 2017



David Clapperton
Chief Executive
11 October 2017

Draft

Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Council Actual \$ 30 June 2017 \$000	Council Budget \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Revenue						
Rates	1	34,498	34,890	33,219	34,498	33,219
Finance revenue	2a	53	154	127	65	146
Grants and subsidies	2b	3,900	7,196	3,578	3,900	3,578
Fees and charges	2c	6,321	5,234	5,290	6,321	5,702
Other revenue	2d	3,857	2,816	2,927	3,857	2,927
Vested assets	2e	459	-	100	459	100
Development contributions	2f	488	-	381	488	381
Gain on derivative financial instruments	34	630	-	-	630	-
Other gains	3	983	303	414	760	414
Total revenue		51,189	50,593	46,036	50,978	46,467
Expenditure						
Employee benefit expenses	4	12,234	10,709	9,532	12,234	11,216
	11,12,					
Depreciation and amortisation	35	14,154	11,471	11,536	14,154	11,717
Finance costs	6	3,106	3,570	2,986	3,106	2,986
Loss on derivative financial instruments	34	-	-	1,101	-	1,101
Other losses	3	733	-	147	733	147
Increase / (decrease) in landfill provision	17	221	95	115	221	115
Other expenses	5	21,683	21,566	21,445	21,706	20,087
Total expenses		52,131	47,411	46,862	52,154	47,369
Operating surplus / (deficit) before tax		(942)	3,182	(826)	(1,176)	(902)
Income tax expense	38	-	-	-	-	-
Operating surplus / (deficit) after tax		(942)	3,182	(826)	(1,176)	(902)
Write back of revaluation losses on land and buildings		2,963	-	-	2,963	-
Surplus / (deficit) attributable to: Horowhenua District Council		2,021	3,182	(826)	1,787	(902)
Other comprehensive revenue and expense						
Gain / (loss) on infrastructural assets revaluations		29,095	10,991	-	29,095	-
Gain / (loss) on operational assets revaluation		6,418	-	-	6,418	-
Gain / (loss) on restricted assets revaluation		6,091	-	-	6,091	-
Total other comprehensive revenue and expense for the year		41,604	10,991	-	41,604	-
Total comprehensive revenue and expense (deficit) for the year		43,625	14,173	(826)	43,391	(902)
Total comprehensive revenue and expense attributable to Horowhenua District Council		43,625	14,173	(826)	43,391	(902)
Interest as percentage of operating revenue		6%	7%	9%	6%	9%
Interest to rates		9%	10%	12%	9%	12%

Explanations of major variances against budget are provided on page 17

The financial statements should be read in conjunction with the statement of accounting policies and the notes to the accounts.

Explanations of significant variances between the Council's actual results and the Council's budget for 2016-2017

Revenue

A breakdown of the revenue included under this heading is provided in Note 2 and explanations of the variations from the budgets are also detailed in the relevant funding impact statements included in Section C of this report. Further explanation follows:

Grants and subsidies – This is lower than budget due to the delay in the Te Awahou building project where the grants are dependent on building progressing in order for the cash to be released and to delayed capital roading projects.

Fees and charges – This is higher than budgeted due to increased revenue for the land fill and also the waste rebate. Community facilities were \$470k up mainly due to new income from library services brought in house but was not budgeted.

Other revenue – This is above budget primarily due to revenue from elections for Horizons and the DHB, revenue from Shannon wastewater farm and revenue from external payroll processing all not budgeted for.

Vested assets – There was no budget as subdivision activity not expected to be as busy at the time of setting the budgets.

Development contributions – There was no budget for development contributions as they are no longer charged; however the majority of the actual development contributions received are the result of development contributions being paid out on the sale of the Forbes Road subdivision. This subdivision was done when development contributions were being charged.

Gain on derivative financial instruments – Partially offsetting the loss of \$1.1m experienced last year. This turn-around is caused by long-term interest rates rising.

Other gains – This is a result of a combination of acquiring the assets of Te Horowhenua Trust, bringing the value of the carbon credits into the accounts and the revaluation of the forestry assets all of which were unbudgeted. Higher gains on sale from the Forbes Road section sales were the result of the up-turn of the property market in Horowhenua.

Expenditure

Employee benefit expenses – The salaries of library staff (\$1.2m) which were part of THT were not budgeted. This was offset by lower expenditure in grants of \$1.8m.

Depreciation and amortisation – The increase of \$2.6m was mainly the result of the infrastructure assets revaluations.

Finance Costs – This is less than budget due to interest rates staying lower for longer than expected.

Other losses – The unbudgeted loss on sale of assets is largely made up of a \$240k correction to 2014-15 sale of the Foxton Beach camp ground where a gain on sale of \$593k was recorded. The \$208k loss on revaluation of commercial land and buildings is where the improvement costs of \$201k on the cinema building did not reflect in the revaluation.

Increase in landfill provision – The higher than budget figure is the result of increased monitoring requirements agreed to during the review of the consent conditions by Horizons. Also the additional costs of dismantling the gas flare if the landfill closed on 30 June 2017.

Other expenses – A breakdown of the expenditure included under this heading is provided in Note 5 and explanations of the variations from the budgets are detailed in the relevant funding impact statements included in Section C.

Statement of Changes in Ratepayers' Equity

FOR THE YEAR ENDED 30 JUNE 2017

	Council Actual \$ 30 June 2017 \$000	Council Budget \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Balance at 1 July	417,742	418,973	418,568	418,343	419,245
Total comprehensive revenue and expense for the year	43,625	14,173	(826)	43,391	(902)
Balance at 30 June	461,367	433,146	417,742	461,734	418,343

The financial statements should be read in conjunction with the statement of accounting policies and the notes to the accounts.

Statement of Financial Position

AS AT 30 JUNE 2017

	Note	Council Actual \$ 30 June 2017 \$000	Council Budget \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Assets						
Current assets						
Cash and cash equivalents	7	5,074	6,064	7,400	5,100	7,430
Debtors and other receivables	8	6,790	5,381	5,960	6,314	6,044
Other financial assets	9	365	470	350	365	358
Non-current assets held for sale	10	7,508	475	285	7,508	285
Total current assets		19,737	12,390	13,995	19,287	14,117
Non-current assets						
Plant, property and equipment						
- Operational assets	11	52,008	48,572	43,397	52,008	44,594
- Infrastructural assets	11	427,869	419,894	394,713	427,869	394,713
- Restricted assets	11	44,979	43,786	38,664	44,979	38,664
Intangible assets	12	1,854	1,543	1,718	1,854	1,727
Forestry assets	13	1,500	973	952	1,500	952
Commercial property	14	5,879	3,831	5,926	5,879	5,926
Other financial assets:						
- Investments in CCO's and other similar entities	9	220	2,190	1,003	220	220
- Other	9	1,121	-	833	1,121	833
Total non-current assets		535,430	520,789	487,206	535,430	487,629
Total assets		555,167	533,179	501,201	555,198	501,746
Liabilities						
Current liabilities						
Payables and deferred revenue	16	10,579	9,704	11,779	10,243	11,650
Provisions	17	1,129	997	940	1,129	940
Employee benefit liabilities	18	1,155	1,003	920	1,155	993
Borrowings and other financial liabilities	19	14,000	2,000	16,000	14,000	16,000
Total current liabilities		26,863	13,704	29,639	26,527	29,583
Non-current liabilities						
Provisions	17	2,272	2,151	2,240	2,272	2,240
Employee benefit liabilities	18	166	178	161	166	161
Derivative financial instruments	34	1,038	-	1,668	1,038	1,668
Borrowings and other financial liabilities	19	63,000	84,000	49,000	63,000	49,000
Other	20	461	-	2,419	461	2,419
Total non-current liabilities		66,937	86,329	53,820	66,937	53,820
Total liabilities		93,800	100,033	83,459	93,464	83,403
Net assets		461,367	433,146	417,742	461,734	418,343
Equity						
Retained earnings	21	263,895	267,710	263,345	264,262	263,946
Revaluation reserves		189,053	158,438	147,449	189,053	147,449
Other reserves		8,419	6,998	6,948	8,419	6,948
Total equity		461,367	433,146	417,742	461,734	418,343

Explanations of major variances against budget are provided on page 20

The financial statements should be read in conjunction with the statement of accounting policies and the notes to the accounts.

Explanations of significant variances between the Council's actual results and the Council's budget for 2016-2017

Assets

Cash and cash equivalents – Cash and cash equivalents balances are difficult to anticipate over 18 months out but the balance of \$5m is enough to maintain Council's liquidity in the short-term.

Debtors and other receivables – This is largely made up of \$550k accrual for Te Awahou Nieuwe Stroom grant money allocated but not yet received and the NZTA claim larger than when the budget was set.

Other financial assets – Other financial assets are less than budget as the budget included community loans which have now been paid off.

Non-current assets for sale – This now includes the book value of residential housing and more Forbes Road subdivision properties.

Plant, property and equipment assets – These are more than budget as a result of the revaluation work completed.

Forestry assets – These are more than budget because of a change in how the forestry at the POT is valued because its harvest is expected shortly.

Commercial property – This is more than budget as the budget included a \$2m sale that did not happen this year.

Other financial assets – This is less than budget because the value of the investment of THT is no longer held.

Liabilities

Payables and deferred revenue – This is higher than budget due to a number of large capital projects in progress as at year-end.

Current borrowings – These are higher than budget due to Council taking the advantage of the lower rates on shorter term borrowing.

Total borrowings – The combination of current and non-current borrowing is lower than budget due to delays in a number of projects.

Derivative financial instruments – This is the result of interest rates dropping from the time the interest rate swap contracts were entered into. This is unbudgeted because at the time the contracts are entered into it is expected the value over the life of the contracts is zero.

Other non-current liabilities – These are development contributions not yet paid and the amortisation reserve for fixed rate LGFA bonds all of which are not budgeted for.

Equity

Retained earnings – This is less than budget partly due to a \$0.89m deficit made in comprehensive revenue and expense as opposed to a budgeted surplus of \$3.1m

Revaluation reserves – This is larger than budget due to a larger than expected increase in asset valuations for infrastructure asset.

Other reserves – This is larger than budget due to a larger number of Forbes Road subdivision sales than expected.

Statement of Cash Flows

AS AT 30 JUNE 2017

	Council Actual \$ 30 June 2017 \$000	Council Budget \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Note					
Cashflow from operating activities					
Cash was provided from:					
Revenue from rates	33,621	35,080	33,384	33,621	33,384
Other revenue	14,570	15,246	11,402	14,570	11,781
Interest received	21	154	178	35	184
Net GST movement	-	-	-	-	6
Total cash provided	48,212	50,480	44,964	48,226	45,355
Cash was disbursed to:					
Suppliers, services and employees	34,958	31,864	29,684	34,958	29,942
Interest paid	3,155	3,570	3,114	3,155	3,114
Net GST movement	(123)	-	(273)	(123)	(273)
Total cash disbursed	37,990	35,434	32,525	37,990	32,783
Net cashflow from operating activity	32	10,222	12,439	10,222	12,572
Cashflows from investing activities					
Cash was provided from:					
Proceeds from asset sales	2,024	2,640	1,233	2,024	1,233
Proceeds from investments	-	93	-	-	-
Total cash provided	2,024	2,733	1,233	2,024	1,233
Cash was disbursed to:					
Purchases of investments	288	144	46	288	46
Purchase of assets	26,284	36,800	19,082	26,284	19,268
Total cash disbursed	26,572	36,944	19,128	26,572	19,314
Net cashflow from investing activity	(24,548)	(34,211)	(17,895)	(24,548)	(18,081)
Cashflows from financing activities					
Cash was provided from:					
Loans raised	43,000	27,000	13,000	43,000	13,000
Total cash provided	43,000	27,000	13,000	43,000	13,000
Cash was disbursed to:					
Repayment of public debt	31,000	9,000	8,000	31,000	8,000
Total cash disbursed	31,000	9,000	8,000	31,000	8,000
Net cashflow from financing activity	12,000	18,000	5,000	12,000	5,000
Net increase (decrease) in cash held	(2,326)	(1,165)	(456)	(2,312)	(509)
Add opening cash brought forward	7,400	7,229	7,856	7,412	7,939
Closing cash balance	5,074	6,064	7,400	5,100	7,430
Closing balance made up of cash and cash equivalents	7	5,074	7,400	5,100	7,430

Explanations of major variances against budget are provided on page 16

The financial statements should be read in conjunction with the statement of accounting policies and the notes to the accounts.

Explanations of significant variances between the Council's actual results and the Council's budget for 2016-2017

Cashflows from operating activities

Revenue from rates – The budget is more because it shows rates gross of remissions where the actual is net of remissions.

Other revenues – This is less than budget due to Te Awahou grant funding arriving after balance date.

Payment to suppliers, services and employees – This was more than budgeted due to a combination of unbudgeted spending on professional services for growth strategy work and a reduction of accounts payable.

Interest paid – Interest paid was less than budgeted due to lower loan balances as a result of delayed capital projects.

Cashflows from investment activities

Proceeds from assets sales – This was less than budget due to sale of commercial property not happening but more sales of the Forbes Road subdivision properties than expected partially offset the budget short fall.

Purchase of assets – Lower expenditure on infrastructural projects as a result of delays.

Cashflows from financing activities

Net cashflow from financing activity – This is lower than budget due to lower borrowing as a result of lower expenditure on infrastructural projects largely due to consenting issues and other delays.

Funding Impact Statement for Whole of Council

FOR THE YEAR ENDED 30 JUNE 2017

	LTP Forecast 2016 \$000	Annual Report Actual 2016 \$000	Annual Plan Forecast 2017 \$000	Actual 2017 \$000	Variance 2017 \$000
Sources of operating funding					
General rates, uniform annual general charges, rates penalties	8,824	8,865	9,259	8,978	(281)
Targeted rates	24,476	24,354	25,631	25,520	(111)
Subsidies and grants for operating purposes	1,511	1,530	1,342	1,488	146
Fees and charges	4,880	5,290	5,234	6,321	1,087
Interest and dividends from investments	150	127	154	53	(101)
Local authorities fuel tax, fines, infringement fees, and other receipts	2,643	2,925	2,816	3,857	1,041
Total operating funding (A)	43,484	43,091	44,436	46,217	1,781
Applications of operating funding					
Payments to staff and suppliers	30,272	30,977	32,275	33,917	1,642
Finance costs	3,300	4,087	3,570	3,106	(464)
Other operating funding applications	-	-	-	-	-
Total applications of operating funding (B)	33,572	35,064	35,845	37,023	1,178
Surplus (deficit) of operating funding (A-B)	8,912	8,027	8,591	9,194	603
Sources of capital funding					
Subsidies and grants for capital expenditure	3,968	2,050	5,854	2,412	(3,442)
Development and financial contributions	-	381	-	488	488
Increase (decrease) in debt	16,153	5,000	18,000	12,000	(6,000)
Gross proceeds from sale of assets	640	1,421	2,640	2,023	(617)
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
Total sources of capital funding (C)	20,761	8,852	26,494	16,923	(9,571)
Applications of capital funding					
Capital expenditure					
- to meet additional demand	2,347	1,276	5,382	2,306	(3,076)
- to improve the level of service	16,270	10,283	18,128	13,290	(4,838)
- to replace existing assets	12,800	9,662	13,290	9,819	(3,471)
Increase (decrease) in reserves	-	(4,388)	(600)	1,485	2,085
Increase (decrease) of investments	(1,744)	46	(1,115)	(783)	322
Total applications of capital funding (D)	29,673	16,879	35,085	26,117	(8,968)
Surplus (deficit) of capital funding (C-D)	(8,912)	(8,027)	(8,591)	(9,194)	(603)
Funding balance ((A-B)+(C-D))	-	-	-	-	-
Depreciation	11,619	11,536	11,471	14,154	2,683
Loans					
		External			
		\$000			
Loans as at 1/07/2016		65,000			
Raised during year		14,840			
Repaid during year		(2,840)			
Loans as at 30/06/2017		77,000			
Interest expense		3,106			

The financial statements should be read in conjunction with the statement of accounting policies and the notes to the accounts.

Reconciliation between the Funding Impact Statement for the Whole of Council and the Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDED 30 JUNE 2017

	LTP Forecast 2016 \$000	Annual Report Actual 2016 \$000	Annual Plan Forecast 2017 \$000	Actual 2017 \$000	Variance 2017 \$000
Revenue					
<i>Statement of comprehensive revenue and expense</i>					
Total operating revenue	46,735	46,036	50,593	51,189	596
Summary funding impact statement					
<i>Sources of operating funding</i>					
Total operating funding	42,445	43,091	44,436	46,217	1,781
<i>Add sources of capital funding</i>					
Subsidies and grants for capital expenditure	3,968	2,050	5,854	2,412	(3,442)
Development and financial contributions	-	381	-	488	488
Gain on derivative financial instruments	-	-	-	630	630
Other gains	322	414	303	983	680
Vested assets	-	100	-	459	459
Total revenue	46,735	46,036	50,593	51,189	596
Expenditure					
<i>Statement of comprehensive revenue and expense</i>					
Total operating expenditure	45,139	46,862	47,411	52,131	4,720
Summary funding impact statement					
Total application of operating funding	33,533	33,963	35,845	37,023	1,178
Loss on derivative financial instruments	-	1,101	-	-	-
Other losses	-	147	-	733	733
Increase / (decrease) in landfill provision	(13)	115	95	221	126
Add depreciation and amortisation expense	11,619	11,536	11,471	14,154	2,683
Total expenditure	45,139	46,862	47,411	52,131	4,720

The financial statements should be read in conjunction with the statement of accounting policies and the notes to the accounts.

Reserve Funds

Reserves are held to ensure that funds received for a particular purpose are used for that purpose, and any surplus created is managed in accordance with the reason for which the reserve was established. Surpluses held in reserve are credited with interest. Council holds 17 reserves, with 5 being restricted reserves. Restricted reserves are reserves that have rules set by legal obligation that restrict the use that Council may put the funds towards. The remaining Council created reserves are discretionary reserves which the Council has established for the fair and transparent use of monies. Reserve balances are not separately held in cash, and the funds are managed as part of the Council's treasury management.

