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FINANCIALS

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FINANCIAL STATEMENTS

FORECAST STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

A forecast for the 10 years ending 30 June 2031

	Annual Plan 2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Revenue											
Rates	38,032	42,435	44,592	48,923	51,208	54,118	55,645	58,015	60,503	63,889	66,419
Subsidies and grants	7,246	8,651	6,518	6,674	6,840	7,129	7,992	7,380	7,582	7,791	7,861
Fees and charges	7,916	8,105	8,353	7,693	7,917	8,120	8,328	8,541	8,776	9,017	9,252
Development and financial contributions	332	1,625	1,617	1,683	1,840	1,925	1,919	1,823	1,698	1,568	1,475
Interest revenue	1,425	79	81	83	85	87	90	92	94	97	100
Other revenue	491	485	499	511	524	538	551	565	581	597	612
Total revenue	**55,442**	**61,380**	**61,660**	**65,567**	**68,414**	**71,917**	**74,525**	**76,416**	**79,234**	**82,959**	**85,719**
Expenses											
Personal costs	17,726	18,871	19,854	20,359	20,867	21,409	21,953	22,514	23,132	23,768	24,387
Depreciation and amotisation expense	14,671	15,341	15,961	16,779	17,824	18,966	19,941	21,066	22,144	23,403	24,291
Finance costs	1,184	1,088	1,205	1,405	1,626	1,860	1,960	2,013	2,147	2,248	2,288
Other expenses	20,727	23,504	23,255	25,605	26,517	27,935	28,577	29,609	30,713	32,613	33,908
Total expenses	**54,308**	**58,804**	**60,275**	**64,148**	**66,834**	**70,170**	**72,431**	**75,202**	**78,136**	**82,032**	**84,874**
Surplus/(deficit)	**1,134**	**2,576**	**1,385**	**1,419**	**1,580**	**1,747**	**2,094**	**1,214**	**1,098**	**927**	**845**
Other comprehensive revenue and expense											
Financial assets at fair value through other comprehensive revenue and expense	-	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	12,611	21,516	17,044	22,209	16,573	18,205	30,558	19,836	22,278	37,956	19,417
Total other comprenhensive revenue and expense	**12,611**	**21,516**	**17,044**	**22,209**	**16,573**	**18,205**	**30,558**	**19,836**	**22,278**	**37,956**	**19,417**
Total comprehensive revenue and expense	**13,745**	**24,092**	**18,429**	**23,628**	**18,153**	**19,952**	**32,652**	**21,050**	**23,376**	**38,883**	**20,262**

FORECAST STATEMENT OF FINANCIAL POSITION

A forecast as at 30 June for the 10 years to 2031

	Annual Plan 2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Current assets											
Cash and cash equilvalents	618	615	609	603	595	583	568	551	532	510	483
Receivables	1,851	2,306	2,228	2,840	2,592	2,081	1,902	1,746	1,466	1,005	1,064
Prepayments	400	-	-	-	-	-	-	-	-	-	-
Inventory	650	650	669	686	703	721	740	759	779	801	822
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
Other financial assets	8,236	10,361	10,620	11,153	11,429	11,783	11,964	12,251	12,551	12,963	13,268
Total current assets	**11,755**	**13,932**	**14,126**	**15,282**	**15,319**	**15,168**	**15,174**	**15,307**	**15,328**	**15,279**	**15,637**
Non-current assets											
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
Investments in CCOs and other similar entities	15,692	17,198	17,198	17,198	17,198	17,198	17,198	17,198	17,198	17,198	17,198
Other financial assets	-	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	691,296	734,668	761,701	803,497	837,372	867,519	907,390	934,933	961,629	999,452	1,019,914
Intagible assets	760	613	581	558	562	454	488	474	574	583	519
Total non-current assets	**707,748**	**752,479**	**779,480**	**821,253**	**855,132**	**885,171**	**925,076**	**952,605**	**979,401**	**1,017,233**	**1,037,631**
Total assets	**719,503**	**766,411**	**793,606**	**836,535**	**870,451**	**900,339**	**940,250**	**967,912**	**994,729**	**1,032,512**	**1,053,268**
Liabilities											
Current liabilities											
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
Payables and deferred revenue	9,385	5,681	5,835	6,959	6,994	6,815	6,796	6,889	6,868	6,805	7,133
Employee entitlements	1,874	2,125	2,187	2,243	2,298	2,358	2,418	2,480	2,548	2,618	2,686
Borrowings	-	4,000	7,000	6,500	6,500	2,500	-	-	1,074	-	-
Provisions	120	55	54	78	51	50	35	35	59	33	32
Total current liabilities	**11,379**	**11,861**	**15,076**	**15,780**	**15,843**	**11,723**	**9,249**	**9,404**	**10,549**	**9,456**	**9,851**
Non current liabilities											
Derivative financial instruments	2,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Employee entitlements	365	375	386	396	406	416	427	438	450	462	474
Borrowings	40,524	36,351	41,917	60,556	76,273	90,348	100,087	106,550	108,877	108,877	108,984
Provisions	351	385	359	307	280	251	234	217	174	155	135
Total non-current liabilities	**43,240**	**40,111**	**45,662**	**64,259**	**79,959**	**94,015**	**103,748**	**110,205**	**112,501**	**112,494**	**112,593**
Net assets	**664,884**	**714,439**	**732,868**	**756,496**	**774,649**	**794,601**	**827,253**	**848,303**	**871,679**	**910,562**	**930,824**
Equity											
Accumulated funds	433,459	459,286	459,733	459,536	460,653	460,625	456,708	450,487	443,619	436,560	428,402
Other reserves	231,425	255,153	273,135	296,960	313,996	333,976	370,545	397,816	428,060	474,002	502,422
Total equity	**664,884**	**714,439**	**732,868**	**756,496**	**774,649**	**794,601**	**827,253**	**848,303**	**871,679**	**910,562**	**930,824**