Below is a list of current reserves outlining the purpose for holding each reserve and the Council activity to which each reserve relates, together with summary financial information across the year of the annual report:

2016 RESERVE FUNDS	Opening Balance 1 July 2016 \$000s	Deposits for the period of the year \$000s	Withdrawals For the period of the year \$000s	Closing Balance 30 June 2017 \$000s
Restricted reserves – purpose of the fund				
Foxton Beach Freeholding Fund (Property) Accumulated cash reserves from the Foxton Beach Endowment land sales under the separate Act gifting the land for the benefit of Foxton Beach inhabitants.	3,420	2,209	864	4,765
Reserve Land Reserve (Parks and Recreation) To hold funds derived from the sale of surplus reserve land to be spent on the future development of reserves under the Reserves Act.	173	4	-	177
Road Upgrade Reserve (Roothing Activity) To fund transport network improvements as approved by the Council, from the accumulated funds of the former Horowhenua County Council subdivision contributions to roading.	731	19	-	750
Wairarawa Stream Walkway To hold funds for the construction of a walkway along the Wairarawa stream.	51	1	-	52
Total restricted reserves	4,375	2,233	864	5,744
Financial and Capital contributions for Roothing (Roothing Activity) To fund transport network improvements, from the accumulated funds from financial and capital contributions under the District Plan prior to Development Contributions regime.				
	80	2	-	82
Financial and Capital contributions for Water Supplies (Water Supply Activity) To fund water supply improvement projects, from the accumulated funds from financial and capital contributions under the District Plan prior to Development Contributions regime.				
	532	13	-	545
Financial and Capital contributions for Wastewater Schemes (Wastewater Activity) To fund Wastewater Scheme improvement projects, from the accumulated funds from financial and capital contributions under the District Plan prior to Development Contributions regime.				
	131	4	-	135
Financial and Capital contributions for Parks and Reserves (Parks and Recreation Activity) To fund Parks and Reserves improvement projects, from the accumulated funds from financial and capital contributions under the District Plan prior to Development Contributions regime.				
	614	15	-	629

2016 RESERVE FUNDS	Opening Balance 1 July 2016 \$000s	Deposits for the period of the year \$000s	Withdrawals For the period of the year \$000s	Closing Balance 30 June 2017 \$000s
Election Fund (Representation and Governance Activity) To smooth the rating impact of election costs and to fund any by-election.	58	64	50	72
Capital Projects Fund (All Activities) To provide funds for strategic capital projects with the last \$250,000 as a disaster relief working capital fund.	811	21		832
Foxton Citizens Fund (Community Support Activity) To provide a fund for awards in recognition of community service in Foxton.	4	-	-	4
Hockey Turf Replacement Fund (Parks and Recreation - Sports Grounds) To fund the replacement of the water turf at Donnelly Park on behalf of the Turf trust.	194	30	-	224
Esplanade Fund (Parks and Recreation) To provide a fund to construct or provide for possible public access ways to esplanade reserves created under the Resource Management Act.	124	3	-	127
Driscoll Reserves Fund (Parks and Reserves) Esplanade Fund (Parks and Recreation) To provide a fund to construct or provide for possible public access ways to esplanade reserves created under the Resource Management Act.	-	-	-	-
Shannon Railway Station Fund (Property Activity) Set aside from grants to preserve the historic Shannon Railway Station.	24	1	-	25
Total Council created reserves	2,572	153	50	2,675
Total all reserve funds	6,948	2,386	915	8,419

Reserve Funds

2016 RESERVE FUNDS	Opening Balance 1 July 2015 \$000s	Deposits for the period of the year \$000s	Withdrawals For the period of the year \$000s	Closing Balance 30 June 2016 \$000s
Restricted reserves – purpose of the fund				
Foxton Beach Freeholding Fund (Property) Accumulated cash reserves from the Foxton Beach Endowment land sales under the separate Act gifting the land for the benefit of Foxton Beach inhabitants.	2,752	1,230	562	3,420
Reserve Land Reserve (Parks and Recreation) To hold funds derived from the sale of surplus reserve land to be spent on the future development of reserves under the Reserves Act.	95	78	-	173
Road Upgrade Reserve (Roothing Activity) To fund transport network improvements as approved by the Council, from the accumulated funds of the former Horowhenua County Council subdivision contributions to roading.	711	20	-	731
Wairarawa Stream Walkway To hold funds for the construction of a walkway along the Wairarawa stream.	50	1	-	51
Total restricted reserves	3,607	1,330	562	4,375
Council created reserves – purpose of the fund				
Financial and Capital contributions for Roothing (Roothing Activity) To fund transport network improvements, from the accumulated funds from financial and capital contributions under the District Plan prior to Development Contributions regime.	187	5	112	80
Financial and Capital contributions for Water Supplies (Water Supply Activity) To fund water supply improvement projects, from the accumulated funds from financial and capital contributions under the District Plan prior to Development Contributions regime.	516	16	-	532
Financial and Capital contributions for Wastewater Schemes (Wastewater Activity) To fund Wastewater Scheme improvement projects, from the accumulated funds from financial and capital contributions under the District Plan prior to Development Contributions regime.	128	3	-	131
Financial and Capital contributions for Parks and Reserves (Parks and Recreation Activity) To fund Parks and Reserves improvement projects, from the accumulated funds from financial and capital contributions under the District Plan prior to Development Contributions regime.	596	18	-	614
Election Fund (Representation and Governance Activity) To smooth the rating impact of election costs and to fund any by-election.	17	41	-	58
Capital Projects Fund (All Activities) To provide funds for strategic capital projects with the last \$250,000 as a disaster relief working capital fund.	834	25	48	811
Foxton Citizens Fund (Community Support Activity) To provide a fund for awards in recognition of community service in Foxton.	4	-	-	4

2016 RESERVE FUNDS	Opening Balance 1 July 2015 \$000s	Deposits for the period of the year \$000s	Withdrawals For the period of the year \$000s	Closing Balance 30 June 2016 \$000s
Hockey Turf Replacement Fund (Parks and Recreation - Sports Grounds) To fund the replacement of the water turf at Donnelly Park on behalf of the Turf trust.	164	30	-	194
Esplanade Fund (Parks and Recreation) To provide a fund to construct or provide for possible public access ways to esplanade reserves created under the Resource Management Act.	121	3	-	124
Driscoll Reserves Fund (Parks and Reserves) Esplanade Fund (Parks and Recreation) To provide a fund to construct or provide for possible public access ways to esplanade reserves created under the Resource Management Act.	13	-	13	-
Shannon Railway Station Fund (Property Activity) Set aside from grants to preserve the historic Shannon Railway Station.	23	1	-	24
Total Council created reserves	2,602	142	173	2,572
Total all reserve funds	6,210	1,472	735	6,948

Council's Interest in Other Entities

The Local Government Act 2002, Schedule 10 (28) requires Council to provide information with regard to organisations under the control of the Council.

Te Horowhenua Trust

The Horowhenua District Council announced in May 2016 that Te Horowhenua Trust would be wound up by 1 July 2016. Effective 1 July 2016, all of Te Horowhenua Trust's assets and liabilities, including all employment and commercial agreements, were transfer to Horowhenua District Council in accordance with the Trust Deed.

Shannon Community Development Trust

Nature and scope of activities provided

The Shannon Community Development Trust has been set up for the benefit of residents of the Shannon Township. The purpose of the Trust is, but not limited to, educational activities, including scholarships for educational purposes, the alleviation of hardship, the provision of training and equipment for the protection of the community, and the provision of financial assistance for events recognising the involvement of community members.

Policies and objectives on ownership and control

The Trust was established on 2 August 2012. The Trust has five Trustees (excluding Advisory Trustees). The current councillor for Miranui Ward will automatically be one of the five.

The Trust is an exempt council controlled organisation, but has not been established for the purposes of making a profit and is not intended to be a Council Controlled Organisation under the Local Government Act 2002. The Trust is exempt from reporting its performance under the Local Government Act 2002, schedule 10 (7) as approved by Council on the 2 September 2015.

The Council receives the Trust's audited annual report. The annual accounts are included in the Group financials for 30 June 2017.

Manawatu-Wanganui Local Authority Shared Services Limited (MWLASS)

Nature and scope of activities provided

MW LASS Ltd was formed in October 2008 by seven local councils to provide an 'umbrella vehicle' for the councils of the Manawatu-Wanganui region to investigate, procure, develop and deliver shared services.

Policies and objectives on ownership and control

The company comprises of a Board of eight directors, seven CEOs of the shareholding Councils and one independent Director. The Board oversees the governance of MWLASS Ltd.

To date there has been one call on share capital and is now trading. Horowhenua District Council owns one seventh or 14% of this company and has a \$16,000 share capital.

The company is exempt from reporting its performance under the Local Government Act 2002, schedule 10 (7) to 30 June 2017.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2017

INDEX OF NOTES TO THE FINANCIAL STATEMENTS

1. RATES REVENUE
2. FINANCE REVENUE AND OTHER REVENUE
3. OTHER GAINS/(LOSSES)
4. EMPLOYEE BENEFIT EXPENSES
5. OTHER OPERATING EXPENSES
6. FINANCE COSTS
7. CASH AND CASH EQUIVALENTS
8. DEBTORS AND OTHER RECEIVABLES
9. OTHER FINANCIAL ASSETS
10. NON-CURRENT ASSETS HELD FOR SALE
11. PROPERTY, PLANT AND EQUIPMENT (PPE)
12. INTANGIBLE ASSETS
13. FORESTRY ASSETS
14. INVESTMENT PROPERTY
15. INVESTMENT IN SUBSIDIARIES
16. PAYABLES AND DEFERRED REVENUE
17. PROVISIONS
18. EMPLOYMENT BENEFIT LIABILITIES
19. BORROWINGS
20. OTHER NON-CURRENT LIABILITIES
21. EQUITY
22. CAPITAL COMMITMENTS AND OPERATING LEASES
23. CONTINGENCIES
24. RELATED PARTY TRANSACTIONS
25. REMUNERATION
26. SEVERANCE PAYMENTS
27. EVENTS AFTER BALANCE SHEET DATE
28. FINANCIAL INSTRUMENTS
29. RESTATED BUDGETS FOR THE YEAR ENDED 30 JUNE 2017
30. EXPLANATIONS OF MAJOR VARIANCES AGAINST BUDGET
31. FINANCE LEASES
32. RECONCILIATION OF SURPLUS WITH CASHFLOWS FROM OPERATING ACTIVITIES
33. CAPITAL MANAGEMENT
34. DERIVATIVE FINANCIAL INSTRUMENTS
35. DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY
36. INSURANCE OF ASSETS
37. REPLACEMENT COST OF INFRASTRUCTURAL ASSETS
38. TAX
39. ADJUSTMENTS TO THE COMPARATIVE YEAR FINANCIAL STATEMENTS

1. RATES REVENUE	Council and Group Actual \$ 30 June 2017 \$000	Council and Group Budget \$ 30 June 2017 \$000	Council and Group Actual \$ 30 June 2016 \$000
Gross rates			
General rates			
Uniform annual general charge			-
Differential general rates	8,662	8,644	8,244
Penalties	453	615	679
Total general-purpose rates	9,115	9,259	8,923
Targeted rates			
Solid waste rates	461	458	320
Roading rate	3,779	3,760	3,579
Library rate	3,447	3,433	3,189
Representation and governance rate	3,049	3,036	2,834
Swimming pool rate	2,071	2,062	2,167
Stormwater rate	987	982	923
Sewer rate	6,435	6,396	6,122
Total targeted rates excluding water rates	20,229	20,127	19,134
Water rates			
District wide	4,134	4,120	3,826
Foxton Beach	395	386	391
Metered water supply	1,048	1,188	1,195
Total targeted water rates	5,577	5,694	5,412
Total rates revenue (gross of remissions)	34,921	35,080	33,469
Net rates			
Total rates revenue (gross)	34,921	35,080	33,469
Rates remissions:			
Remissions under the Council remission policy	(284)	(190)	(192)
Penalty remissions	(139)	-	(58)
Total rate remissions	(423)	(190)	(250)
Total rates revenue net of remissions	34,498	34,890	33,219
Exchange transaction	-	-	-
Non exchange transaction	34,498		33,219
Total transactions	34,498		33,219

Total rates revenue include \$463,534 (2016 \$451,505) for rates paid by HDC on properties owned by Council

Rateable properties	30 June 2017	30 June 2016
Total properties	17,959	17,933
Total land value	\$3,316,552,250	\$3,054,619,100
Total capital value	\$6,618,165,250	\$5,925,058,750

Horowhenua District Council's rates remissions policies allow Horowhenua District Council to remit rates on community groups, voluntary protected land, penalties, excessive water charges, remnant land, rating units in industrial and commercial areas used for residential purposes, small rate balances, targeted rates on non-rateable land, properties affected by disasters, unsold subdivision lots, bare land, contiguous rating units not in common ownership and Māori land.

In accordance with the Local Government (Rating) Act 2002, certain properties cannot be rated for general rates. These include schools, places of religious worship, public gardens and reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of sewerage, water, refuse and sanitation. Non-rateable land does not constitute remission under Horowhenua District Council's Rates Remission Policy.

2. FINANCE REVENUE AND OTHER REVENUE	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
2a. Finance revenue				
Interest revenue for financial assets not at fair value through profit and loss				
Bank deposits	21	97	33	116
Borrower notes	32	30	32	30
Total finance revenue	53	127	65	146
Exchange transactions	53	127	65	146
Non exchange transactions	-	-	-	-
Total finance revenue transactions	53	127	65	146
2b. Subsidies and grants				
NZTA Government grants	2,873	3,162	2,873	3,162
Water Government grant	-	-	-	-
Private sector grants	72	-	72	-
Other Government grants	955	416	955	416
Total subsidies and grants	3,900	3,578	3,900	3,578
Exchange transactions	-	-	-	-
Non exchange transactions	3,900	3,578	3,900	3,578
Total subsidies and grants transactions	3,900	3,578	3,900	3,578
2c. Fees and charges				
User charges	5,700	4,686	5,700	5,098
Rental revenue from commercial properties	621	604	621	604
Total fees and charges	6,321	5,290	6,321	5,702
Exchange transactions	685	683	685	986
Non exchange transactions	5,636	4,607	5,636	4,716
Total fees and charges transactions	6,321	5,290	6,321	5,702
2d. Other revenue				
Infringements and fines	831	67	831	67
Rendering of services	691	746	691	746
Petrol tax	221	209	221	209
Dividend revenue	6	6	6	6
Insurance recoveries:				
- buildings	-	2	-	2
Regulatory revenue	2,104	1,894	2,104	1,894
Donations	4	3	4	3
Capital grants	-	-	-	-
Total other revenue	3,857	2,927	3,857	2,927
Exchange transactions	267	350	267	350
Non exchange transactions	3,589	2,577	3,589	2,577
Total other revenue transactions	3,857	2,927	3,857	2,927

2. FINANCE REVENUE AND OTHER REVENUE (cont.)	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
2e. Vested assets	459	100	459	100
2f. Development contributions	488	381	488	381
Total vested assets and development contributions	947	481	947	481
Exchange transactions	-	-	-	-
Non exchange transactions	947	481	947	481
Total vested assets and development contributions transactions	947	481	947	481

There are no unfulfilled conditions and other contingencies attached to government grants recognised other than that relating to the government grant for housing discussed in Note 23.

3. OTHER GAINS/(LOSSES)		Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Non-financial instruments					
Gain/(loss) on changes in fair value of forestry assets	13	109	42	109	42
Gain/(loss) on changes in fair value of carbon credits		240	-	240	-
Gain/(loss) on disposal of property, plant and equipment		411	156	411	156
Gain/(loss) on disposal of property, plant and equipment		(476)	(147)	(476)	(147)
Gain/(loss) on acquisition of CCO		223	-	-	-
Gain/(loss) on changes in fair value of investment property	14	(257)	216	(257)	216
Total non-financial instruments		250	267	27	267
Financial instruments					
Gain/(loss) on revaluation of financial liabilities		-	-	-	-
Gain/(loss) on revaluation of financial assets		-	-	-	-
Total financial instruments		-	-	-	-
Total gains/(losses)		250	267	27	267

4. EMPLOYEE BENEFIT EXPENSES		Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Salaries and wages		11,479	8,977	11,479	10,666
Increase/(decrease) in employee entitlements		125	43	125	(16)
Other employee benefit expenses		343	326	343	338
Employer contributions to superannuation schemes		287	186	287	228
Total employee benefit expenses		12,234	9,532	12,234	11,216

5. OTHER OPERATING EXPENSES	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Note				
Fees to principal auditor				
Audit fees for financial statement audit	149	141	149	158
Audit fees for other services*	4	25	4	25
Total fees to principal auditor	153	166	153	183
Donations	-	-	-	-
Debtors written off	2,298	-	2,298	-
Impairment of receivables	(1,625)	421	(1,625)	421
Impairment of property, plant and equipment	-	-	-	-
Minimum lease payments under operating leases	316	367	316	367
Professional services	4,033	3,066	4,033	3,086
Asset maintenance contract expenditure	10,643	11,194	10,643	11,194
General grants	403	2,354	403	504
Expenditure on utilities	975	862	975	862
Other	4,487	3,015	4,510	3,470
Total other operating expenses	21,683	21,445	21,706	20,087

* The audit fees paid to Audit NZ for other services in the year ended 30 June 2017 was for the audit of the Debenture Trustee disclosure. (2016 was for the audit of the LTP amendment consultation document and amended LTP).

6 FINANCE COSTS	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Note				
Interest on borrowings	3,030	2,783	3,030	2,783
Interest rate swaps (presented net)	76	203	76	203
Total finance costs	3,106	2,986	3,106	2,986

7. CASH AND CASH EQUIVALENTS	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Note				
Cash at bank and in hand	5,074	7,400	5,100	7,430
Term deposits with maturities less than three months at acquisition	-	-	-	-
Total cash and cash equivalents	5,074	7,400	5,100	7,430
Cash and cash equivalents for the purpose of the statement of cash flows				
Cash at bank and in hand	5,074	7,400	5,100	7,430
Term deposits with maturities less than three months at acquisition	-	-	-	-
Bank overdrafts	-	-	-	-
Total cash and cash equivalents for the purpose of the statement of cash flows	5,074	7,400	5,100	7,430

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

There are no financial assets recognised in a non-exchange transaction that are subject to restrictions.