FORECAST STATEMENT OF CHANGES IN EQUITY

A forecast as at 30 June for the 10 years to 2031

	Annual Plan 2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Balance at 1 July	**651,139**	**690,347**	**714,439**	**732,868**	**756,496**	**774,649**	**794,601**	**827,253**	**848,303**	**871,679**	**910,562**
Total comprehensive revenue and expense for the year	13,745	24,092	18,429	23,628	18,153	19,952	32,652	21,050	23,376	38,883	20,262
Balance at 30 June	**664,884**	**714,439**	**732,868**	**756,496**	**774,649**	**794,601**	**827,253**	**848,303**	**871,679**	**910,562**	**930,824**

FORECAST STATEMENT OF CASHFLOW

A forecast as at 30 June for the 10 years to 2031

	Annual Plan 2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Cashflow from operating activities											
Rates revenue received	38,032	42,435	44,592	48,923	51,208	54,118	55,645	58,015	60,503	63,889	66,419
Subsidies and grants received	7,246	8,651	6,518	6,674	6,840	7,129	7,992	7,380	7,582	7,791	7,861
Fees and charges received	7,916	8,105	8,353	7,693	7,917	8,120	8,328	8,541	8,776	9,017	9,252
Interest received	332	79	81	83	85	87	90	92	94	97	100
Development and financial contributions received	1,425	1,625	1,617	1,683	1,840	1,925	1,919	1,823	1,698	1,568	1,475
Other revenue received	291	285	293	300	308	316	323	332	341	351	359
GST (net)	-	-	-	-	-	-	-	-	-	-	-
Payments to suppliers	(20,727)	(23,504)	(23,255)	(25,605)	(26,517)	(27,935)	(28,577)	(29,609)	(30,713)	(32,613)	(33,908)
Payments to employees	(17,726)	(18,871)	(19,854)	(20,359)	(20,867)	(21,409)	(21,953)	(22,514)	(23,132)	(23,768)	(24,387)
Interest paid	(1,184)	(1,088)	(1,205)	(1,405)	(1,626)	(1,860)	(1,960)	(2,013)	(2,147)	(2,248)	(2,288)
Net cashflow from operating activities	**15,605**	**17,717**	**17,140**	**17,987**	**19,188**	**20,491**	**21,807**	**22,047**	**23,002**	**24,084**	**24,883**
Cashflow from investing activities											
Repayment of loans and advances	-	-	-	-	-	-	-	-	-	-	-
Sale of assets	-	-	-	-	-	-	-	-	-	-	-
Proceeds from sale/maturity of investments	1,300	-	-	-	-	-	-	-	-	-	-
Purchase of property, plant and equipment	(31,626)	(24,609)	(25,565)	(35,961)	(34,697)	(30,448)	(28,875)	(28,378)	(26,164)	(22,832)	(24,888)
Purchase of intagible assets	(230)	(103)	(147)	(171)	(216)	(130)	(185)	(149)	(258)	(200)	(130)
Acquisition of investments	-	-	-	-	-	-	-	-	-	-	-
Net cashflow from investing activities	**(30,556)**	**(24,712)**	**(25,712)**	**(36,132)**	**(34,913)**	**(30,578)**	**(29,060)**	**(28,527)**	**(26,422)**	**(23,032)**	**(25,018)**
Cashflow from financing activities											
Proceeds from borrowings	14,289	6,992	12,566	25,139	22,217	16,575	9,738	6,463	3,401	-	108
Repayment of borrowings	-	-	(4,000)	(7,000)	(6,500)	(6,500)	(2,500)	-	-	(1,074)	-
Net cashflow from financing activities	**14,289**	**6,992**	**8,566**	**18,139**	**15,717**	**10,075**	**7,238**	**6,463**	**3,401**	**(1,074)**	**108**
Net increase/(decrease) in cash and cash equivalents	**(662)**	**(3)**	**(6)**	**(6)**	**(8)**	**(12)**	**(15)**	**(17)**	**(19)**	**(22)**	**(27)**
Opening cash and cash equivalents	1,280	618	615	609	603	595	583	568	551	532	510
Closing cash and cash equivalents	**618**	**615**	**609**	**603**	**595**	**583**	**568**	**551**	**532**	**510**	**483**

STATEMENT OF ACCOUNTING POLICIES

Reporting entity

Matamata-Piako District Council (the Council) is a local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Council provides local infrastructure, local public services, and performs regulatory functions to the community. Council has designated itself as a Public Benefit Entity (PBE) for financial reporting purposes.

The financial information contained within these documents is prospective financial information in terms of Financial Reporting Standard 42 Prospective Financial Statements (PBE). The purpose for which this has been prepared is to enable the public to participate in decision making processes as to the services to be provided by the Council over the next ten financial years, and to provide a broad accountability mechanism of the Council to the community. The financial information in the LTP may not be appropriate for purposes other than those described.

The forecast financial statements of the Council are for the ten years ended 30 June 2031. The forecast financial statements were authorised for issue as part of the LTP by Council on 30 June 2021. Council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

Basis of preperation

The forecast financial statements have been prepared on the going concern basis and the accounting policies have been applied consistently to all periods presented in these forecast financial statements.