8. DEBTORS AND OTHER RECEIVABLES	Council Actual \$ 30 June 2017 Note	Council Actual \$ 30 June 2016	Group Actual \$ 30 June 2017	Group Actual \$ 30 June 2016
	\$000	\$000	\$000	\$000
Gross debtors and other receivables				
Rates receivables	3,670	2,662	3,670	2,662
Related party receivables	23	-	-	-
Prepayments	735	245	735	245
GST receivable	618	937	618	-
Other receivables	2,952	4,914	2,957	5,947
Total gross debtors and other receivables	7,975	8,770	7,980	8,854
Less provision for impairment of receivables	(1,185)	(2,810)	(1,185)	(2,810)
Net debtors and other receivables	6,790	5,960	6,795	6,044
Less non-current portion:				-
Total current portion debtors and other receivables	6,790	5,960	6,795	6,044
Receivables from non-exchange transactions – this includes outstanding amounts for rates, grants, infringements, and fees and charges for activities that are partly subsidised by rates.	6,689	5,890	6,694	5,906
Receivables from exchange transactions – this includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates.	101	70	101	138
Total debtors and other receivables transactions	6,790	5,960	6,795	6,044

Fair value

The carrying value of debtors and other receivables approximates their fair value.

Impairment

There is no concentration of credit risk with respect to receivables outside the Group, as the Group has a large number of customers.

Horowhenua District Council does not provide for any impairment on rates receivable other than those likely to qualify under Horowhenua District Council's Rates Remissions Policy 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 circumstances. Where such payment plans are in place debts are discounted to the present value of future repayments.

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

No receivables that would otherwise be past due or impaired and whose terms have been renegotiated.

As of 30 June 2017 and 2016 all overdue receivables, except for rates receivables, have been assessed for impairment and appropriate provisions applied. Horowhenua District Council holds no collateral as security or other enhancements over receivables that are either past due or impaired.

The status of receivables as at 30 June 2017 and 2016 are detailed below:

	2017			2016		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Council						
Not past due	4,458	-	3,977	4,130	-	4,130
Past due < 1 year	1,998	944	1,054	1,804	1,383	421
Past due > 1 year	1,519	241	1,278	2,836	1,427	1,409
Total	7,975	1,185	6,309	8,770	2,810	5,960
Group						
Not past due	4,463	-	3,982	4,209	-	4,209
Past due < 1 year	1,998	944	1,054	1,809	1,383	426
Past due > 1 year	1,519	241	1,278	2,836	1,427	1,409
Total	7,980	1,185	6,314	8,854	2,810	6,044

The impairment provision has been calculated based on expected losses for Horowhenua District Council's pool of debtors. Expected losses have been determined based on an analysis of Horowhenua District Council's losses in previous periods, and review of specific debtors as detailed below:

IMPAIRMENT PROVISION	Council	Council	Group	Group
	Actual \$	Actual \$	Actual \$	Actual \$
	30 June 2017 \$000	30 June 2016 \$000	30 June 2017 \$000	30 June 2016 \$000
Individual impairment	1,185	1,016	1,185	1,016
Collective impairment	-	1,794	2,298	1,794
Total provision for impairment	1,185	2,810	3,483	2,810

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 is as follows:

Individual impairment				
Past due < 1 year	266	27	266	27
Past due > 1 year	919	989	919	989
Total individual impairment	1,185	1,016	1,185	1,016

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

At 1 July	2,810	2,389	2,810	2,389
Additional provisions made during the year	169	27	169	27
Debtors written off during period	(2,298)	-	(2,298)	-
Increase in infringement provision	504	394	504	394
At 30 June	1,185	2,810	1,185	2,810

9. OTHER FINANCIAL ASSETS	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Current portion				
Inventories	15	-	15	8
Loans and receivables:				
Short-term deposits with maturities of 4-12 months	350	350	350	350
Total loans and receivables	350	350	350	350
Total current portion	365	350	365	358
Non-current portion				
Investment in CCO's and similar entities:				
Investment in Te Horowhenua Trust	-	783	-	-
Unlisted shares in NZLGIC Limited	104	104	104	104
Unlisted shares in MWLASS	16	16	16	16
Unlisted shares in LGFA	100	100	100	100
Total investment in CCO's and similar entities	220	1,003	220	220
Other:				
LGFA borrowers notes	1,121	833	1,121	833
Deposits with maturities of over 12 months	-	-	-	-
Investments carried at cost:	-	-	-	-
Total non-current portion	1,341	1,836	1,341	1,053
Total other financial assets	1,706	2,186	1,706	1,411

Fair value

All unlisted shares have been valued at cost and not fair value. The carrying amount of term deposits and LGFA borrower notes approximates their fair value.

Maturity analysis and effective interest rates:	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Short-term deposits with maturities 3 months or less	-	-	-	-
Average maturity	-	-	-	-
Weighted average effective interest rate	-	-	-	-
Short-term deposits with maturities of 4-12 months	350	350	350	350
Average maturity	242 Days	180 days	242 Days	180 days
Weighted average effective interest rate	3.63%	4.45%	3.63%	4.45%

Impairment

There were no impairment provisions for other financial assets. None of the financial assets are past due date or impaired.

10. NON-CURRENT ASSETS HELD FOR SALE	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Forbes Road sub-division	396	285	396	285
Residential housing	7,112	-	7,112	-
Total assets held for sale	7,508	285	7,508	285

Forbes Road sections

The Forbes Road lands form part of the endowment lands endowed to Council in the late 1800's, the revenue from which fund the Foxton Beach Freeholding Fund. The whole intent of the subdivision section sales is to generate revenue for the fund. Section sales will continue as they arise. It is expected that eight of the 10 sections remaining in the Forbes Road subdivision will be sold in the next 12 months.

11. PROPERTY, PLANT AND EQUIPMENT (PPE) 2017

2017	Cost / revaluation 1-Jul-16	Accumulated depreciation and impairment charges 1-Jul-16	Carrying amount 1-Jul-16	Additions 2016/17	Vested assets 2016/17	Disposals at cost 2016/17	Depreciation on disposals 2016/17	Depreciation 2016/17	Reversal of accumulated depreciation 2016/17	Revaluation 2016/17	Transfers 2016/17	Cost / revaluation 30-Jun-17	Accumulated depreciation and impairment charges 30-Jun-17	Carrying amount 30-Jun-17
Council operational assets														
Land	14,430	-	14,430	-	-	(80)	-	-	-	3,243	(1,910)	15,683	-	15,683
Buildings	28,134	(947)	27,187	6,189	-	(310)	1	(479)	1,426	6,139	(5,201)	33,526	-	33,526
Library books and other lending stock	-	-	-	982	-	(50)	-	(113)	113	-	-	819	-	819
Plant and equipment	3,643	(1,863)	1,780	736	-	(101)	57	(490)	-	-	(2)	4,333	(2,353)	1,980
Total operational assets	46,207	(2,810)	43,397	7,907	-	(541)	58	(1,082)	1,539	9,382	(7,113)	54,361	(2,353)	52,008
Council infrastructural assets														
Wastewater treatment	32,218	(1,471)	30,747	3,326	-	-	-	(1,001)	1,522	742	54	34,818	(950)	33,868
Wastewater other	57,095	(3,251)	53,844	1,121	234	-	-	(1,896)	3,251	7,067	(54)	62,212	(1,896)	60,316
Water supply treatment	20,540	(1,216)	19,324	3,987	-	-	-	(766)	1,262	609	-	23,874	(720)	23,154
Water supply other	44,907	(2,728)	42,179	926	129	-	-	(1,620)	2,727	4,541	-	47,776	(1,621)	46,155
Stormwater drainage	32,264	(988)	31,276	2,080	96	-	-	(571)	945	5,007	-	38,502	(614)	37,888
Solid waste	5,472	(456)	5,016	328	-	-	-	(257)	708	(73)	-	5,019	(5)	5,014
Roads	155,595	(7,617)	147,978	2,853	-	-	-	(4,959)	7,612	12,354	(230)	162,960	(4,974)	157,986
Footpaths	41,863	(1,799)	40,064	996	-	-	-	(935)	1,799	(1,152)	230	40,138	(935)	39,203
Land under roads	24,285	-	24,285	-	-	-	-	-	-	-	-	24,285	-	24,285
Total infrastructural assets	414,239	(19,526)	394,713	15,617	459	-	-	(12,015)	19,826	29,095	-	439,584	(11,715)	427,869
Council restricted assets														
Cemeteries	1,015	(110)	905	130	-	-	-	(10)	120	121	-	1,146	-	1,146
Parks and reserves	32,757	(1,311)	31,446	2,528	-	-	-	(730)	2,038	4,482	-	37,729	(3)	37,726
Endowment properties	6,341	(28)	6,313	38	-	(1,606)	-	(15)	43	1,488	(111)	6,107	-	6,107
Total restricted assets	40,113	(1,449)	38,664	2,696	-	(1,606)	-	(755)	2,201	6,641	(111)	45,532	(3)	45,529
Total council PPE	500,559	(23,785)	476,774	26,220	459	(2,147)	58	(13,852)	23,566	44,568	(7,224)	538,927	(14,071)	524,856
Subsidiary plant, property and equipment														
Kete equipment	5	(5)	-	-	-	(5)	5	-	-	-	-	-	-	-
Furniture and fittings	624	(221)	403	-	-	(624)	221	-	-	-	-	-	-	-
IT equipment	38	(31)	7	-	-	(38)	31	-	-	-	-	-	-	-
Motor vehicle	16	(8)	8	-	-	(16)	8	-	-	-	-	-	-	-
Books	1,335	(590)	745	-	-	(1,335)	590	-	-	-	-	-	-	-
Other lending stock	137	(103)	34	-	-	(137)	103	-	-	-	-	-	-	-
Total subsidiary PPE	2,155	(958)	1,197	-	-	(2,155)	958	-	-	-	-	-	-	-
Total group PPE	502,714	(24,743)	477,971	26,212	459	(4,302)	1,016	(13,852)	23,566	44,568	(7,224)	538,927	(14,071)	524,856

Work in progress

Work in progress at 30 June 2017 was \$7,942,326 in buildings (2016: \$1,967,863), \$3,702,103 in wastewater (2016: \$3,589,880), \$636,576 in water (2016: \$1,145,081), \$103,082 in parks (2016: \$476,715), \$98,804 in plant and equipment (2016: \$272,878), \$95,561 in solid waste (2016: \$190,874) and \$4,238,024 in stormwater (2016: \$555,395). They are included in the above assets.

Restrictions on title

There are no pledges or restrictions on titles for any properties, plant or equipment as per the accounting policies for restricted assets. No items of any properties, plant or equipment were impaired, lost or given up.

11. PROPERTY, PLANT AND EQUIPMENT (PPE) 2016

2016	Accumulated depreciation and		Carrying amount	Additions	Vested assets	Disposals at cost	Depreciation on disposals	Depreciation	Reversal of accumulated depreciation		Transfers	Accumulated depreciation and		Carrying amount
	Cost / revaluation	impairment charges							Revaluation	Revaluation		Cost / revaluation	impairment charges	
	1-Jul-15	1-Jul-15	1-Jul-15	2015/16	2015/16	2015/16	2015/16	2015/16	2016/17	2015/16	2015/16	30-Jun-16	30-Jun-16	30-Jun-16
Council operational assets														
Land	14,436	-	14,436	280	-	(291)	-	-	-	-	5	14,430	-	14,430
Buildings	26,973	(473)	26,500	1,166	-	(5)	-	(474)	-	-	-	28,134	(947)	27,187
Plant and equipment	3,287	(1,731)	1,556	602	-	(246)	131	(263)	-	-	-	3,643	(1,863)	1,780
Total operational assets	44,696	(2,204)	42,492	2,048	-	(542)	131	(737)	-	-	5	46,207	(2,810)	43,397
Council infrastructural assets														
Wastewater treatment	26,490	(851)	25,639	5,531	-	-	-	(620)	-	-	197	32,218	(1,471)	30,747
Wastewater other	55,103	(1,608)	53,495	2,146	43	-	-	(1,643)	-	-	(197)	57,095	(3,251)	53,844
Water supply treatment	16,869	(592)	16,277	3,671	-	-	-	(624)	-	-	-	20,540	(1,216)	19,324
Water supply other	43,424	(1,349)	42,075	1,426	57	-	-	(1,379)	-	-	-	44,907	(2,728)	42,179
Stormwater drainage	31,629	(488)	31,141	635	-	-	-	(500)	-	-	-	32,264	(988)	31,276
Solid waste	5,047	(218)	4,829	425	-	-	-	(238)	-	-	-	5,472	(456)	5,016
Roads	151,876	(3,751)	148,125	3,719	-	-	-	(3,866)	-	-	-	155,595	(7,617)	147,978
Footpaths	41,481	(882)	40,599	382	-	-	-	(917)	-	-	-	41,863	(1,799)	40,064
Land under roads	24,285	-	24,285	-	-	-	-	-	-	-	-	24,285	-	24,285
Total infrastructural assets	396,204	(9,739)	386,465	17,935	100	-	-	(9,787)	-	-	-	414,239	(19,526)	394,713
Council restricted assets														
Cemeteries	1,014	(55)	959	1	-	-	-	(55)	-	-	-	1,015	(110)	905
Parks and reserves	31,880	(622)	31,258	928	-	(51)	-	(689)	-	-	-	32,757	(1,311)	31,446
Endowment properties	7,090	(14)	7,076	14	-	(763)	-	(14)	-	-	-	6,341	(28)	6,313
Total restricted assets	39,984	(691)	39,293	943	-	(814)	-	(758)	-	-	-	40,113	(1,449)	38,664
Total council PPE	480,884	(12,634)	468,250	20,926	100	(1,356)	131	(11,282)	-	-	5	500,559	(23,785)	476,774
Subsidiary plant, property and equipment														
Kete equipment	5	(5)	-	-	-	-	-	-	-	-	-	5	(5)	-
Furniture and fittings	617	(163)	454	7	-	-	-	(58)	-	-	-	624	(221)	403
IT equipment	36	(25)	11	2	-	-	-	(6)	-	-	-	38	(31)	7
Motor vehicle	16	(4)	12	-	-	-	-	(4)	-	-	-	16	(8)	8
Books	1,311	(573)	738	163	-	(139)	66	(83)	-	-	-	1,335	(590)	745
Other lending stock	132	(92)	40	22	-	(17)	15	(26)	-	-	-	137	(103)	34
Total subsidiary PPE	2,117	(862)	1,255	194	-	(156)	81	(177)	-	-	-	2,155	(958)	1,197
Total group PPE	483,001	(13,496)	469,505	21,120	100	(1,512)	212	(11,459)	-	-	5	502,714	(24,743)	477,971

Work in progress

Work in progress at 30 June 2016 was \$1,967,863 in buildings (2015: \$1,885,568), \$3,589,880 in wastewater (2015: \$4,828,789), \$1,145,081 in water (2015: \$1,207,669), \$476,715 in parks (2015: \$76,845), \$272,878 in plant and equipment (2015: \$0), \$190,874 in solid waste (2015: \$216,080) and \$555,395 in stormwater (2015: \$134,873). They are included in the above assets.

12. INTANGIBLE ASSETS													
2017	Cost / revaluation 1-Jul-16	Accumulated amortisation and impairment charges 1-Jul-16	Carrying amount 1-Jul-16	Additions 2016/17	Vested Assets 2016/17	Disposals at Cost 2016/17	Amortisation on Disposals 2016/17	Amortisation 2016/17	Revaluation 2016/17	Transfers 2016/17	Cost / revaluation 30-Jun-17	Accumulated amortisation and impairment charges 30-Jun-17	Carrying amount 30-Jun-17
Council intangible assets													
Easements	235	-	235	-	-	0	-	-	-	-	235	-	235
Carbon credits	-	-	-	240	-	-	-	-	-	-	240	-	240
Computer software	3,740	(2,257)	1,483	200	-	-	-	(303)	-	-	3,940	(2,560)	1,380
Total council intangible assets	3,975	(2,257)	1,718	440	-	0	-	(303)	-	-	4,416	(2,560)	1,856
Subsidiary intangible assets													
Computer software	365	(356)	9	-	-	-	-	-	-	-	-	-	-
Total subsidiary intangible assets	365	(356)	9	-	-	(365)	356	-	-	-	-	-	-
Total group intangible assets	4,340	(2,613)	1,727	440	-	(365)	356	(303)	-	-	4,416	(2,560)	1,856

12. INTANGIBLE ASSETS													
2016	Cost / revaluation 1-Jul-15	Accumulated amortisation and impairment charges 1-Jul-15	Carrying amount 1-Jul-15	Additions 2015/16	Vested Assets 2015/16	Disposals at Cost 2015/16	Amortisation on Disposals 2015/16	Amortisation 2015/16	Revaluation 2015/16	Transfers 2015/16	Cost / revaluation 30-Jun-16	Accumulated amortisation and impairment charges 30-Jun-16	Carrying amount 30-Jun-16
Council intangible assets													
Easements	235	-	235	-	-	-	-	-	-	-	235	-	235
Computer software	3,448	(2,003)	1,445	292	-	-	-	(254)	-	-	3,740	(2,257)	1,483
Total council intangible assets	3,683	(2,003)	1,680	292	-	-	-	(254)	-	-	3,975	(2,257)	1,718
Subsidiary intangible assets													
Computer software	365	(352)	13	-	-	-	-	(4)	-	-	365	(356)	9
Total subsidiary intangible assets	365	(352)	13	-	-	-	-	(4)	-	-	365	(356)	9
Total group intangible assets	4,048	(2,355)	1,693	292	-	-	-	(258)	-	-	4,340	(2,613)	1,727

Impairment of easements

Easements are not cash generating in nature, instead they give Horowhenua District Council the right to access private property where infrastructural assets are located. As such impairment of easements is determined by considering the future service potential of the easement and its assessed replacement.

Life of easements

Easements have been assessed as having an indefinite useful life because they provide Horowhenua District Council with access to infrastructural assets for an indefinite time period.

13. FORESTRY ASSETS	Note	Council and Group Actual \$ 30 June 2017 \$000	Council and Group Actual \$ 30 June 2016 \$000
Balance at 1 July		952	911
Gains/(losses) arising from changes in fair value less estimated point of sale costs attributable to price changes	3	240	41
Purchase of trees at the POT		308	-
Total forestry assets		1,500	952

Council owns 110.3 hectares of pinus radiata forest and other harvestable trees, which are at varying stages of maturity ranging from 4 to 30 years. This consists of the Ferry Reserve 13.6 ha, Purcell St transfer station 3.9 ha, Hokio Landfill 38.2 ha, The POT Forest 30.1 ha (commercially viability 25.1 ha) and Target Reserve 24.5 ha.

Independent registered valuers, Forme Consulting Ltd, have valued the forestry assets as at 30 June 2017. Valuation assumptions adopted in determining the fair value of the forestry assets include:

- * a pre-tax discount rate of 8% (2016: 9%) has been used in discounting the present value of expected cash returns;
- * the value of the land and the cost of owning the land are not allowed for in the valuation;
- * the estimated net stocked forest area is based on aerial mapping records;
- * trend log prices are based on an average of the last six quarters; and
- * costs are current average costs.

Financial risk management strategies

Horowhenua District Council is exposed to financial risks arising from changes in timber prices. Horowhenua District Council is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future, therefore, has not taken any measures to manage the risks of a decline in timber prices. Horowhenua District Council reviews its outlook for timber prices regularly in considering the need for active financial risk management.

There are no restrictions on titles and liabilities for forestry.

14. INVESTMENT PROPERTY	Note	Council and Group Actual \$ 30 June 2017 \$000	Council and Group Actual \$ 30 June 2016 \$000
Balance at 1 July		5,926	5,706
Additions from acquisitions		-	-
Additions from subsequent expenditure		211	4
Transfer from/(to) operational assets		-	-
Disposals		-	-
Fair value gains/(losses) on valuation	3	(257)	216
Total investment property		5,879	5,926

Horowhenua District Council's investment properties are valued annually at fair value effective 30 June 2017. All investment properties were valued based on open market evidence. The valuation was performed by Bruce Lavender ANZIV, an independent valuer from Blackmore Associates, experienced valuers with extensive market knowledge in the types of investment properties owned by Horowhenua District Council.

The market value at 30 June 2017 was \$5,928,000 which has taken into account all the improvements made to that time. Assumptions vary depending on the item being valued. Land is based on current sales; leasehold land is based on recent market sales evidence and commercial properties are determined by rental achieved or achievable with appropriate capitalisation return indicating property worth. The anticipated rental assumptions range from \$40 to \$150 per square meter for office space (2016: \$90 to \$150), \$80 to \$180 per square meter for retail space (2016: \$120 to \$160) and \$20 to \$70 per square meter for industrial space (2016: \$25 to \$60). Capitalisation returns range from 7% to 12% (2016: 7.5% to 12%).

There are no restrictions on titles and liabilities for investment property.

Rental revenue	554	514
Direct operating expenses from investment property generating revenue	177	132
Direct operating expenses from investment property not generating revenue	-	-
Contractual obligations for capital expenditure	-	-
Contractual obligations for operating expenditure	-	-

15. INVESTMENTS IN SUBSIDIARIES	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000
Te Horowhenua Trust (100% owned)	-	783
Total investment in subsidiaries	-	783

16. PAYABLES AND DEFERRED REVENUE	Note	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Trade payables		6,981	7,526	6,995	7,752
Amounts due to related parties	23	-	5	-	-
Deposits and bonds		876	757	876	757
Accrued expenses		1,264	1,696	1,264	1,696
Rates and other revenue in advance		828	871	828	871
Rates instalment		-	-	-	-
Other		280	574	280	574
Term deposit held for Shannon Community Trust		350	350	-	-
Total payables and deferred revenue		10,579	11,779	10,243	11,650
Exchange transactions		8,964	10,219	8,628	10,090
Non exchange transactions		1,615	1,560	1,615	1,560
Total payables and deferred revenue transactions		10,579	11,779	10,243	11,650

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

17. PROVISIONS	Council and Group Actual \$ 30 June 2017 \$000	Council and Group Actual \$ 30 June 2016 \$000
Current provisions are represented by:		
Landfill aftercare	1,129	940
Total current provisions	1,129	940
Non-current provisions are represented by:		
Landfill aftercare	2,272	2,240
Total non-current provisions	2,272	2,240
Total provisions	3,401	3,180
Landfill aftercare		
Opening balance	3,180	3,065
Additional provisions made during the year	221	115
Unwinding of discount	-	-
Amounts used during the year	-	-
Closing landfill aftercare balance	3,401	3,180

Provision for financial guarantee

Horowhenua District Council is listed as sole guarantor to a community organisation's bank loan. Under this guarantee Horowhenua District Council is obligated to make loan payments in the event the organisation defaults on a loan arrangement. The exercising of guarantees will be dependent upon the financial stability of the community organisation, which will vary over time; it is not considered to be necessary to make any provision as at 30 June 2017 (30 June 2016: \$Nil). Refer to Note 23.

Provision for landfill aftercare costs

Horowhenua District Council gained resource consent in 2002 to operate a landfill near Levin. Horowhenua District Council has responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed.

Cash outflows for landfill post-closure costs are already being incurred for closed cells, and will increase as each current and future cell is closed. 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 using a discount rate of 7% (2016: 7%). The inflation factor has not been separately disclosed as it is part of the discount rate.

The management of the landfill will influence the timing of recognition of some liabilities – for example a liability relating to each cell will only be created when that cell is commissioned and when refuse begins to accumulate in the cell.

The provision was estimated by P Landmark of Montgomery Watson as at 30 June 2017 (2016: P. Landmark of Montgomery Watson).

Assumptions have been made that additional remediation, including clay capping, is required and that environmental monitoring will be increased. It is also unlikely that leachate will be irrigated to land in the future and so the costs associated with that operation have been ignored. It has also been assumed that pumping operations will need to continue for a period of at least 30 years after the closure of the landfill and that post closure costs have been assumed from information presented in the MFE Closed Landfills Guideline.

The remaining capacity of the consented landfill is approximately 573,000 cubic metres (2016: 532,000) (comprising: refuse, clean fill and cover).

The estimated remaining life is approximately 19 years (2016: 15 years).

In June 2017 Council received an abatement notice to cease the discharge of objectionable odour beyond the property boundary of the Levin Landfill. The notice was appealed but was not upheld. At this stage costs to mitigate the discharge of objectionable odour is unknown.

18. EMPLOYMENT BENEFIT LIABILITIES	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Accrued pay	474	360	474	360
Annual leave	680	560	680	633
Long service leave	110	110	110	110
Retirement gratuities	56	51	56	51
Sick leave	-	-	-	-
Total employee benefit liabilities	1,321	1,081	1,321	1,154
Comprising:				
Current	1,155	920	1,155	993
Non-current	166	161	166	161
Total employee benefit liabilities	1,321	1,081	1,321	1,154

Long service leave assumptions

Long service leave is calculated based on the probability of individual staff members reaching the long service leave milestones.

19. BORROWINGS	Council	Council	Group	Group
	Actual \$ 30 June 2017 \$000	Actual \$ 30 June 2016 \$000	Actual \$ 30 June 2017 \$000	Actual \$ 30 June 2016 \$000
Current				
Bank overdraft	-	-	-	-
Secured loans	14,000	16,000	14,000	16,000
Total current borrowings	14,000	16,000	14,000	16,000
Non-current				
Secured loans	63,000	49,000	63,000	49,000
Total non-current borrowings	63,000	49,000	63,000	49,000
Total borrowings	77,000	65,000	77,000	65,000

Horowhenua District Council manages its borrowings in accordance with its funding and financial policies, including a liability management policy, which has been adopted as part of Horowhenua District Council's LTP.

Fixed rate debt

Horowhenua District Council's secured debt of \$58,000,000 (2016: \$39,000,000) is issued at rates of interest fixed at time of issue.

Floating rate debt

Horowhenua District Council has \$19,000,000 on current floating rate (2016: \$26,000,000). The interest rate is reset quarterly based on the 90 day bill rate plus a margin for credit risk.

Overdraft

Horowhenua District Council no longer has a bank overdraft facility (2016: Nil).

Committed cash advance facility

Horowhenua District Council has a CCAF (Committed Cash Advance Facility) of \$10 Million that has not been included in the financial statements.

Credit card

Horowhenua District Council has a \$20,000 (2016: \$15,000) MasterCard facility that has not been included in the financial statements.

Security

All HDC's secured loans are secured under the terms of the Debenture Trust Deed between HDC and Foundation Corporate Trust as Trustee. Security is by a charge over the Council's ability to levy rates in favour of the Trustee. Pursuant to the Debenture Trust Deed, HDC has issued to its bankers security certificates totalling \$88m to secure the various bank loan facilities and guarantees issued on behalf of HDC and other general banking facilities. An additional \$7,946m of security certificates have been issued as part of the LGFA agreement to jointly secure debt issues with other shareholding Councils.

The following is a maturity analysis of Horowhenua District Council's borrowings. There are no early repayment options.

Council and Group	Secured	Secured	Bank	Bank
	Loans	Loans	Overdraft	Overdraft
	Actual \$ 30 June 2017 \$000	Actual \$ 30 June 2016 \$000	Actual \$ 30 June 2017 \$000	Actual \$ 30 June 2016 \$000
Less than one year	14,000	16,000	-	-
Effective weighted average interest rate	2.18%	3.88%	-	-
Later than one year but not more than five years	36,000	35,000	-	-
Effective weighted average interest rate	4.53%	4.72%	-	-
Later than five years	27,000	14,000	-	-
Effective weighted average interest rate	4.62%	5.16%	-	-
Total borrowing	77,000	65,000	-	-

Fair value of non-current borrowings

The carrying amounts and the fair values of non-current borrowings are as follows:

Council and Group	Carrying amounts		Fair values	
	Actual \$ 30 June 2017 \$000	Actual \$ 30 June 2016 \$000	Actual \$ 30 June 2017 \$000	Actual \$ 30 June 2016 \$000
Secured Loans	63,000	49,000	63,000	49,000
Total non-current borrowing	63,000	49,000	63,000	49,000

The carrying amounts of borrowings repayable within one year approximate their fair value. The fair values are based on cash flow using a rate based on the weighted average borrowing rates ranging from 2.075% to 5.985% (2016: 2.405% to 6.275%).

Internal borrowings

Information about internal borrowing per activity is provided on the activity funding impact statements on pages 92-187.

LGFA COVENANT COMPLIANCE	Council limits	LGFA lending policy	Actual 30 June 2017	Actual 30 June 2016
Net debt to total operating revenue	< 175%	< 250%	148%	127%
Net interest to total operating revenue	< 20%	< 20%	6%	6%
Net interest to annual rates revenue	< 25%	< 25%	9%	9%
Available financial accommodation to external indebtedness	> 110%	> 110%	114%	117%

The net debt to total operating revenue Council limit and LGFA lending policy limit are different because the 175% limit is for Councils without a credit rating and the 250% limit are for Councils that do. At the time the policy was written and consulted on as part of the 2015-25 LTP Council didn't have a credit rating.

20. OTHER NON-CURRENT LIABILITIES	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Development contributions	58	250	58	250
LGFA amortisations reserves	403	501	403	501
Total other non-current liabilities	461	2,419	461	2,419

21. EQUITY	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Retained earnings				
As at 1 July	263,345	264,909	263,946	265,586
Transfers to:				
Special funds	(2,386)	(1,473)	(2,386)	(1,473)
Transfers from:				
Special funds	915	735	915	735
Asset revaluation reserve on disposals	-	-	-	-
Surplus/(deficit) for the year	2,021	(826)	1,787	(902)
As at 30 June	263,895	263,345	264,262	263,946
Other reserve funds (refer to separate schedule on page 19)				
As at 1 July	6,948	6,210	6,948	6,210
Transfers to:				
Retained earnings	(915)	(735)	(915)	(735)
Transfers from:				
Retained earnings	2,386	1,473	2,386	1,473
As at 30 June	8,419	6,948	8,419	6,948
Asset revaluation reserves				
As at 1 July	147,449	147,449	147,449	147,449
Revaluation gains/(losses)	41,604	-	41,604	-
Transfers to:				
Retained earnings on disposal of property, plant and equipment	-	-	-	-
As at 30 June	189,053	147,449	189,053	147,449
Asset revaluation reserves consist of:				
Operational assets				
Land and Buildings	6,418	-	6,418	-
Infrastructural assets				
Sewerage system	40,912	33,102	40,912	33,102
Water system	29,101	23,951	29,101	23,951
Stormwater drainage system	23,508	18,499	23,508	18,499
Solid waste	954	1,028	954	1,028
Roading network	71,984	60,783	71,984	60,783
Restricted assets				
Cemeteries	235	115	235	115
Parks and reserves	12,841	8,359	12,841	8,359
Endowment property	3,100	1,612	3,100	1,612
Total asset revaluation reserves	189,053	147,449	189,053	147,449
Total equity	461,367	417,742	461,734	418,343

Refer to reserve funds statement, pages 19-22, for details on restricted reserves and Council created reserve funds

22. CAPITAL COMMITMENTS AND OPERATING LEASES	Council	Council	Group	Group
	Actual \$	Actual \$	Actual \$	Actual \$
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
PPE capital commitments				
Wastewater treatment	16	146	16	146
Water treatment	90	2,861	90	2,861
Wastewater other	147	-	147	-
Water other	276	-	276	-
Stormwater	1,246	-	1,246	-
Buildings	1,298	4,395	1,298	4,395
Parks	-	1,224	-	1,224
Total PPE capital commitments	3,073	8,626	3,073	8,626

Refer to Note 14 for capital commitments for investment properties.

Operating leases as lessee

Horowhenua District Council leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

OPERATING LEASES AS LESSEE	Council	Council	Group	Group
	Actual \$	Actual \$	Actual \$	Actual \$
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Non-cancellable operating leases as lessee				
Less than one year	184	193	184	193
Later than one year but not more than five years	152	241	152	241
Later than five years	-	-	-	-
Total non-cancellable operating leases	336	433	336	433

Leases can be renewed at Horowhenua District Council's option, with rents set by reference to current market rates of equivalent age and condition. Horowhenua District Council does have the option to purchase the asset at the end of the lease term.

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

Operating leases as lessor

Horowhenua District Council leases its investment properties, Foxton Beach endowment land and other property under operating leases. The majority of the investment and endowment property leases are leases in perpetuity and therefore non-cancellable; the majority of the other leases are cancellable. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

OPERATING LEASES AS LESSOR	Council	Council	Group	Group
	Actual \$	Actual \$	Actual \$	Actual \$
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Non-cancellable operating leases as lessor				
Less than one year	826	536	826	536
Later than one year but not more than five years	1,076	1,132	1,076	1,132
Later than five years	1,388	1,238	1,388	1,238
Total non-cancellable operating leases	2,990	2,906	2,990	2,906

Figures for later than five years are impracticable because most of the leases are in perpetuity. The total annual lease amounts are expected to be at least those indicated above.

No contingent rents have been recognised in the statement of financial performance during the period.

23. CONTINGENCIES	Council	Council	Group	Group
	Actual \$	Actual \$	Actual \$	Actual \$
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Guarantees	21	27	21	27
Government grant	5,219	5,219	5,219	5,219

Guarantees

The value of guarantees disclosed as contingent liabilities reflects Horowhenua District Council's assessment of the undiscounted portion of financial guarantees that are not recognised in the statement of financial position. See Note 17 Provisions, for information on recognised financial guarantees. The maximum financial exposure the Council is open to is \$21,000.

Government grants

The value of Government grants disclosed as a contingent liability is the sum of what is notionally an interest-free, suspensory loan from Housing NZ, but is for all practical intents and purposes a grant. The sum advanced is part of a \$10M programme for the construction and modernisation of Horowhenua District Council's residential housing. The sums advanced are repayable, with interest, primarily in the event of Horowhenua District Council selling the flats within 20 years and are registered as mortgages over the relevant properties. As of 30 June 2017 Horowhenua District Council intends to sell the residential housing on the condition they remain residential housing after they are sold and is currently negotiating with Sisters of Compassion that the suspensory loan is transferred.

Contingent liability

Horowhenua District Council obtained public liability and professional indemnity insurance cover from New Zealand Mutual Liability Risk Pool. The Council has now withdrawn from the Risk Pool but still has insurance cover via an insurance broker. Risk Pool operates as a mutual fund where each member makes an annual contribution to obtain cover; however should claims exceed contributions then calls can be made on the members of that fund year for the shortfall amount. Risk Pool have advised that further calls may be made to the Council for past pool periods. Horowhenua District Council has budgeted monies in its current LTP to cover these calls.

Council has several ongoing legal proceedings. The outcome of these remains uncertain at the end of the reporting period. The maximum financial exposure is anticipated to be less than \$140,000.

Horowhenua 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+.

Horowhenua District Council is one of 30 local authority shareholders and 8 local authority guarantors of the NZLGFA. In that regard it has uncalled capital of \$100K. 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, Horowhenua District Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2017, NZLGFA had borrowings totalling \$7,946m (2016: \$6,501m).

Financial reporting standards require Horowhenua District Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

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

The leases for Waitare Beach Motor Camp and Levin Holiday Park include provisions for Council to buy-back the lessee's fixtures and improvements in certain circumstances totalling \$945,000. This estimate has been based on district rating valuations.

Personal grievances claims, represents amounts claimed by employees for personal grievances cases. There are 1 personal grievances claims (2016: 0 personal grievances claims).

Building Act claims

The Building Act of 2004 imposes certain obligation and liabilities on local authorities in respect to the issue of building consents and inspections of work done.

Horowhenua District Council has two live claims with the Weathertight Homes Resolution Service (WHRS claim 07547, and 07477). These claims have been accepted as valid and will be liable for 25% of the value of repairs. At this stage value of the repairs is not known. Horowhenua District Council is not expected to be covered under its insurance policies. Horowhenua District Council is also exposed to potential claims which have not been advised. The amount of these claims and any potential liability are not able to be reliably measured and are therefore not quantifiable.