Statement of compliance

The forecast financial statements have been prepared in accordance with the requirements of the LGA, and the 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 forecast financial statements have been prepared in accordance with and comply with PBE Standards.

Presentation currency and rounding

The forecast financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

Opening balances

The forecast financial statements have been prepared based on expected opening balances for the year ended 30 June 2021. Estimates have been restated accordingly if required.

A cautionary note

The information in the forecast financial statements is uncertain and the preparation requires the exercising of judgement. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be material. Events and circumstances may not occur as expected or may not have been predicted or we may subsequently take actions that differ from the proposed courses of action on which the forecast financial statements are based. The information contained within these forecast financial statements may not be suitable for use in another capacity.

Revenue

Revenue is measured at fair value.
The specific accounting policies for significant revenue items are explained below:

• 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 as it is invoiced.
- Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

• Waka Kotahi (NZTA) roading subsidies

The Council receives funding assistance from the Waka Kotahi (NZTA), which subsidies part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

• Other grants received

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.

• Fees and Charges

Fees and charges are recognised as revenue when the obligation to pay arises or, in the case of license fees, upon renewal of the license.

• Private works

The revenue from private works is recognised as revenue by reference to the stage of completion of the work at balance date.

• Building and resource consent revenue

Fees and charges for building and resource consent services are recognised when received or invoiced.

• Infringement fees and fines

Infringement fees and fines related to animal control are recognised when the payment of the fee or fine is received.

• Lease and rental revenue

Lease and rental revenue arising on property owned by us is accounted for on a straight line basis over the lease term.

• Development and financial contributions

Development and financial contributions are recognised as revenue when the 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 the Council provides, or is able to provide, the service.

• Vested or donated physical assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when the 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. An exception to this is land under roads which is valued using the average land values for the urban and rural areas of the whole district as at 1 July 2001. For long-lived assets that must be used for a specific use (for example, land that 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 that it will need to return or pass the asset to another party.

• Found assets

Found asset revenue recognises the value of assets that we own, or where we have full control and management of the asset (and that asset is not recorded as such by any other entity), and these assets have not been previously accounted for. These assets are recognised at their fair value from the time that they are identified.

• Donated and bequeathed financial assets

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

• Interest and dividends

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

Borrowing costs

Finance/borrowing costs are recognised as an expense in the financial year in which they are incurred.

Grant expenditure

The Council's grants awarded have no substantive conditions attached. 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 the Council have no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant.

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.

Cash and cash equivalents

Cash and cash equivalents include cash on 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.

Receivables

Short-term receivables are recorded at the amount due, less any provision for uncollectability. A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

Inventory

Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- Commercial: measured at the lower of cost and net realisable value.
- Non-commercial: measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first-in-first-out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first. Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition. Any write down from cost to net realisable value or for the loss of service potential is recognised in the surplus or deficit in the year of the write-down.

When land held for development and future resale is transferred from property, plant and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost. Costs directly attributable to the developed land are capitalised to inventory with the exception of infrastructural asset costs, which are capitalised to property, plant and equipment.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs are recognised in the surplus or deficit. Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised. Non-current assets are not depreciated or amortised while they are classified as held for sale (including those that are part of a disposal group).

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 policies, 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 at their fair value at each balance date. The associated gains or losses are recognised in the surplus or deficit. The fair value of the derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise derivatives are classified as non-current.

Other financial assets

Financial assets are initially recognised 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.

Term deposits, and community and other loans (loans and receivables)

Loans made 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 financial instrument. For loans to community organsiations, the difference between the loan amount and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant expense.

After initial recognition, term deposits and community and other loans are measured at amortised cost using the effective interest method. Where applicable, interest accrued is added to the investment balance.

At year-end, the assets are assessed for indicators of impairment. Impairment is established when there is evidence that the Council will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, receivership or liquidation and default in payments are indicators that the asset is impaired.

If assets are impaired, the amount not expected to be collected is recognised in the surplus or deficit.

Investments in Council Controlled Organisations and other entities (fair value through other comprehensive revenue and expense)

Shares in Council Controlled Organisations and other entities are designated at fair value through other comprehensive revenue and expense.

After initial recognition, the shares are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

For shares, a significant or prolonged decline in the fair value of the shares below its cost is considered to be objective evidence of impairment. If impairment evidence exists, the cumulative loss recognised in other comprehensive revenue and expense is transferred to the surplus or deficit. Impairment losses on shares recognised in the surplus or deficit are not reversed through the surplus or deficit.

Property, plant and equipment

Property, plant and equipment consist of:

- Operational assets - These include land, buildings, plant and machinery, furniture and equipment, computer equipment, and library collections.
- Restricted assets – Restricted assets are mainly parks and reserves owned by the Council that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- Infrastructure assets – Infrastructure assets are the fixed utility systems owned by the Council. Each asset class includes all items that are required for the network to function. For example, wastewater reticulation includes reticulation piping and wastewater 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.

Revaluations

Land and buildings (operational and restricted), and infrastructural 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.

Revaluation movements are accounted for 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 would result 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 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.

Additions

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated. In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at fair value as at the date of acquisition.

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 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.

Disposals

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

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment (other than land and the library collection), at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The library collection is depreciated on a diminishing value basis.