Contingent assets

Third parties including sports clubs and community groups are able to construct facilities (e.g. club rooms) on Horowhenua District Council owned land. The third parties control the use of these facilities and Horowhenua District Council will only gain control of the asset if the third party vacates the facility. Unless, and until, such event occurs these assets are not recognised as assets in the statement of financial position. As at 30 June 2017 there were 24 facilities having an approximate value of \$18.70m (2016: 24 facilities, \$17.43m). This estimate has been based on district rating valuations.

Horowhenua District Council also has a contingent asset in the land sold to the Foxton Medical Trust, which, should the Foxton Medical Trust sell the land, Council will receive the market value at the time of transfer.

24. RELATED PARTY TRANSACTIONS

Manawatu/Wanganui Local Authorities Shared Services Limited (MWLASS)

This company was set up in 2008 by seven local councils to investigate the possibilities of economies of scale by joint procurement.

To date there has been one call on share capital and the company is now trading. Horowhenua District Council owns one seventh or 14% of this company and has a \$16,000 share capital.

The Company is considered to be a council controlled organisation under the Local Government Act 2002 but the member councils have resolved that it is exempt for the purposes of Section 6(4)(i) of that Act for 2016/17 and 2015/16.

RELATED PARTY TRANSACTIONS	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000
Manawatu/Wanganui Local Authorities Shared Services Limited		
E-Road hardware	8	10
Regional archives	53	27
Regional ISSP	33	33
Valuation services and share of fixed charges	-	7
Acuity database expenses	6	-
Aerial photography	-	20
Debt collection process	4	-
Miscellaneous projects	13	7
Online economic profiles subscription	13	13
Total MWLASS related party transactions	130	117

Shannon Community Development Trust

The Council holds \$350,000 on deposit on behalf of the Shannon Community Development Trust.

Key management personnel

During the year key management personnel (the Mayor, Councillors and senior managers) were involved in minor transactions with Horowhenua District Council (e.g. payment of rates, purchase of rubbish bags, and registration of dogs) as part of a normal customer relationship. In addition the following transactions were conducted with key management personnel:

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000
Taitoko Ltd (in which Cr Piri Hira Tukapua is a shareholder / director)	1	24
Canvasland Holdings Ltd (in which Mayor B Duffy is a shareholder) purchase of goods or services. Up to November 2016.	1	9
Canvasland Sunshades Ltd (in which Mayor B Duffy is a shareholder) purchase of goods or services. Up to November 2016	2	5
Total transactions with key management personnel	4	38

No provision has been required, nor any expense recognised, for impairment of receivables for any related party (2016: \$Nil).

Foxton Beach Community Board members

The following transactions were carried out with related parties were within normal supplier or client/recipient relationship on normal terms and conditions:

RELATED PARTY TRANSACTIONS	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000
Foxton Beach Community Board members		
Roaches Concrete Products Ltd (in which David Roach is a shareholder / director)	1	67
Mastermix & Packaging Ltd (in which Tricia Metcalf is a shareholder / director)	-	43
Total transactions with Foxton Beach Community Board members	1	110

KEY MANAGEMENT PERSONNEL COMPENSATION	Council Actual \$ 30 June 2017	Council Actual \$ 30 June 2016\$
Remuneration		
Councillors	370,461	371,038
Senior management team, including the Chief Executive	1,434,261	1,352,592
Total key management personnel remuneration	1,804,721	1,723,630
Full-time equivalent key management personnel		
Councillors*	11	11
Senior management team, including the Chief Executive	9	9
Total full-time equivalent key management personnel	20	20

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

25. REMUNERATION	Council Actual \$ 30 June 2017	Council Actual \$ 30 June 2016
Chief Executive		
Salary	272,068	250,814
Vehicle (FBT)	10,443	10,352
Total Chief Executive remuneration	282,511	261,166
Elected representatives		
Mayor		
B J Duffy	30,490	99,040
M Feyen (Mayor from Nov 2016)	70,780	-
Councillors:		
W Bishop	33,075	30,620
R Brannigan	25,523	27,558
R Campbell	27,114	25,140
M Feyen	7,684	25,140
N Gimblett	17,839	-
G Good	10,810	35,100
B Judd	17,838	-
V Kaye-Simmons	25,523	25,140
J Mason	25,523	25,140
C Mitchell	25,523	25,140
A Rush	9,375	27,880
P H Tuakapua	25,523	25,140
B Wanden	17,839	-
Total elected representatives remuneration	370,461	371,038
Foxton Beach Community Board		
D Roache (Chair)	10,212	6,040
D Allan	4,155	-
J Girling	4,155	-
J Lundie	4,155	-
P Metcalf	5,945	6,040
J Smart	3,580	11,840
A Street	1,790	6,040
B Vertongen	1,790	6,040
Total Foxton Beach Community Board remuneration	35,782	36,000
Council employees		
Total annual remuneration by band		
<60,000	128	89
\$60,000 - \$79,999	43	31
\$80,000 - \$99,999	15	12
\$100,000 - \$119,999	11	11
\$120,000 - \$299,999	8	8
Total Council employee remuneration	205	151

At balance date, the Council employed 145 (2016: 99) full-time employees, with the balance of staff representing 32 (2016: 28) full-time equivalent employees. A full-time employee is determined on the bases of a 40-hour working week.

26. SEVERANCE PAYMENTS

For the year ended 30 June 2017 Horowhenua District Council made one severance payment to employees totalling \$1,250 (2016: \$152,458). The value of each severance payment was \$67,246, \$1,725 and \$1,250 (2016 eight of \$34,708, \$59,400, \$5,727, \$8,415, \$9,038, \$10,641, \$23,530 and \$1,000).

27. EVENTS AFTER THE BALANCE SHEET DATE

The sale of the pensioner housing went unconditional. As part of the sale the suspensory loan was transferred to Sisters of Compassion but Council will act as guarantor.

28. FINANCIAL INSTRUMENTS

28a. FINANCIAL INSTRUMENT CATEGORIES	Note	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Financial assets					
Loans and receivables					
Cash and cash equivalents	7	5,074	7,400	5,100	7,430
Debtors and other receivables	8	6,790	5,960	6,795	6,045
Other financial assets:					
- Term deposits	9	350	350	350	350
Total loans and receivables		12,214	13,710	12,245	13,825
Fair value through other comprehensive revenue and expense					
Unlisted shares in NZLGIC Limited	9	104	104	104	104
Unlisted shares in MWLASS	9	16	16	16	16
Unlisted shares in LGFA	9	100	100	100	100
LGFA borrowers notes	9	1,121	833	1,121	833
Total fair value through other comprehensive revenue and expense		1,341	1,008	1,341	1,341
Total financial assets		13,555	14,763	13,586	14,878
Financial Liabilities					
Fair Value through surplus or deficit – held for trading					
Derivative financial instrument liabilities	33	1,038	1,668	1,038	1,668
Financial liabilities at amortised cost					
Creditors and other payables	16	10,579	11,779	10,243	11,650
Borrowings:					
- bank overdraft	7	-	-	-	-
- secured loans	19	77,000	65,000	77,000	65,000
Total financial liabilities at amortised cost		87,579	76,779	87,243	76,650
Total financial liabilities		88,617	78,447	88,281	78,318

28b. FINANCIAL INSTRUMENT RISK

Horowhenua District Council has a series of policies to manage the risks associated with financial instruments. Horowhenua District Council is risk averse and seeks to minimise exposure from its Treasury activities. Horowhenua District Council has established Council approved liability management and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

28c. FAIR VALUE HIERARCHY DISCLOSURES

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 measure at fair value in the statement of financial position:

	Total \$000	Quoted market price \$000	Observable inputs \$000	Significant non- observable inputs \$000
Council 2017				
Financial assets				
Shares	220	-	-	220
LGFA borrower notes	1,121	-	-	1,121
Financial liabilities				
Swap derivatives	1,038	-	1,038	-
Group 2017				
Financial assets				
Shares	220	-	-	220
LGFA borrower notes	1,121	-	-	1,121
Financial liabilities				
Swap derivatives	1,038	-	1,038	-
Council 2016				
Financial assets				
Shares	220	-	-	220
LGFA borrower notes	833	-	-	833
Financial liabilities				
Swap derivatives	1,668	-	1,668	-
Group 2016				
Financial assets				
Shares	220	-	-	220
LGFA borrower notes	833	-	-	833
Financial liabilities				
Swap derivatives	1,668	-	1,668	-

Market Risk

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Horowhenua District Council is exposed to equity securities price risk on its investments, which are classified as financial assets held at fair value through equity. This price risk arises due to movements in fair value of unlisted securities. This price risk is managed by a prohibition of further share investment in Horowhenua District Council's Investment Policy.

Horowhenua District Council holds unlisted equity instruments in New Zealand Local Government Insurance Limited, which are not publicly traded. If the fair value of the shares had moved plus or minus 5%, the effect would have been to increase/decrease the fair value through equity reserve by \$5,200 (2016:\$5,200).

Currency risk

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

Interest rate risk

The interest rates on Horowhenua District Council's investments are disclosed in Note 9 and on Horowhenua District Council's borrowings in Note 19.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing issued at fixed rates exposes the Horowhenua District Council to fair value interest rate risk. Horowhenua District Council's liability management policy outlines the level of borrowing that is to be secured using fixed rate instruments. Fixed to floating interest rate swaps are entered into to hedge the fair value interest rate risk arising where Horowhenua District Council has borrowed at fixed rates. In addition, investments at fixed interest rates expose the Horowhenua District Council to fair value interest rate risk.

Cash flow interest rate risk

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

Horowhenua District Council manages its cash flow interest rate risk on borrowings by borrowing at fixed rates.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Horowhenua District Council, causing Horowhenua District Council to incur a loss. Horowhenua District Council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and Horowhenua District Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

The Council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in Note 23.

Horowhenua District Council invests funds only in government-guaranteed instruments, deposits with registered banks and local authority stock and its Investment Policy limits the amount of credit exposure to any one institution or organisation. Investments in other local authorities are secured by charges over rates. Accordingly, the Group does not require any collateral or security to support these financial instruments.

Maximum exposure to credit risk

Horowhenua District Council's maximum credit exposure for each class of financial instrument is as follows:

		Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
MAXIMUM EXPOSURE TO CREDIT RISK	Note				
Cash at bank and term deposits	7	5,424	7,750	5,450	7,780
Debtors and other receivables	8	6,790	5,960	6,795	6,044
Total credit risk		12,214	13,710	12,245	13,824

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poors credit ratings (or similar, if available) or to historical information about contemporary default rates:

		Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
COUNTERPARTIES WITH CREDIT RATINGS	Note				
Cash at bank and term deposits:					
AA-	7	5,424	7,750	5,450	7,780
Total cash at bank and term deposits		5,424	7,750	5,450	7,780

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

Liquidity Risk

Management of liquidity risk

Liquidity risk is the risk that Horowhenua District Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Horowhenua District Council aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, Horowhenua District Council maintains a target level of investments that must mature within the next 12 months.

Horowhenua District Council manages its borrowings in accordance with its funding and financial policies, which includes a liability management policy. These policies have been adopted as part of the Horowhenua District Council's LTP.

The maturity profiles of the Horowhenua District Council's interest bearing investments and borrowings are disclosed in Notes 9 and 19 respectively.

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 23.

Contractual maturity analysis of financial liabilities

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

Council 2017	Note	Carrying Amount \$000	Contractual Cash Flow \$000	<1 Year \$000	1-2 Years \$000	2-5 Years \$000	>5 Years \$000
Creditors and other payables	16	10,579	10,579	10,579	-	-	-
Secured loans	19	77,000	89,027	14,133	14,985	25,915	33,994
Swap derivatives	34	1,038	1,038	265	211	381	181
Total		88,617	100,644	24,977	15,196	26,296	34,175
Group 2017							
Creditors and other payables	16	10,243	10,243	10,243	-	-	-
Secured loans	19	77,000	89,027	14,133	14,985	25,915	33,994
Swap derivatives	34	1,038	1,038	265	211	381	181
Total		88,281	100,308	24,641	15,196	26,296	34,175
Council 2016							
Creditors and other payables	16	11,779	11,779	11,779	-	-	-
Secured loans	19	65,000	75,219	16,353	2,093	39,172	17,601
Swap derivatives	34	1,668	1,668	241	244	643	540
Total		78,447	88,666	28,373	2,337	39,815	18,141
Group 2016							
Creditors and other payables	16	11,650	11,650	11,650	-	-	-
Secured loans	19	65,000	75,219	16,353	2,093	39,172	17,601
Swap derivatives	34	1,668	1,668	241	244	643	540
Total		78,318	88,537	28,244	2,337	39,815	18,141

Contractual maturity analysis of financial assets

The table below analyses Horowhenua District Council's financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date.

	Note	Carrying Amount \$000	Contractual Cash Flow \$000	<1 Year \$000	1-2 Years \$000	2-5 Years \$000	>5 Years \$000
Council 2017							
Cash and cash equivalents	7	5,074	5,074	5,074	-	-	-
Debtors and other receivables	8	6,790	6,790	6,790	-	-	-
Other financial assets:							
term deposits	9	350	358	358	-	-	-
Total		12,214	12,222	12,222	-	-	-
Group 2017							
Cash and cash equivalents	7	5,100	5,100	5,100	-	-	-
Debtors and other receivables	8	6,795	6,795	6,795	-	-	-
Other financial assets:							
term deposits	9	350	358	358	-	-	-
Total		12,245	12,253	12,253	-	-	-
Council 2016							
Cash and cash equivalents	7	7,400	7,400	7,400	-	-	-
Debtors and other receivables	8	5,960	5,960	5,960	-	-	-
Other financial assets:							
term deposits	9	350	359	359	-	-	-
Total		13,710	13,719	13,719	-	-	-
Group 2016							
Cash and cash equivalents	7	7,430	7,430	7,430	-	-	-
Debtors and other receivables	8	6,044	6,044	6,044	-	-	-
Other financial assets:							
term deposits	9	350	359	359	-	-	-
Total		13,824	13,833	13,833	-	-	-

Sensitivity analysis

The tables below illustrate the potential profit and loss (excluding retained earnings) for reasonably possible market movements, with all other variables held constant, based on Horowhenua District Council's financial instrument exposures at the balance date.

INTEREST RATE RISK	Council & Group 30 June 2017 -100bps	Council & Group 30 June 2017 +100bps	Council & Group 30 June 2016 -100bps	Council & Group 30 June 2016 +100bps
Financial assets				
Cash and cash equivalents	(51)	51	(74)	74
Financial liabilities				
Borrowings	190	(190)	260	(260)

Cash and cash equivalents include deposits at call totalling \$5,074,000 (2016: \$7,400,000) which are at floating rates. A movement of interest rates of plus or minus 1% has an effect on interest revenue of \$50,740 (2016: \$74,000).

Borrowings include total debt of \$19,000,000 (2016: \$26,000,000) on current floating rates.

29. BUDGETS FOR YEAR ENDED 30 JUNE 2017

Budgets are as per the annual plan, 2016/2017

30. EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

Explanations on major variances against budget are disclosed within these financial statements and funding impact statements.

31. FINANCE LEASES

Council does not have any finance leases (30 June 2016:\$Nil).

32. RECONCILIATION OF SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Surplus (deficit)	2,021	(826)	1,787	(902)
Add/(less) non-cash items:				
Depreciation and amortisation	14,154	11,536	14,154	11,717
Other including vested and donated assets	(459)	(100)	(459)	(108)
Net gains and losses and other non-current movements	(4,145)	674	(3,922)	749
Impairment of non-current assets	-	-	-	-
Add/(less) movements in working capital:				
Increase/(decrease) in accounts receivable	(830)	(459)	(819)	(495)
Increase/(decrease) in stock on hand	(15)	-	(15)	-
Increase/(decrease) in current liabilities	(504)	1,614	(490)	1,611
Net cash flows from operating activities	10,259	12,439	10,273	12,572

33. CAPITAL MANAGEMENT

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

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. 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 by the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

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

Horowhenua District Council has the following Council-created reserves:

- reserves for different types of rates;
- reserves for the repayment of loans;
- depreciation funds.

Refer to pages 19- 22 for Council created reserves.

34. DERIVATIVE FINANCIAL INSTRUMENTS	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Current liability				
Interest rate swaps – fair value hedges	-	-	-	-
Non-current liability				
Interest rate swaps – fair value hedges	1,038	1,688	1,038	1,688
Total derivative financial instrument liability	1,038	1,688	1,038	1,668
Gain or loss on derivative financial instruments				
Opening balance	1,688	567	1,688	567
Closing balance	1,038	1,688	1,038	1,688
Derivative gain/(loss)	630	(1,101)	630	(1,101)

Fair value

The fair value of interest rate swaps have been derived using a discounted cash flows valuation technique based on quoted market prices.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for Horowhenua District Council were \$7,000,000 and \$4,000,000 (2016 \$7,000,000 and \$4,000,000) and for the Horowhenua District Council Group were \$11,000,000 (2016 \$11,000,000). At 30 June 2017, the fixed interest rate of the cash flow hedge interest rate swaps were 4.75% and 4.015% respectively (2016 4.75% and 4.015%)

35. DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000
Community support	31	36
Environmental services	79	75
Community facilities & services	1,095	917
Property	358	355
Roading	5,904	4,783
Solid waste	286	268
Stormwater	571	500
Wastewater	2,897	2,264
Water supply	2,385	1,996
Council operating assets	548	342
Total	14,154	11,536

36. INSURANCE OF ASSETS	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000
Total value of assets covered by insurance contracts	128,915	104,584
Maximum amount of insurance	194,357	182,651
Total value of assets covered by financial risk sharing arrangements	145,335	128,290
Maximum amount available under those arrangements	270,760	255,170
Total value of assets that are self-insured	266,071	251,031
The value of funds maintained for that purpose	-	-

It is anticipated (but cannot be guaranteed) that under the terms contained in the Guide to the Civil Defence Emergency Plan, central government may fund 60% of the qualifying cost of reinstating essential infrastructure assets in the event of a major disaster.

37. REPLACEMENT COST OF CORE INFRASTRUCTURAL ASSETS	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000
Water other	95,953	91,626
Water treatment plant and facilities	32,153	28,316
Waste water treatment plant and facilities	42,376	25,467
Wastewater other	134,672	113,313
Stormwater	53,634	46,883
Solid waste	8,784	8,309
Roading and footpaths	356,638	344,763
Total replacement cost of core infrastructure assets	724,210	658,677

Refer to Note 11 for vested assets and additions.

38. TAX	Council Actual \$ 30 June 2017 \$000	Council Actual \$ 30 June 2016 \$000	Group Actual \$ 30 June 2017 \$000	Group Actual \$ 30 June 2016 \$000
Components of tax expense				
Current tax	-	-	-	-
Tax expense	-	-	-	-
Relationship between tax expense and accounting surplus				
Surplus/(deficit) before tax	2,021	(836)	1,787	(901)
Tax at 28%	566	(231)	500	(252)
Plus/(less) tax effect of:				
Non-deductible expense	(566)	231	(500)	252
Non-deductible revenue	-	-	-	-
Tax expense	-	-	-	-

39. ADJUSTMENTS TO THE COMPARATIVE YEAR FINANCIAL STATEMENTS			
		Actual 30 June 2016	
	Before adjustment \$'000	Reclassification \$'000	After adjustment \$'000
Notes			
Council			
Revenue			
Gain on forestry assets at fair value	42	(42)	-
Gain on commercial land and building revaluations	216	(216)	-
Gain on disposal of assets	156	(156)	-
Other gains	-	414	414
Expenditure			
Finance costs	4,087	(1,101)	2,986
Loss on derivative financial instruments	-	1,101	1,101
Loss on disposal of assets	147	(147)	-
Other losses	-	147	147
Non-current assets			
Other financial assets: Investments in CCO's and other similar entities	1,836	(833)	1,003
Other financial assets: Other	-	833	833
Non-current liabilities			
Other	2,419	(1,668)	751
Derivative financial instruments	-	1,668	1,668
Group			
Expenditure			
Finance costs	4,087	(1,101)	2,986
Loss on derivative financial instruments	-	1,101	1,101
Non-current assets			
Other financial assets: Investments in CCO's and other similar entities	1,053	(833)	220
Other financial assets: Other	-	833	833
Non-current liabilities			
Other	2,419	(1,668)	751
Derivative financial instruments	-	1,668	1,668

Benchmarks Disclosure Statement

FOR THE YEAR ENDED 30 JUNE 2017

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

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

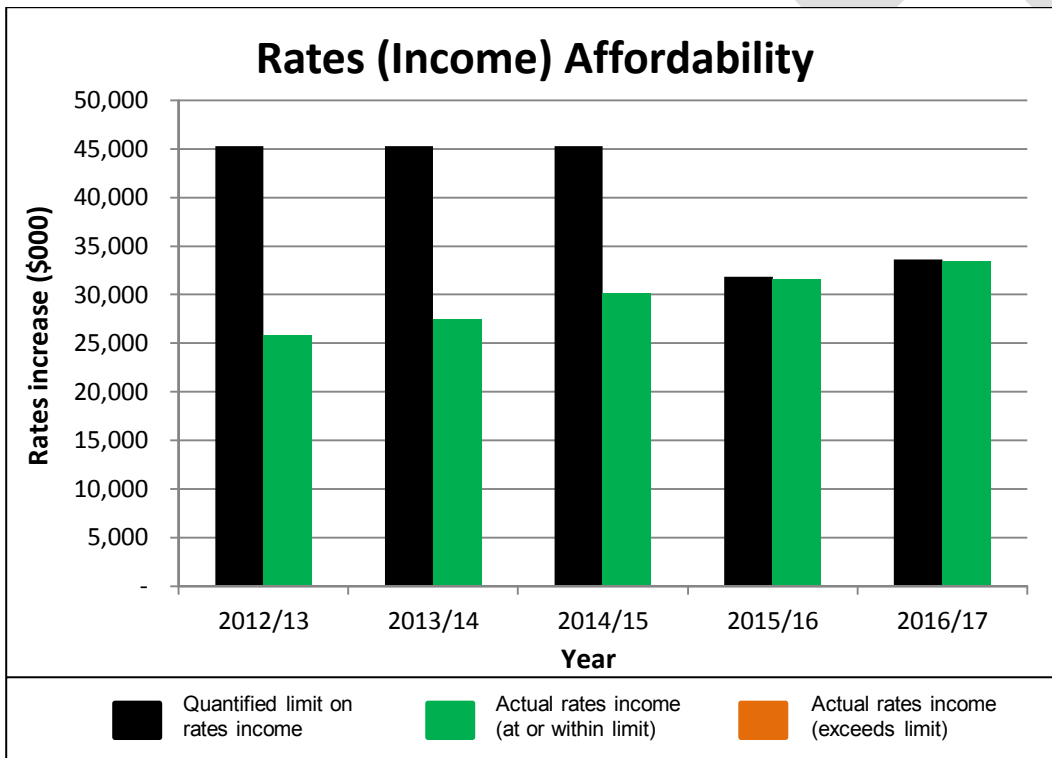
Rates affordability benchmarks

The Council meets the rates affordability benchmark if –

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

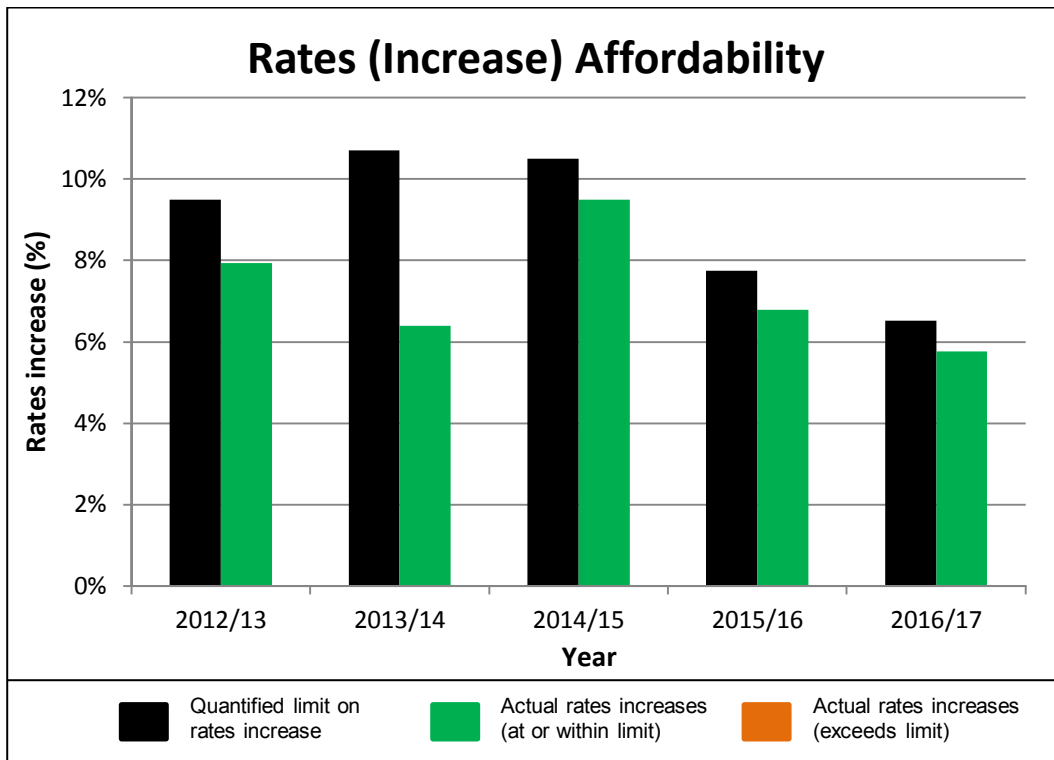
Rates (income) affordability

The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long-term plan. The quantified limit is \$45,300,000 (2012/13), \$45,300,000 (2013/14), \$45,300,000 (2014/15), \$31,858,000 (2015/16) and \$36,619 (2016/17).



Rates (increases) affordability

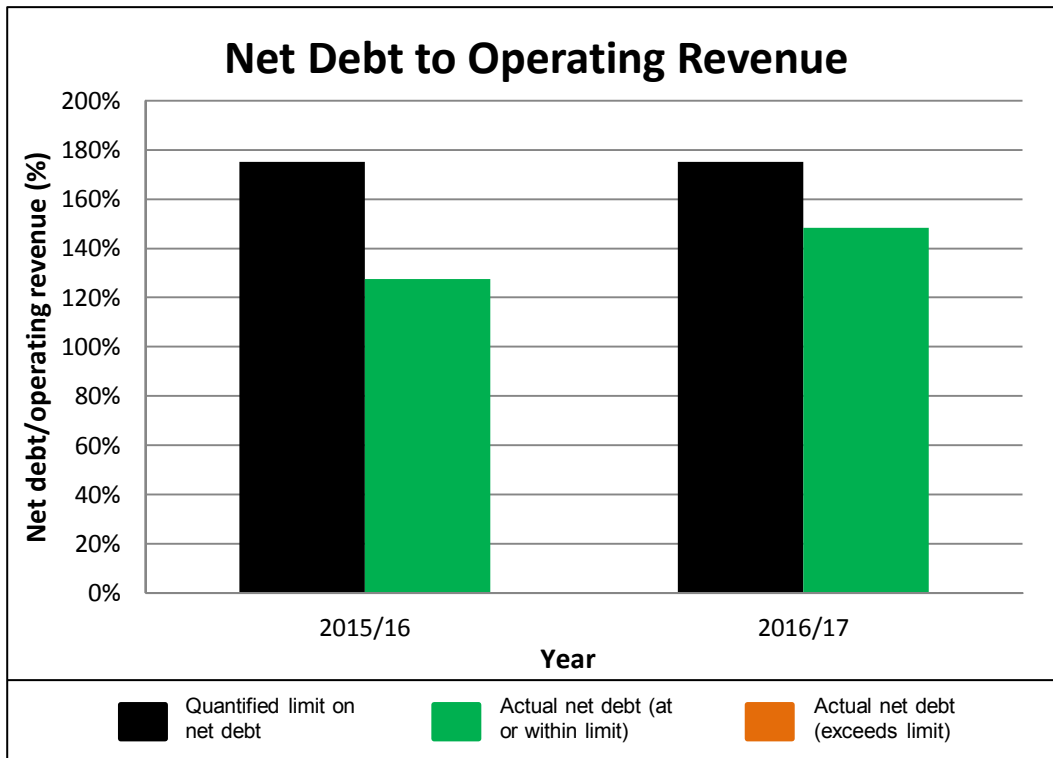
The following graph compares the Council's actual rate increase with a quantified limit on rates increases included in the financial strategy included in the Council's long term plan. The quantified limits are 9.50% (2012/13), 10.70% (2013/14), 10.50% (2014/15), 7.74% (2015/16) and 6.52% (2016/17).



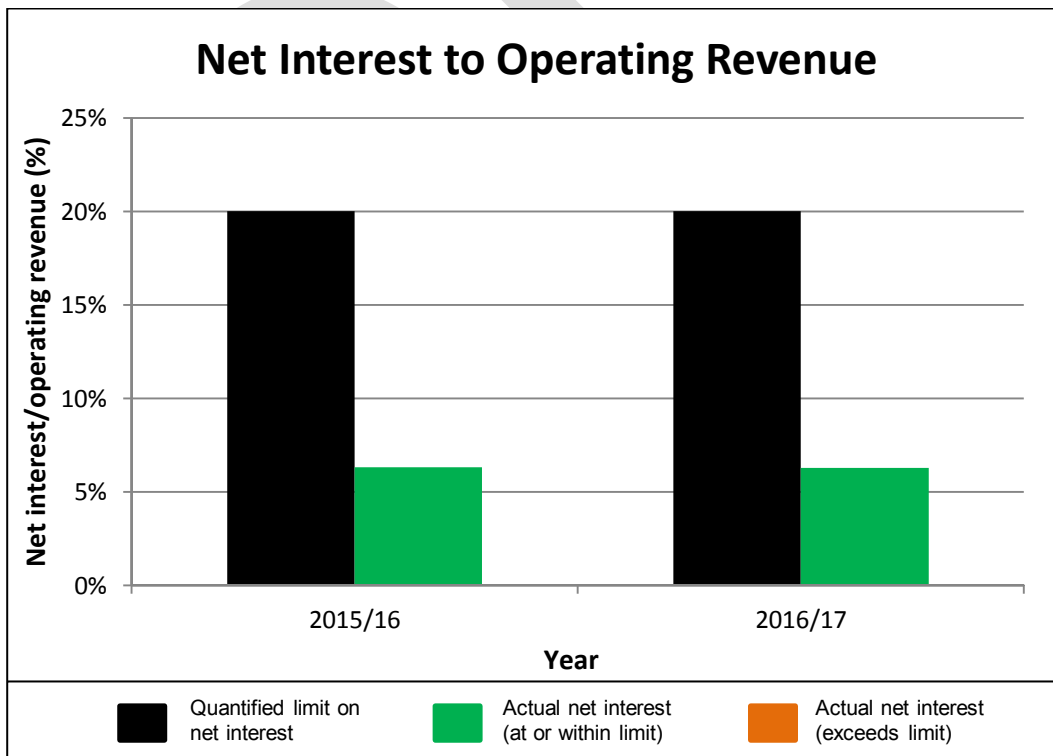
Debt affordability benchmark

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

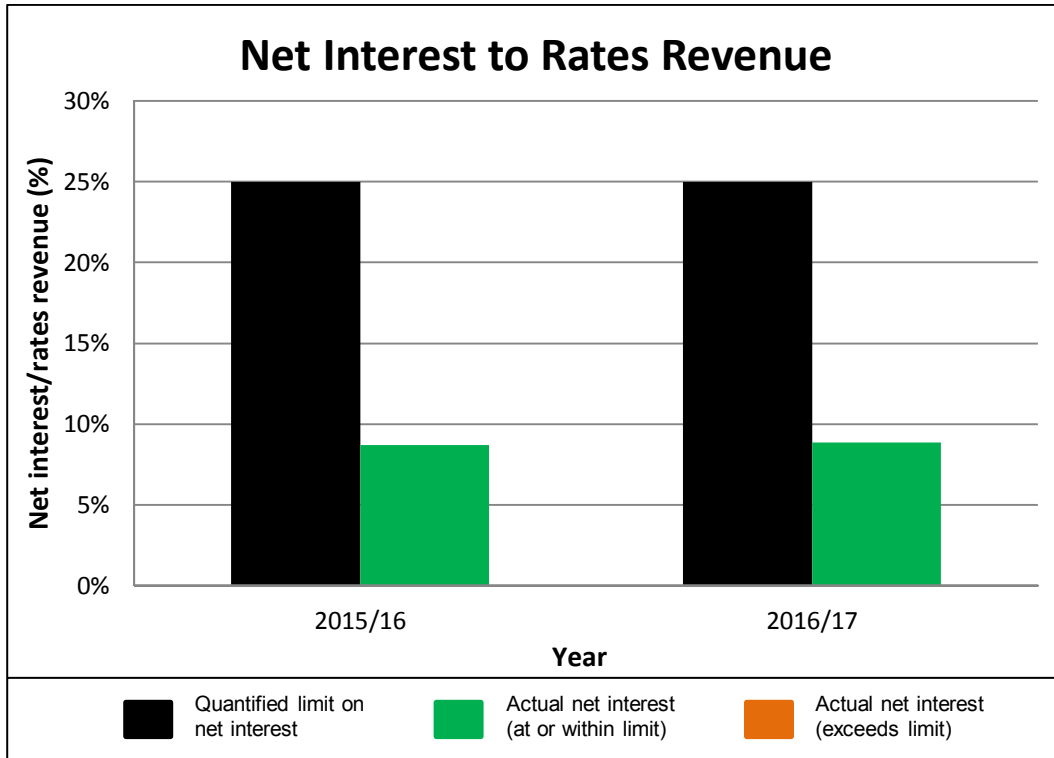
The following graph compares the Council's actual borrowing with quantified limit on borrowing stated in the financial strategy included in the Council's long term plan. The quantified limits are net debt to operating revenue should be below 175%. This is a new quantified limit in the 2015-25 LTP so therefore there are only two years of data available.



The following graph compares the Council's actual borrowing with quantified limit on borrowing stated in the financial strategy included in the Council's long term plan. The quantified limits are net interest to operating revenue should be below 20%. This is a new quantified limit in the 2015-25 LTP so therefore there are only two years of data available.

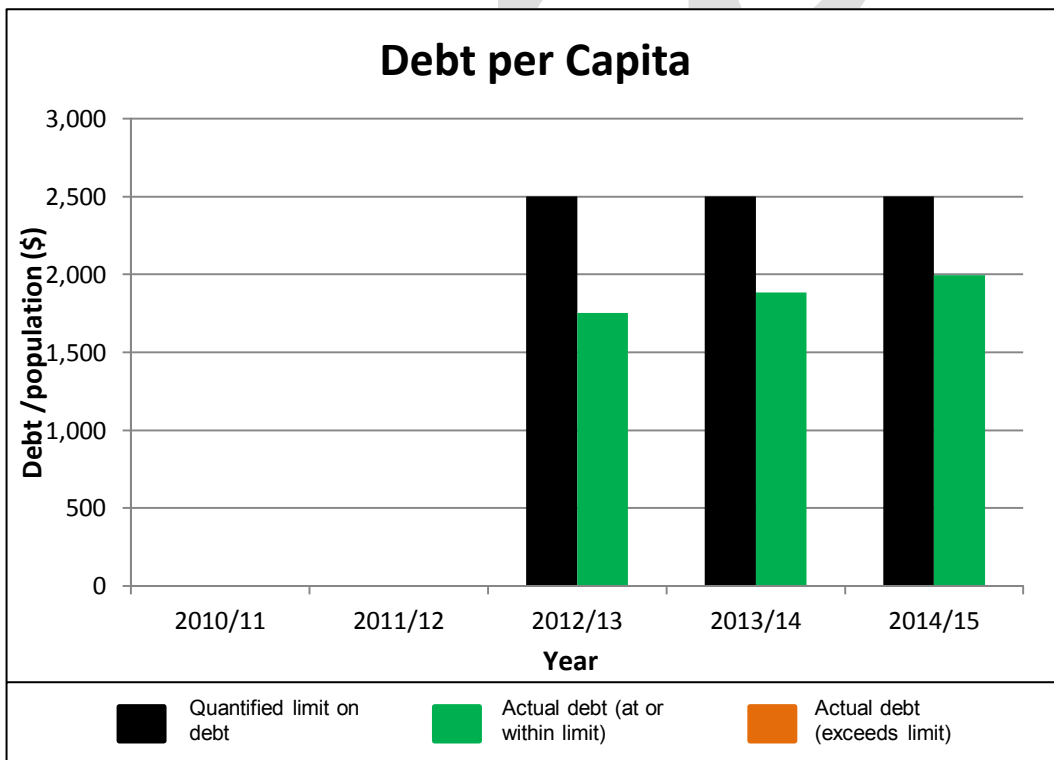


The following graph compares the Council's actual borrowing with quantified limit on borrowing stated in the financial strategy included in the Council's long term plan. The quantified limits are net interest to annual rates revenue should be below 25%. This is a new quantified limit in the 2015-25 LTP so therefore there are only two years of data available.