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

Operational assets	Useful Life	Depreciation rate
Buildings	2 to 100 years	1% - 50%
Restricted assets (buildings)	2 to 100 years	1% - 50%
Plant and machinery	2 to 15 years	6% - 50%
Furniture and equipment	2 to 20 years	5% - 50%
Computer equipment	3 to 10 years	10% - 33%
Server hard drives	1 year	100%
Library collection	2 to 9 years	11% - 50%
Infrastructural assets		
Road network		
Street lighting	10-25 years	4% - 10%
Formation carriageway	100 years	1%
Pavement surfacing	5 to 50 years	2% - 20%
Pavement structure	60 to 90 years	1% - 2%
Footpaths	5 to 50 years	2% - 20%
Drainage	60 to 80 years	1% - 2%
Bridges	60 to 90 years	1% - 2%
All other	1 to 70 years	1%- 100%
Utility assets		
Buildings	2 to 100 years	1% - 50%
Wastewater mains	50 to 100 years	1% - 2%
Wastewater other	80 to 100 years	1% - 2%
Wastewater pump station equipment	1 to 120 years	1% - 100%
Wastewater service lines	50 to 100 years	1% - 2%
Water mains	40 to 88 years	1% - 3%
Water valves	35 to 80 years	1% - 3%
Water hydrants	80 years	1%
Water nodes	80 years	1%
Water pump station equipment	3 to 100 years	1% - 33%
Water service lines	40 to 88 years	1% - 3%
Stormwater mains	51 to 100 years	1% - 2%
Stormwater manholes	100 years	1%
Stormwater pumps	15 years	7%
Stormwater service lines	60 to 100 years	1% - 2%
Swale drains	Indefinite	0%

The residual value and useful life of an asset is reviewed and adjusted if applicable, at each balance date.

Impairment of non-financial assets

Property, plant and equipment that have a finite useful life are reviewed for impairment at each balance date and 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 its 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.

For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

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

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

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

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.

Intangible assets

Computer software
Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with staff training and maintaining computer software are recognised as an expense when incurred.

Amortisation
The 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 derecognised. The amortisation charge for each period is recognised in the surplus or deficit. Computer software is estimated to have a useful life of 1 to 15 years and is amortised at a rate of 6.67% to 100%.

Impairment
Refer to the policy for impairment of property, plant and equipment. The same approach applies to the impairment of intangible assets.

Payables and deferred revenue

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

Borrowings

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and recognised in accrued expenses. Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Employee entitlements

Short term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured 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, and sick leave.

Long term employee entitlements

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

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

Presentation of employee entitlements

Sick leave, annual leave, long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liabilities. All other employee entitlements are classified as a non-current liabilities.

Defined contribution superannuation scheme

Employer contributions to Kiwisaver, the Government Superannuation Fund, are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

Provisions

A provision is recognised 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 an outflow of future economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a 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 and is included in 'finance costs'.

Equity

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

- Accumulated funds
- Other reserves - other 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 Council.

Other reserves include:

Council created reserves - reserves established by Council decision. Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at Council's discretion.

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

Asset revaluation reserves - represent unrealised gains on assets owned by Council. The gains are held in the reserve until such time as the gain is realised and a transfer can be made to retained earnings.

Fair value through other comprehensive revenue and expense reserve – this reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

Goods and service tax (GST)

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 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.

Foreign currency transactions

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into NZ$ (the functional currency) using the spot exchange rate at the dates of the transactions.

Foreign exchange gains and losses resulting for the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

Cost allocation

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 actual usage, staff numbers and floor area. The allocation of indirect costs to the activities of Council has also been benchmarked against neighbouring local authorities for moderation.

Critical accounting estimates and assumptions

In preparing these forecast financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions 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 period of the LTP follows.

Infrastructural assets

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

The physical deterioration and condition of an asset, for example we could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by us 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 we could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense.

To minimise this risk, our infrastructural assets useful lives have been determined with reference to the New Zealand 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 our asset management planning activities, which gives us further assurance over its useful life estimates. Experienced independent valuers perform or undertake a peer review of our infrastructural asset revaluations.

Provisions for landfill aftercare and Tui Mine site monitoring

The cash outflows for landfill after care and site monitoring costs are expected to occur over 25 years or more. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provisions have been estimated taking into account existing technology and discounted using a discount rate of 6%.

The following assumptions have been made in the calculation of the provisions: obligations for the work are for the period of the resource consents for these sites. Costs have been estimated based on best information and technology known at this point.

Critical judgments in applying accounting policies

Management has exercised the following critical judgments in applying accounting policies:

Classification of property

We own a number of properties held to provide housing to elderly persons. The receipt of rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of our social housing policy. The properties are therefore accounted for as property, plant and equipment.

Waikato Regional Airport Limited

As an increasing portion of Waikato Regional Airport Limited's (WRAL's) balance sheet is carried at fair value, Council are able to reliably measure its investment in WRAL at fair value using the net asset backing of the company.

OTHER LEGISLATIVE DISCLOSURES

BALANCING THE BUDGET

The statement of comprehensive revenue and expense indicates that there will be a surplus in each of the 10 years of the plan.
The main reasons for these surpluses are:

- Assets that are vested to us from developers through the subdivision process, and external revenue received for capital projects.
- Interest earned on reserve funds that we allocate to these reserves to be used for a specified purpose in the future.
- We have used part of the Power New Zealand investment as a source of internal borrowing to activities. Some of the loans will be repaid during the 10 year period. As the loans are internal loans, the repayments are treated as reserve transfers.
- Development contributions which fund capital expenditure are shown in the statement of comprehensive revenue and expense but the capital expenditure is not.

These surpluses are partially offset by our decisions to:

- Not fully fund depreciation on some activities and/or assets.
- Ring-fence the financial performance for some activities (i.e. activities that are expected to be self-funding).

These activities are listed as follows:

Self funding activities - Housing and rural halls

Council considers that elderly person housing, owner-occupier housing and rural halls should be ring-fenced operations. In other words the cost of the activities should be funded from income from those activities. In the case of rural halls this includes Targeted Rates over the hall rating areas.