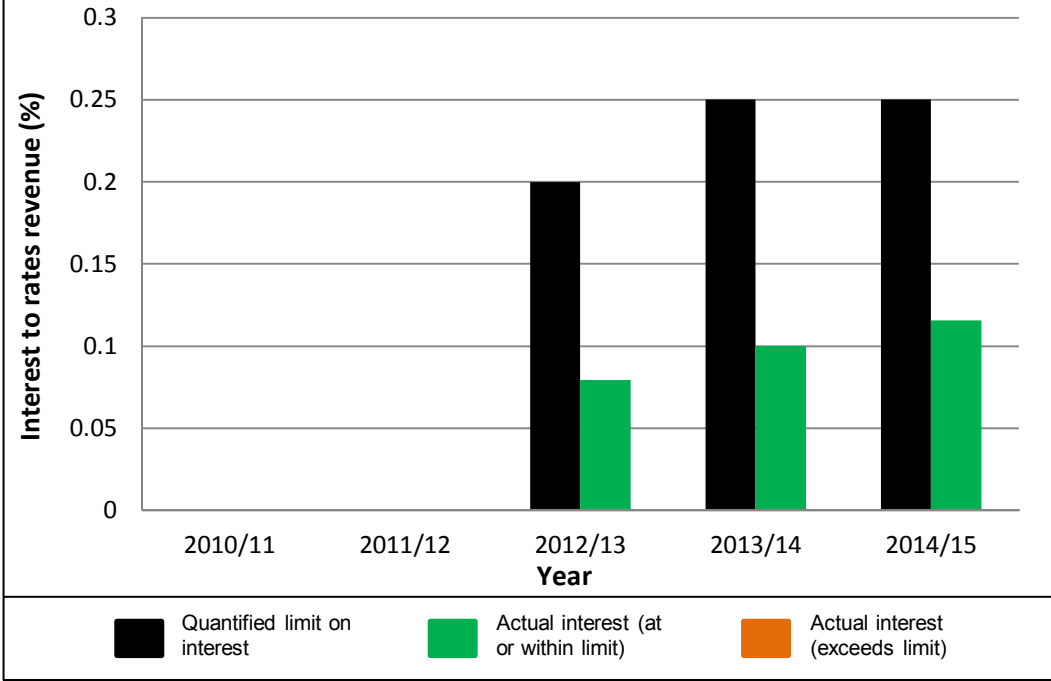


Previously the 2012-2022 LTP used the following benchmarks:

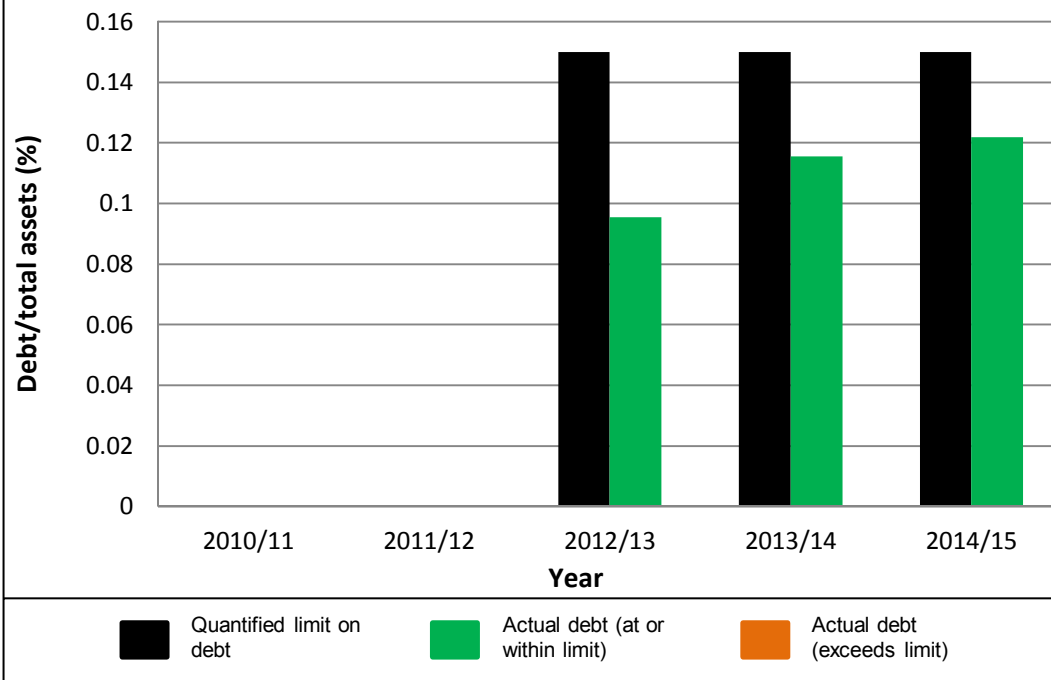
- Debt per capita of less than \$2,500 was used as a debt affordability benchmark.
- Gross annual interest cost will not exceed 25% of total rates revenue.
- Total debt as a percentage of total assets will not exceed 15%.



Interest to Rates Revenue



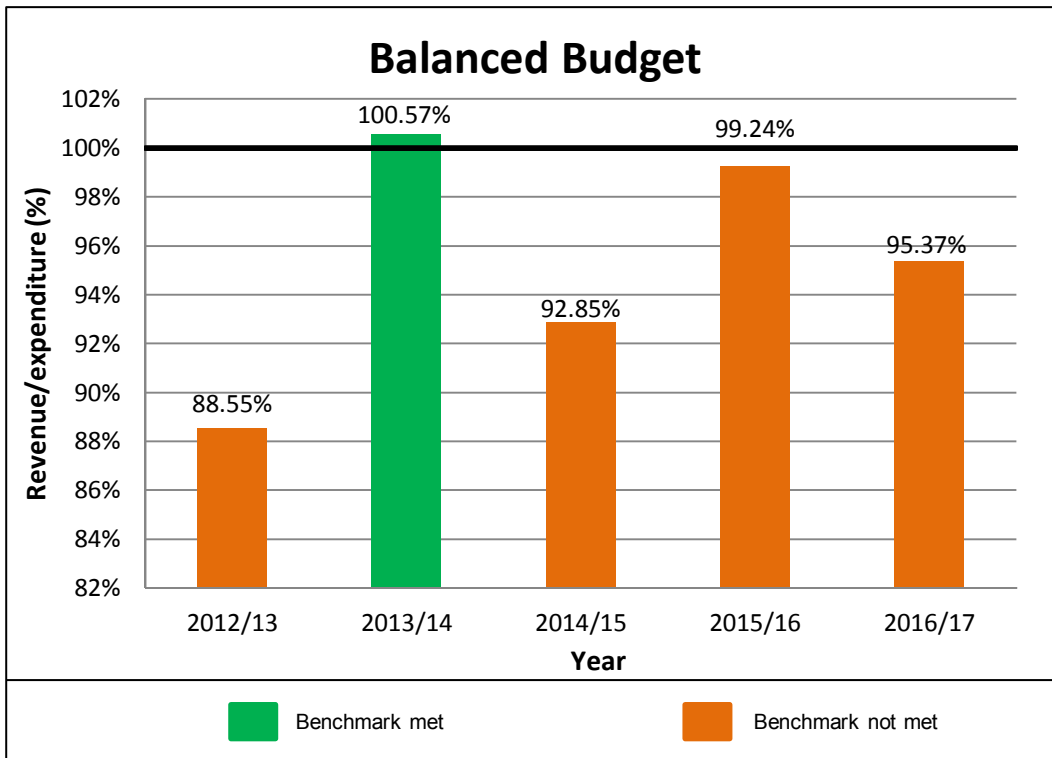
Debt to Total Assets



Balanced budget benchmark

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

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



Explanation on balanced budget benchmark

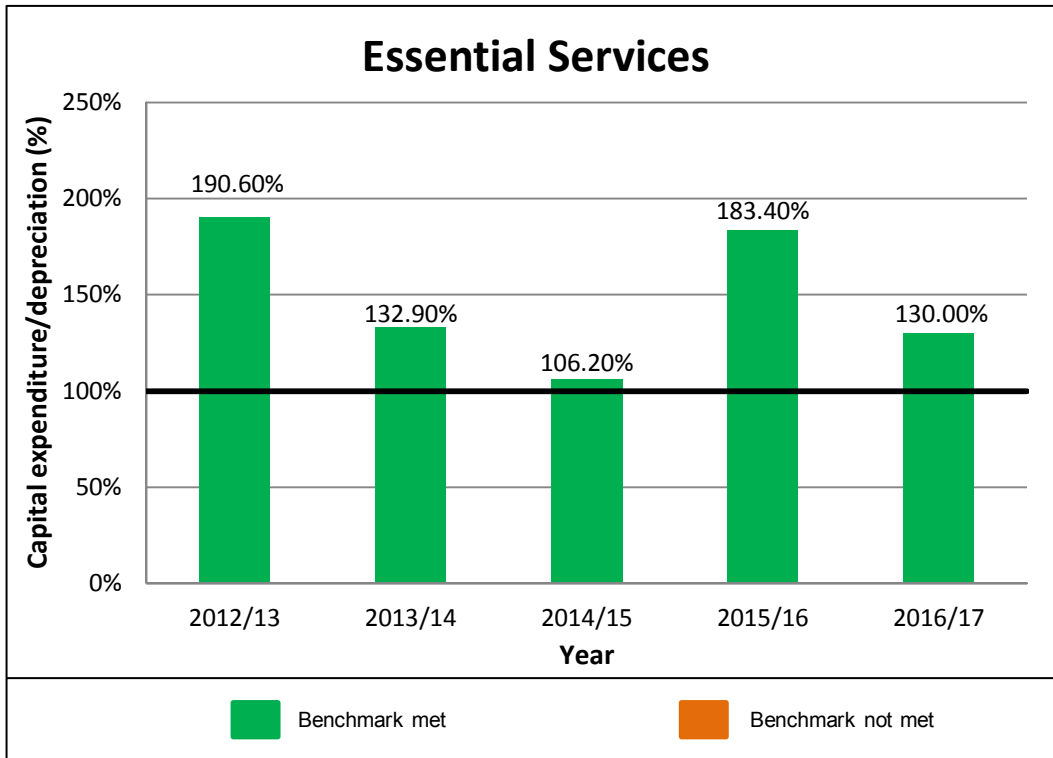
In order to keep the level of rate increases to an affordable level, Council has, for some years, not been fully funding depreciation. Funding depreciation creates a reserve to cover the cost of replacing Council's assets, especially infrastructural assets. Underfunding this reserve is possible only in the short-term. Council has been progressively increasing the funding of depreciation since the 2009/10 financial year with the view of fully funding depreciation by the 2019/20 financial year. The major cause of Council's above inflation rate increases has been the need to increase depreciation funding. The underfunding of depreciation is the major reason for Council not meeting this benchmark.

Essential services benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. Capital work includes both renewals of existing infrastructure and new capital works undertaken.

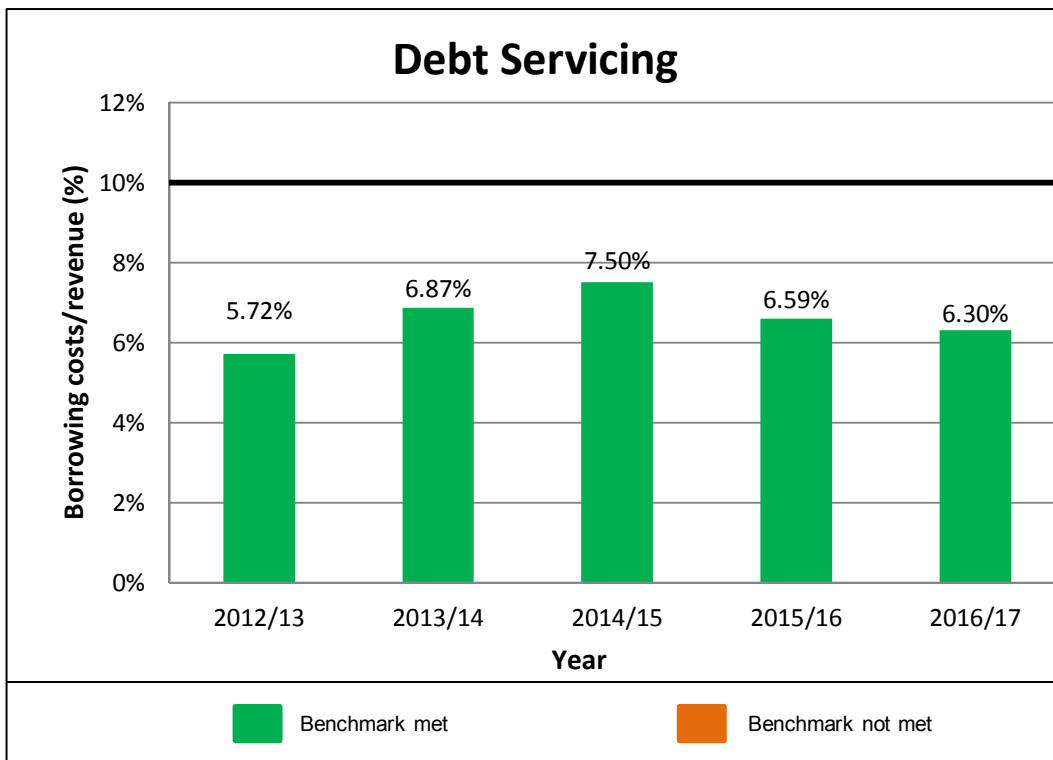
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.

Network services is defined in the regulations as infrastructure relating to water supply, sewage and the treatment and disposal of sewage, storm water drainage, flood protection and control works and the provision of roads and footpaths. The Council owns no infrastructure relating to flood protection and control work.



Debt servicing benchmark

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



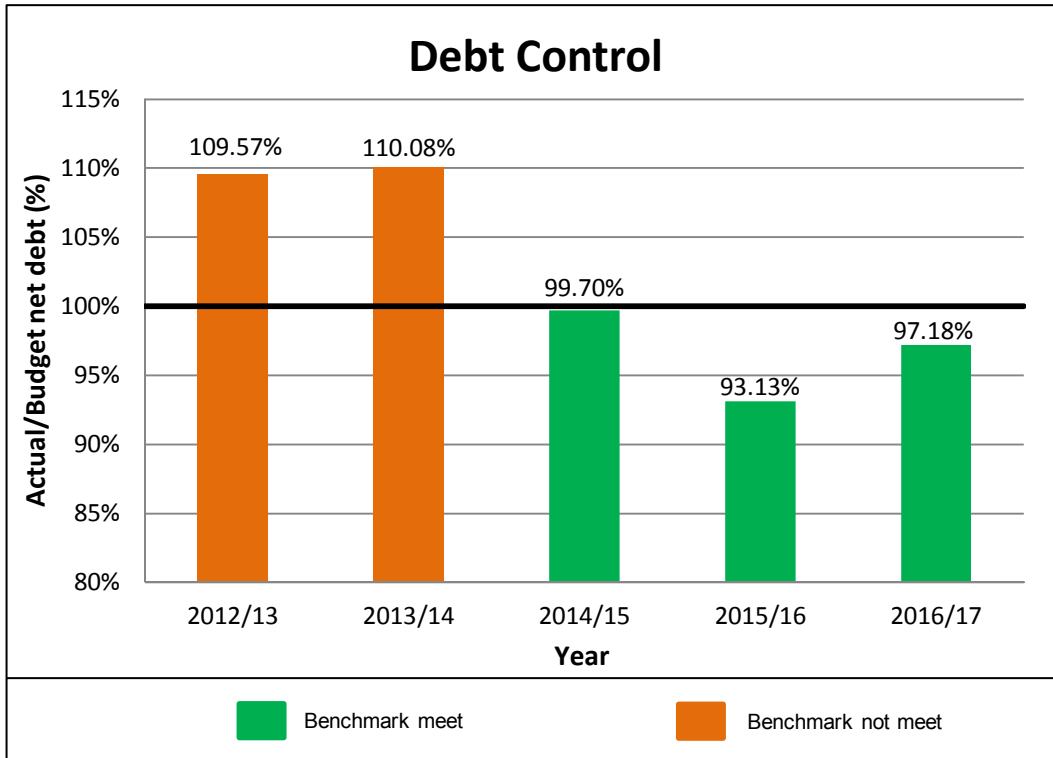
Because Statistics New Zealand projects the Council's population will grow more slowly than the national population growth rate, it meets the debt control benchmark if its borrowing costs are equal or less than 10% of its revenue, (excluding development contributions, financial contributions, vested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

Debt control benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt is financial liabilities less financial assets (excluding trade and other receivables).

The Council meets the debt control benchmark if its actual net debt is less than or equal to the net debt planned for the year in its long term plan.

This benchmark has used the Long Term Plan 2012-2022 for 2012/13, 2013/14 and 2014/15 and the Long Term Plan 2015-2025 for 2015/16 and 2016/17.