Any surplus or deficit is held against the activities and recovered or used in future years.
We can reduce costs or increase charges to ensure the balance does not become unmanageable. For example, we review the financial position and rental/charges with elderly persons housing tenants and owner-occupier owners annually.

The projected annual deficit for self-funding activities is in the following tables:

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Housing										
Annual deficit for self funding housing	98	93	128	129	162	186	169	155	190	173

Non-funded depreciation

Halls

Rural halls operate on the basis that funding is provided from the local communities through Targeted Rates or hall hire revenue. The halls were built by these communities from locally raised funds. We are comfortable allowing those communities to decide if the halls are to be maintained and/or replaced in the future. For this reason we have decided that we will not fund depreciation for halls. The table below lists the annual deficit arising from non-funded depreciation on halls:

Annual deficit from non-funded depreciation on halls	221	227	233	239	245	251	258	265	272	279

Community buildings and other assets

There are a number of situations where community groups have built, moved buildings on to our land or constructed stock underpasses under our local roads. We are comfortable with the situation but we have decided we will not fund the depreciation on the assets and will leave the users of these facilities to determine how major upgrades or replacement may be funded in future. We also own buildings that are considered to be redundant/non-essential to the delivery of agreed levels of service. The table below lists the annual deficit arising from non-funded depreciation:

Annual deficit from non-funded depreciation on community buildings	54	55	57	58	60	61	63	65	66	68
Annual deficit from non-funded depreciation on stock underpasses	31	32	32	33	34	35	36	37	38	39

Other considerations

We must give consideration to four areas when choosing not to set a balanced budget:

Levels of service

We believe that desired levels of service will be maintained over the 10 years.

Funding

We believe that the projected funding for these services is appropriate and prudent.

Intergenerational equity

Council believes that the intergenerational equity is achieved by ensuring that:

- The current generation does not fund replacement of assets that are not considered essential to the desired levels of service.
- That the groups using these assets will fund upgrades or replacement if and when they may consider it is necessary.

Consistency with revenue and financing policies

Our approach is consistent with the Revenue and Financing Policy.

Forecast depreciation and amortisation expense by group of activity

	Annual Plan 2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)	($000)
Directly attributable depreciation and amortisation expense by group of activity											
Community facilities	2,527	2,822	2,884	3,109	3,536	3,795	4,191	4,473	4,675	5,066	5,440
Roading	5,803	6,143	6,367	6,594	6,790	7,004	7,224	7,492	7,739	7,986	8,226
Rubbish and recycling	31	33	33	146	246	296	306	313	320	331	339
Stormwater	723	802	833	870	900	926	952	979	1,009	1,040	1,070
Wastewater	2,803	2,576	2,745	2,847	2,941	3,094	3,279	3,717	4,194	4,656	4,778
Water	1,793	1,959	2,064	2,150	2,323	2,734	2,843	2,918	3,000	3,084	3,166
Strategy and engagement	3	1	1	1	1	1	1	1	1	1	1
Consent and licensing	8	8	8	9	9	9	9	10	10	10	10
Depreciation and amortisation not directly related to groups of activities	980	997	1,026	1,053	1,078	1,107	1,136	1,163	1,196	1,229	1,261
Total depreciation and amortisation expense	**14,671**	**15,341**	**15,961**	**16,779**	**17,824**	**18,966**	**19,941**	**21,066**	**22,144**	**23,403**	**24,291**

Reserve funds

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

Council created reserves are established by Council decision. We may alter them without reference to any third party or the Court. Transfers to and from these reserves are at our discreation. Asset revaluation reserves represent unrealised gains on assets owned by us. The gains are held in the reserve until such time as the gain is realised and a transfer can be made to retained earnings. Details of specific reserve funds held by us are as follows:

Reserve funds	Purpose	Activities related to	Forecast balance 1 July 2021	Transfers in	Funds will come from	Trasnfers out	Funds will be applied to	Forecast balance 30 June 2031
Council created reserves								
Community purposes reserve	Funds received and set aside for use on community facilities or for community purposes eg grants.	All Council activities	3,013	-	No additional funding anticipated for this LTP	(1,583)	To cover district plan change costs	1,430
COVID-19 recovery reserve	Funds set aside to aid in the economic recovery of the district or to support hardship of qualifying community groups following the impact of COVID-19.	All Council activities	700	-	No additional funding anticipated for this LTP	-	No expenditure anticipated for this LTP	700
Power New Zealand reserve fund	Funds recevied and set aside on behalf of the community from the dissolution of the local power board co-operative in 1998. The fund is utilised for internal borrowing or external investment, with returns used to subsidise rates.	All Council activities	23,795	4,335	External interest from the invested portion of the fund and internal interest from the internally borrowed porting of the fund	(4,335)	Subsidy of rates	23,795
Wastewater capital contribution reserve	Capital contribution funds recevied from industry and set aside to offset future deprecation.	Wastewater	1,778	1,821	Annual targeted rates charged to Fonterra and Greenleas Morrinsville	(1,190)	Subsidy of rates	2,409
Depreciation reserves	Funds set aside for the replacement of assets and used to fund internal borrowing.	All Council activities	15,319	192,281	Depreciation funding	(148,725)	Replacement of assets	58,875
Stormwater improvement reserve	Funds set aside to fund stormwater projects	Stormwater	217	500	Targeted rates funding	-	No expenditure anticipated for this LTP	717
Te Aroha Wastewater de-sludging project	Funds set aside for the desludging of the Te Aroha wastewater ponds.	Wastewater	399	-	No additional funding anticipated for this LTP	-	No expenditure anticipated for this LTP	399
Total Council created reserves			**45,221**	**198,937**		**(155,833)**		**88,325**

Restricted reserves								
Endowment land sales reserve	Funds set aside in respect of the sale of endownment land in Te Aroha. The proceeds must be used for the provision or improvement of services and public amenities for the benefit of the inhabitants of Te Aroha.	Community facilities	110	-	No additional funding anticipated for this LTP	-	No expenditure anticipated for this LTP	110
Reserves Development	Funds set aside from reserves contributions to be used for parks and reserves.	Development of parks and reserves	224	609	Financial contribution	-	No expenditure anticipated for this LTP	833
Bequests & trust funds	Funds set aside to be used for the nominated purpose of the bequest or trust fund.	Nominated purposes	26	-	No additional funding anticipated for this LTP	-	No expenditure anticipated for this LTP	26
Waste minimisation	Funds set aside for the purpose of initiatives encouraging the minimisation of waste	Nominated purposes	139	1,466	Government funding of waste minimisation	(1,466)	Apply funding of waste minimisation programe	139
Total restricted reserves			**499**	**2,075**		**(1,466)**		**1,108**
Asset revaluation reserves	Surpluses from the revaluation of property, plant and equipment	All Council activities	173,067	225,592	Assets revaluation	-	-	398,659
Fair value through other comprehensive revenue and expense reserve	Net change in fair value of financial assets.	All Council activities	14,330	-	Financial asset revaluations	-	-	14,330

Reconciliation between the funding impact statement and statement of comprehensive revenue and expense

The funding impact statement is prepared in compliance with the requirements of clause 15, part 1, schedule 10 of the Local Government Act 2002. Unlike the statement of comprehensive revenue and expense, the funding impact statement is not compliant with generally accepted accounting standards (GAAP). The funding impact statement is intended to show in a transparent manner, how all sources of funding received by us are applied. It does not include “non-cash” that is classified as income on the statement of comprehensive revenue and expense (as required by GAAP) such as assets that are vested to us through the subdivision process, or unrealised gains on assets. The statement of comprehensive revenue and expense also requires “non-cash” expenses such as depreciation, amortisation, and unrealised losses of assets to be reflected, whereas these are excluded from the funding impact statement. The reconciliation below identifies the differences between these two statements.

	Annual Plan 2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	($000)	**($000)**	**($000)**	**($000)**	**($000)**	**($000)**	**($000)**	**($000)**	**($000)**	**($000)**	**($000)**
Funding sources as shown in the overall Council funding impact statement											
Total operating funding	49,011	55,464	56,695	60,408	62,776	66,096	68,613	70,496	73,327	77,067	79,807
Total capital funding	20,112	12,497	13,107	22,861	20,908	15,439	12,684	11,903	8,813	4,312	5,500
Less capital movement											
Increase/(decrease) in debt	14,289	6,993	8,566	18,139	15,716	10,075	7,239	6,464	3,400	(1,074)	108
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Add non-funded income											
Vested assets	200	200	206	211	216	222	228	233	240	246	253
Other gains	-	-	-	-	-	-	-	-	-	-	-
Income from support activities	408	212	218	226	230	235	239	248	254	260	267
Total funding sources	**55,442**	**61,380**	**61,660**	**65,567**	**68,414**	**71,917**	**74,525**	**76,416**	**79,234**	**82,959**	**85,719**
Total income as shown in the statement of comprehensive revenue and expense	**55,442**	**61,380**	**61,660**	**65,567**	**68,414**	**71,917**	**74,525**	**76,416**	**79,234**	**82,959**	**85,719**
Application of funding as shown in the overall Council funding impact statement											
Total applications of operating funding	39,229	43,251	44,096	47,143	48,780	50,969	52,251	53,888	55,738	58,369	60,316
Total applications of capital funding	29,894	24,710	25,706	36,126	34,904	30,566	29,046	28,511	26,402	23,010	24,991
Less capital movements											
Capital expenditure	31,856	24,711	25,710	36,134	34,914	30,579	29,061	28,526	26,422	23,033	25,019
Increase/(decrease) in reserves	(1,962)	(1)	(4)	(8)	(10)	(13)	(15)	(15)	(20)	(23)	(28)
Increase/(decrease) in investments	-	-	-	-	-	-	-	-	-	-	-
Add non-funded expenditure											
Depreciation and amortisation	14,671	15,341	15,961	16,779	17,824	18,966	19,941	21,066	22,144	23,403	24,291
Other losses	-	-	-	-	-	-	-	-	-	-	-
Expenses from support activities	408	212	218	226	230	235	239	248	254	260	267
Total funding application	**54,308**	**58,804**	**60,275**	**64,148**	**66,834**	**70,170**	**72,431**	**75,202**	**78,136**	**82,032**	**84,874**
Total expenditure as shown in the statement of comprehensive revenue and expense	**54,308**	**58,804**	**60,275**	**64,148**	**66,834**	**70,170**	**72,431**	**75,202**	**78,136**	**82,032**	**84,874**