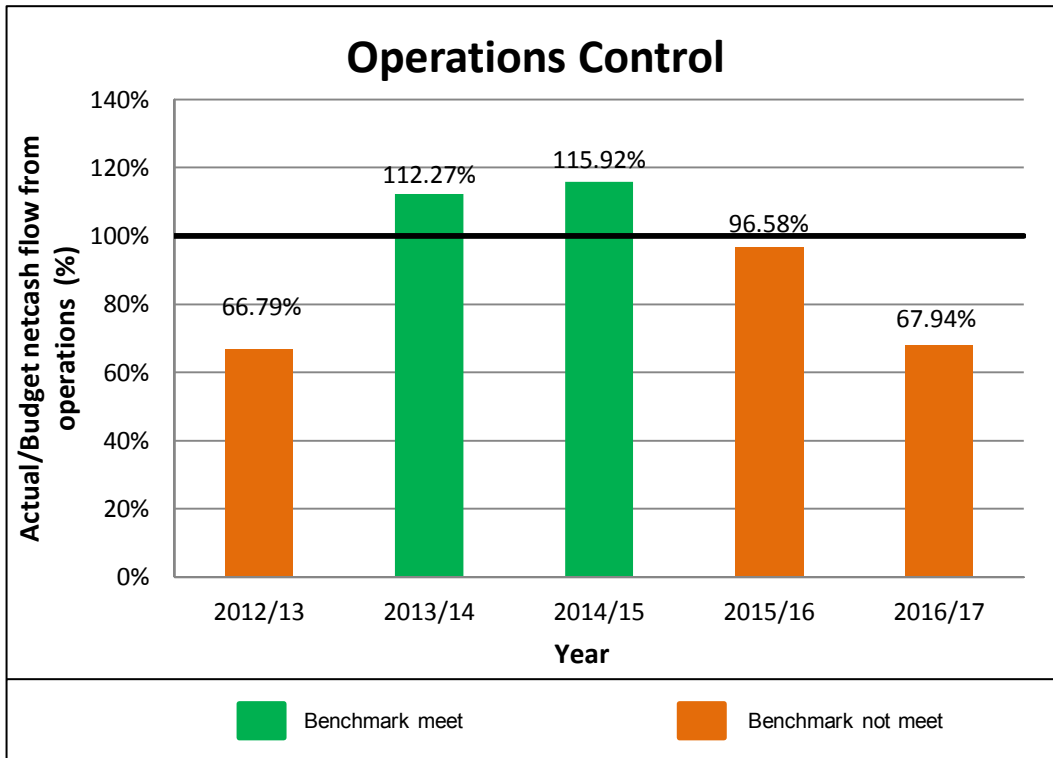
Explanation on debt control benchmark

The reason for not meeting the benchmark in the 2012/13 financial year is due to the purchase of the land for the Shannon wastewater treatment project. Council purchased this property ahead of when it was programmed, to take advantage of the property coming on the market.

Operations control benchmark

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



Explanation on operations control benchmark

The reason for not meeting the benchmark in the 2015/16 financial year is largely due to the delay in the Te Awahou building project where the grants are dependent on building progressing in order for the cash to be released. In the 2016/17 financial year it is again the delay in receiving the Te Awahou grant but also a combination of unbudgeted spending on professional services for growth strategy work and a reduction of accounts payable.

Accounting Policies

REPORTING ENTITY

The Horowhenua District Council is a territorial local authority constituted under and governed by the Local Government Act 2002 and is domiciled in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Horowhenua District Council Group consists of Horowhenua District Council and Shannon Community Development Trust for the 2016/17 financial year and Horowhenua District Council, Te Horowhenua Trust (formerly Horowhenua Library Trust) and Shannon Community Development Trust for the 2015/16 financial year. All have been incorporated in New Zealand.

The primary objective of Horowhenua District Council is to provide local infrastructure, local public service, and performs regulatory functions for the community for social benefit rather than making a financial return. Accordingly, Council has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of Horowhenua District Council are for the year ended 30 June 2017. The financial statements were authorised for issue by Council on 11 October 2017.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies which materially affect the measurement of results and financial position set out below have been applied consistently to all periods presented in these financial statements.

Statement of compliance

The financial statements of Horowhenua District Council have been prepared in accordance with the requirements of the Local Government Act 2002 and Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

These financial statements have been prepared in accordance with Tier 1 PBE accounting standards. Horowhenua District Council is a tier 1 reporting entity using the public sector PBE accounting standards, as it has expenses greater than \$30m, and is not publicly accountable.

These financial statements comply with PBE Standards.

Measurement base

The measurement base adopted is that of historical cost, modified by the revaluation of certain assets which have been measured at fair value.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars. The functional currency of Horowhenua District Council is New Zealand Dollars. All values are rounded to the nearest thousand dollars (\$000).

Standards issued and not yet effective and not early adopted

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 interests 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 these new standards.

Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 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 impairment losses.
- 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.

Other changes in accounting policies

There have been no other changes in accounting policies.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF CONSOLIDATION

The consolidated financial statements are prepared by adding together the items as assets, liabilities, equity revenue and expenses on a line-by-line basis. All intra-group balances, transactions, revenues and expenses are eliminated on consolidation.

Subsidiaries

Horowhenua District Council consolidates as 'subsidiaries', in the Group financial statements, all entities where Horowhenua District Council has the power to govern the financial and operating policies so as to obtain benefits from their activities. This power exists where Horowhenua District Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by Horowhenua District Council or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

Horowhenua District Council's investment in its subsidiary is carried at cost in the Horowhenua District Council's own 'parent entity' financial statements.

2. REVENUE

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

Rates revenue

The following policies for rates have been applied:

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

Development and financial contributions

Revenue from development and financial contributions is recognised at the later of the point 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.

Development contributions are disclosed separately.

Infringement fees revenue

Revenue from infringement fees and fines mostly relate to traffic and parking infringements and are recognised when tickets are issued. The Council recognises revenue at an amount based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2 year period.

Subsidised revenue

Council receives revenue from New Zealand Transport Agency, which subsidises part of the costs in maintaining the local roading infrastructure, is recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Grants revenue

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

Rendering of services revenue

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided, as a percentage of the total services to be provided.

Sale of goods revenue

Revenue from the sale of goods is recognised when a product is sold to the customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

Vesting of assets revenue

Revenue from vesting of physical assets is recognised for assets received for no or nominal consideration, the asset is recognised at 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 the Council expects it will need to return or pass the asset to another party.

Commission revenue

Commissions received or receivable that do not require the agent to render further service are recognised as revenue at the point of sale.

Interest and dividends revenue

Revenue from interest is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

Revenue from dividends is recognised when the right to receive payment has been established.

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.

Landfill fees

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

Lease revenue

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefits derived from the leased asset is diminished.

3. BORROWING COSTS

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

4. INCOME TAX

Income tax expense includes components relating to both current tax 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 for 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 statement of financial position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply, when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

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 profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

5. GRANT EXPENDITURE

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Council's decision. The Council's grants awarded have no substantive conditions attached.

6. LEASES

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, Horowhenua District Council recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether Horowhenua District Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Operating leases

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

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

8. TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially measured at face value less any provision for impairment.

9. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used to manage exposure to interest rate risks arising from the Council's financing activities. In accordance with its treasury policy, the Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The resulting gains or losses are recognised in the surplus or deficit as Council does not hedge accounts.

The portion of the fair value of an interest rate derivative that is expected to be realised within 12 months of balance date is classified as current, with the remaining portion of the derivative classified as non-current.

10. FINANCIAL ASSETS

Horowhenua District Council classifies its financial assets into four categories:

- fair value through surplus or deficit;
- held-to-maturity investments;
- loans and receivables; and
- financial assets at fair value through other comprehensive revenue and expense.

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

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which Horowhenua District Council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Horowhenua District Council has transferred substantially all the risks and rewards of ownership.

The categories of financial assets are:

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit taking. Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on remeasurement recognised in the surplus or deficit.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Horowhenua District Council has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised through surplus or deficit.

Loans and receivables

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

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised through surplus or deficit. Loans and receivables are classified as "trade and other receivables" in the statement of financial position.

Loans, including loans to community organisations made by Horowhenua District Council at nil or below-market interest rates, are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset or investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and the present value of expected future cash flows of the loan is recognised in the surplus or deficit as a grant.

Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense 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.

After initial recognition these investments are measured at their fair value.

Gains and losses are recognised directly in other comprehensive revenue and expense, except for impairment losses which are recognised in the surplus or deficit.

On de-recognition the cumulative gain or loss previously recognised in other comprehensive revenue and expense is recognised from equity to the surplus or deficit.

Financial assets in this category include investments Horowhenua District Council intends to hold long-term but which may be realised before maturity and shareholdings that Horowhenua District Council holds for strategic purposes.

Impairment of financial assets

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

Loans and other receivables and held-to-maturity investments

Impairment is established when there is objective evidence that the Council and Group will not be able to collect amounts due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government bonds and community loans are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through surplus or deficit.

11. NON-CURRENT ASSETS HELD FOR SALE

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

Any impairment losses for write-downs of non-current assets held for sale are recognised through surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses (net of depreciation) that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

12. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of:

Operational assets - These include land, buildings, library collections, plant and equipment and motor vehicles.

Restricted assets - Restricted assets are parks and reserves cemeteries and endowment properties owned by Horowhenua District 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 Horowhenua District Council. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

Land (operational and restricted) is measured at fair value, and buildings (operational and restricted), and infrastructural assets (except land under roads) are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Additions

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

In most instances, an item of property, plant and equipment is recognised at cost. Where an asset is acquired through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included through the surplus or deficit.

When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Subsequent costs

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

The costs of day to day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

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

	Useful Life	Depreciation Rate
Operational assets		
Land	N/A	N/A
Buildings:		
Structure	50 to 100 years	1% to 2%
Roofing	40 years	2.5%
Electricals	40 years	2.5%
Plant, equipment and vehicles	4 to 25 years	4% to 25%
Library assets	10 years	10%
Solid waste management:		
Building structure	50 to 100 years	1% to 2%
Building roofing	40 years	2.5%
Roading	50 years	2%
Cell site works and earthworks	33 years	3%
Cell lining, drainage and irrigation	33 years	3%
Cell electricals	10 years	10%
Restricted assets		
Land	N/A	N/A
Buildings:		
Structure	50 to 100 years	1% to 2%
Roofing	40 years	2.5%
Electricals	40 years	2.5%
Infrastructural assets		
Roading: (average lives and depreciation rates of major components)		
Land	N/A	N/A
Formation	N/A	N/A
Berms	110 years	0.91%
Surface water channels	90 years	1.1%
Bridges and culverts	40 to 100 years	1% to 2.5%
Drainage	88 years	1.13%
Sealed pavement	78 years	1.29%
Basecourse	60 years	1.66%
Footpaths - concrete	60 years	1.66%
Footpaths - metal	100 years	1.0%
Crossings	50 years	2.0%
Streetlights – poles	30 years	3.33%
Streetlights – lights	25 years	4.0%
Signage	12 years	8.33%
Surfacing	1 to 25 years	4% to 100%

Stormwater:		
Pump stations	60 years	1.67%
Manholes	60 years	1.67%
Sumps	60 years	1.67%
Pipes	30 to 80 years	1.25% to 3.33%
Pumps	10 years	10%
Water:		
Land	N/A	N/A
Buildings:		
Structure	50 to 100 years	1% to 2%
Roofing	40 years	2.5%
Electricals	40 years	2.5%
Treatment facilities	8 to 100 years	1% to 12.5%
Pipes	20 to 80 years	1.25% to 5%
Laterals	80 years	1.25%
Tobies	60 years	1.67%
Valves	60 years	1.67%
Hydrants	60 years	1.67%
Meters	20 years	5%
Sewer:		
Land	N/A	N/A
Buildings:		
Structure	25 to 70 years	4% to 1.43%
Roofing	40 years	2.5%
Electricals	40 years	2.5%
Treatment and disposal facilities	10 to 100 years	10% to 1%
Pipes	60 to 80 years	1.67% to 1.25%
Laterals	60 years	1.67%
Pump stations	60 years	1.67%
Manholes	60 years	1.67%
Pumps	10 years	10%

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year-end.

Te Horowhenua Trust depreciation is provided on a diminishing value bases on all property, plant and equipment at rates that will write off the cost of these assets to their estimated residual values over their useful lives.

Revaluation

Land and buildings (operational and restricted) and infrastructure assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

The carrying values of revalued assets are assessed annually to ensure that those values are not materially different from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Horowhenua District Council accounts for revaluations of property, plant and equipment on a 'class of asset' basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value is recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Those asset classes that are revalued are valued on a three yearly valuation cycle on the basis described below. All other asset classes are carried at cost less accumulated depreciation and impairment losses.

Operational land and buildings:

At "fair value" was determined from market-based evidence by an independent valuer. The most recent valuation was performed by B D Lavender (ANZIV, SNZPI) of Blackmore Associates and the valuation is effective as at 30 June 2017.

Restricted land and buildings: parks, cemeteries and endowment land:

At "fair value" was determined from market-based evidence by an independent valuer. The most recent valuation was performed by B D Lavender (ANZIV, SNZPI) of Blackmore Associates and the valuation is effective as at 30 June 2017.

Infrastructural asset classes: roads, water reticulation, sewerage reticulation and stormwater systems:

At "fair value" was determined on a depreciated replacement cost basis by Council staff. At balance date Horowhenua District Council assesses the carrying values of its infrastructural assets to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Valuations completed by:

The roading infrastructure, wastewater assets, water supply assets and stormwater assets were valued as at 1 July 2016 using unit rates reviewed by Robert Berghuis (NZCE, REA) of Beca and Harrison Grierson. The valuation calculations were performed by Council. Land and buildings associated with the water supply and wastewater activities was valued by B D Lavender (ANZIV, SNZPI) of Blackmore Associates and the valuation is effective as at 30 June 2017.

Land under the roads is no longer revalued; it is valued at deemed cost.

The landfill infrastructure was valued in two parts, both as at 30 June 2017. The land and buildings were valued by B D Lavender (ANZIV, SNZPI) of Blackmore Associates. The remainder of the asset was valued by Phil Landmark (BScEng (Civil) CP Eng) of MWH New Zealand Ltd, and reviewed by Brian Smith (BCom (Acc & Eco.), CA) of MWH New Zealand Limited.

13. INTANGIBLE ASSETS

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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

Costs that are directly associated with the development of software for internal use by Horowhenua District Council are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred. Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

Easements

Easements are recognised at cost, being the costs directly attributable in bringing the asset to its intended use. Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually.

Amortisation

Horowhenua District Council's carrying value of an intangible asset with a finite life is amortised on a 'straight-line' basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is de-recognised. The amortisation charge for each period is recognised through the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software: 10 years, 10%.

Te Horowhenua Trust's computer software licenses are amortised at 30% diminishing value including Koha software. Kete software is amortised at 60% diminishing value. Amortisation begins when the asset is available for use and ceases at the date that the asset is disposed of.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Kete Software – 4 years, 60%
Koha Software – 8 years, 30%
Other Software – 60% diminishing value

14. FORESTRY ASSETS

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs and silvicultural costs and takes into consideration environmental, operational and market restrictions.

Gains or losses arising on initial recognition of forestry assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised through surplus or deficit

The costs to maintain the forestry assets are included through surplus or deficit.

15. INVESTMENT PROPERTY

Properties leased to third parties under operating leases 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, Horowhenua District 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 through surplus or deficit.

16. IMPAIRMENT OF PROPERTY, PLANT, AND EQUIPMENT AND INTANGIBLE ASSETS

Intangible assets subsequently measured at cost that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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 an 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 through the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash generating assets

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

For non-cash generating assets, value in use is the depreciated replacement cost.

Value in use for cash generating assets

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

The value in use for cash-generating assets is the present value of expected future cash flows.

17. EMPLOYEE BENEFITS

Short-term benefits

Employee benefits that Horowhenua District Council expects to be settled within 12 months after the end of period in which the employee renders the related service are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months.

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

Long-term benefits

Entitlements that are payable beyond 12 months after the end of period in which the employee renders the related service, such as long service leave and retiring leave, have been calculated on an actuarial basis. The calculations are based on:

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

18. Superannuation schemes

Defined contribution schemes

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

Defined benefit schemes

Horowhenua District Council does not belong to any Defined Benefit Scheme.

19. CREDITORS AND OTHER PAYABLES

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

20. PROVISIONS

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

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

Financial guarantee contracts

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

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that Horowhenua District Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, liability is only recognised when it is probable there will be an outflow under the guarantee. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the higher of:

- the estimated amount determined if it is probable there will be an outflow to settle the guarantee; and
- the amount initially recognised less, when appropriate, cumulative amortisation as revenue.

21. BORROWINGS

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

Borrowings due to be settled within 12 months of balance date are treated as current liabilities. All other borrowing is classified as term liabilities.

22. EQUITY

Equity is the community's interest in Horowhenua District Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- retained earnings;
- asset revaluation reserves; and
- other reserves.

Restricted reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Horowhenua District Council. The details of the reserve funds are on pages 19 to 22.

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

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

Asset revaluation reserves

This reserve relates to the revaluation of property, plant and equipment to fair value.

23. GOODS AND SERVICES TAX

All items in the financial statements are stated exclusive of GST, except for receivables and payables which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

24. BUDGET FIGURES

The budget figures are those approved by the Council in its 2016/17 annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Horowhenua District Council for the preparation of the financial statements.

25. COST ALLOCATION

Horowhenua District Council has derived the cost of service for each significant activity of Horowhenua District Council using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs which cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as costs and revenues, actual usage, staff numbers and floor area.

26. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements Horowhenua District Council has 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 or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Landfill aftercare provision

Note 17, discloses an analysis of the exposure of Horowhenua District Council in relation to the estimates and uncertainties surrounding the landfill aftercare provision.

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost (DRC) 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 assets that 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;
- 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 Horowhenua District Council could be over or under estimating the annual depreciation charge recognised as an expense through surplus or deficit. To minimise this risk Horowhenua District 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 the Horowhenua District Council's asset management planning activities, which gives Horowhenua District Council further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

Refer to Note 11 for the carrying value of these assets.

27. Critical judgements in applying accounting policies

Classification of property

Horowhenua District Council owns a number of properties to provide housing to pensioners. The move towards market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the Horowhenua District Council's social housing policy. These properties are accounted for as property, plant and equipment.

Draft