FUNDING IMPACT STATEMENT

Funding impact statement for 1 July 2021 to 30 June 2031 for whole of Council

	Annual Plan 2020/21 ($000)	2021/22 ($000)	2022/23 ($000)	2023/24 ($000)	2024/25 ($000)	2025/26 ($000)	2026/27 ($000)	2027/28 ($000)	2028/29 ($000)	2029/30 ($000)	2030/31 ($000)
Sources of operating funding											
General rates, uniform annual general charges, rates penalties	24,445	27,413	28,678	30,766	32,203	33,505	34,853	35,978	37,394	38,781	40,398
Targeted rates	13,586	15,022	15,914	18,157	19,005	20,613	20,792	22,037	23,109	25,108	26,021
Subsidies and grants for operating purposes	2,849	4,772	3,594	3,635	3,488	3,690	4,466	3,764	3,867	3,973	3,944
Fees and charges	7,583	7,892	8,134	7,465	7,685	7,884	8,087	8,291	8,520	8,756	8,983
Interest and dividents from investments	257	79	81	83	85	87	90	92	94	97	100
Local authorities fuel tax, fines, infringement fees and other receipts	291	286	294	302	310	317	325	334	343	352	361
Total operating funding (A)	**49,011**	**55,464**	**56,695**	**60,408**	**62,776**	**66,096**	**68,613**	**70,496**	**73,327**	**77,067**	**79,807**
Applications of operating funding											
Payments to staff and suppliers	38,045	42,163	42,891	45,738	47,154	49,109	50,291	51,875	53,591	56,121	58,028
Finance costs	1,184	1,088	1,205	1,405	1,626	1,860	1,960	2,013	2,147	2,248	2,288
Other operating funding applications	-	-	-	-	-	-	-	-	-	-	-
Total applications of operating funding (B)	**39,229**	**43,251**	**44,096**	**47,143**	**48,780**	**50,969**	**52,251**	**53,888**	**55,738**	**58,369**	**60,316**
Surplus/(deficit) of operating funding (A-B)	**9,782**	**12,213**	**12,599**	**13,265**	**13,996**	**15,127**	**16,362**	**16,608**	**17,589**	**18,698**	**19,491**
Sources of capital funding											
Subsidies and grants for capital expenditure	4,398	3,879	2,924	3,039	3,352	3,439	3,526	3,616	3,715	3,818	3,917
Development and financial contributions	1,425	1,625	1,617	1,683	1,840	1,925	1,919	1,823	1,698	1,568	1,475
Increase/(decrease) in debt	14,289	6,993	8,566	18,139	15,716	10,075	7,239	6,464	3,400	(1,074)	108
Gross proceeds from sale of assets	-	-	-	-	-	-	-	-	-	-	-
Lump sum contributions	-	-	-	-	-	-	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-	-	-	-	-
Total sources of capital funding (C)	**20,112**	**12,497**	**13,107**	**22,861**	**20,908**	**15,439**	**12,684**	**11,903**	**8,813**	**4,312**	**5,500**
Applications of capital funding											
Capital expenditure											
-to meet additional demand	390	3,613	2,911	2,462	1,757	1,911	1,647	543	267	207	757
-to imporve the level of service	16,295	6,447	7,945	18,677	15,960	11,639	13,957	14,832	12,467	7,906	9,479
-to replace existing assets	15,171	14,651	14,854	14,995	17,197	17,029	13,457	13,151	13,688	14,920	14,783
Increase/(decrease) in reserves	(1,962)	(1)	(4)	(8)	(10)	(13)	(15)	(15)	(20)	(23)	(28)
Increase/(decrease) of investments	-	-	-	-	-	-	-	-	-	-	-
Total applications of capital funding (D)	**29,894**	**24,710**	**25,706**	**36,126**	**34,904**	**30,566**	**29,046**	**28,511**	**26,402**	**23,010**	**24,991**
Surplus/(deficit) of capital of funding (C - D)	**(9,782)**	**(12,213)**	**(12,599)**	**(13,265)**	**(13,996)**	**(15,127)**	**(16,362)**	**(16,608)**	**(17,589)**	**(18,698)**	**(19,491)**
Funding balance ((A - B) + (C - D))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Calculation of rates

For 1 July 2021 to 30 June 2031

These rates shown are inclusive of GST. For information on rating unit projections please see Section 5.

	General Rates		Targeted Rates	
Source	**General Rate**	**Uniform annual general charge**	**Stormwater**	**Waste management**
Category	All rateable land in the Matamata-Piako District		Rating units within serviced areas	Rating units within serviced areas
How the rate will be calculated	Per dollar of capital value	Uniform charge per rating unit	Uniform charge per rating unit within the townships of Matamata, Morrinsville, Te Aroha and Waharoa	Uniform charge per separately used or inhabited part of a rating unit to which the service is available
Annual Plan 2020/21	0.00115434	730.73	92.15	41.76
2021/22	0.00133135	748.28	123.55	130.83
2022/23	0.00138438	780.71	126.73	141.27
2023/24	0.00157248	731.70	131.80	329.95
2024/25	0.00162975	770.75	134.94	333.14
2025/26 $	0.00166328	823.78	136.38	336.48
2026/27	0.00172744	846.66	137.69	340.08
2027/28	0.00175826	887.11	138.77	343.99
2028/29	0.00181004	926.67	139.81	352.03
2029/30	0.00184194	984.43	141.01	360.27
2030/31	0.00190598	1024.23	141.75	368.11

Source	Targeted Rates							
	Wastewater (sewage disposal)							
Category	Connected single residential house	Connected non-single residential, and non-residential properties						Serviceable properties within 30 metres of Council's Wastewater reticulation network
How the rate will be calculated	Uniform charge per connected rating unit	Uniform charge per rating unit for the first pan on all connected properties, and	Additional uniform charge per pan (excluding the first pan) for properties with up to 4 pans	Or additional uniform charge per pan (excluding the first pan) for properties with up to 10 pans	Or additional uniform charge per pan (excluding the first pan) for properties with up to 15 pans	Or additional uniform charge per pan (excluding the first pan) for properties with up to 20 pans	Or additional uniform charge per pan (excluding the first pan) for properties with more than 20 pans	Uniform charge per rating unit to which the service is available (but not connected)
Annual Plan 2020/21	648.48	648.48	648.48	551.2	518.78	486.36	453.93	324.24
2021/22	650.29	650.29	650.29	552.74	520.23	487.71	455.20	325.14
2022/23	698.90	698.90	698.90	594.07	559.12	524.18	489.23	349.45
2023/24	718.03	718.03	718.03	610.33	574.43	538.52	502.62	359.02
2024/25	735.12	735.12	735.12	624.85	588.10	551.34	514.58	367.56
2025/26 $	767.20	767.20	767.20	652.12	613.76	575.40	537.04	383.60
2026/27	806.31	806.31	806.31	685.37	645.05	604.74	564.42	403.16
2027/28	907.27	907.27	907.27	771.18	725.81	680.45	635.09	453.63
2028/29	979.12	979.12	979.12	832.25	783.30	734.34	685.39	489.56
2029/30	1145.06	1145.06	1145.06	973.30	916.05	858.80	801.54	572.53
2030/31	1197.87	1197.87	1197.87	1018.19	958.30	898.41	838.51	598.94

		Targeted Rates							
Source		**Industry contributions to the Morrinsville wastewater treatment plant upgrade**		**Water supply**		**Water supply (metered) ***			
Category		18 Allen Street, Morrinsville	38 Pickett Place Morrinsville	Connected properties	Serviceable properties within 100 metres of Council's water reticulation network	Metered supply (general)	Metered supply raw water Pohomihi water line	Metered supply Braeside Aquaria 1981	Matamata farm properties **
How the rate will be calculated		Uniform charge per specified rating unit		Uniform charge per separately used or inhabited part of a rating unit to which the service is connected and provided	Uniform charge per separately used or inhabited part of a rating unit to which the service is available (but not connected)	Charge per cubic metre of water consumed (as measured by meter) over and above the first 63 cubic metres of water consumed per quarter or the first 21 cubic metres consumed per month	Charge per cubic metre of water consumed (as measured by meter) over and above the first 63 cubic metres of water consumed per quarter or the first 21 cubic metres consumed per month in the Te Aroha West (Pohomihi) supply area	Charge per cubic metre of water consumed (as measured by meter) over and above the first 63 cubic metres of water consumed per quarter or the first 21 cubic metres consumed per month for Braeside Aquaria	Charge per cubic metre of water consumed (as measured by meter) over and above the first 63 cubic metres of water consumed per quarter or the first 21 cubic metres consumed per month for Matamata farm properties that contain the Matamata trunk main from Tills Road
Annual Plan 2020/21		582,909.45	185,043.99	367.59	183.79	1.47	1.06	0.76	1.47
2021/22		565,905.07	179,645.97	365.43	182.71	1.46	1.05	0.76	1.46
2022/23		565,905.07	179,645.97	382.87	191.43	1.50	1.08	0.78	1.50
2023/24		565,905.07	179,645.97	399.93	199.97	1.54	1.11	0.80	1.54
2024/25	$	565,905.07	179,645.97	448.25	224.13	1.58	1.14	0.82	1.58
2025/26		565,905.07	179,645.97	560.59	280.29	1.62	1.17	0.84	1.62
2026/27		-	-	583.72	291.86	1.66	1.20	0.86	1.66
2027/28		-	-	588.64	294.32	1.71	1.23	0.88	1.71
2028/29		-	-	597.96	298.98	1.75	1.26	0.91	1.75
2029/30		-	-	608.08	304.04	1.80	1.30	0.93	1.80
2030/31		-	-	617.51	308.75	1.85	1.33	0.96	1.85

*Targeted Rates for a metered water supply are charged in addition to a uniform charge per separately used or inhabited part of a rating unit to which the service is connected and provided.
** A 50% discount will be applied to this rate if the invoice is paid by the due date.

Targeted Rates						
Source	Targeted rural hall rates will apply to all land within the hall rating area as listed					
Category	Tauhei	Hoe-O-Tainui	Springdale	Kiwitahi	Patetonga	Wardville
How the rate will be calculated	Per dollar of land value					
Annual Plan 2020/21	0.00010159	0.00002682	0.00001481	0.00001951	0.00003045	0.00001934
2021/22	0.00011717	0.00002682	0.00001481	0.00001951	0.00003045	0.00001934
2022/23	0.00012058	0.00002760	0.00001524	0.00002008	0.00003134	0.00001990
2023/24	0.00012365	0.00002830	0.00001563	0.00002059	0.00003214	0.00002041
2024/25	0.00012672	0.00002901	0.00001602	0.00002110	0.00003293	0.00002092
2025/26 $	0.00013001	0.00002976	0.00001643	0.00002165	0.00003379	0.00002146
2026/27	0.00013332	0.00003052	0.00001685	0.00002220	0.00003465	0.00002201
2027/28	0.00013673	0.00003130	0.00001728	0.00002277	0.00003553	0.00002257
2028/29	0.00014049	0.00003216	0.00001776	0.00002339	0.00003651	0.00002319
2029/30	0.00014435	0.00003304	0.00001825	0.00002404	0.00003751	0.00002383
2030/31	0.00014811	0.00003390	0.00001872	0.00002466	0.00003849	0.00002445

Targeted Rates								
Source	Targeted rural hall rates will apply to all land within the hall rating area as listed							
Category	Tahuna	Mangateparu	Kereone	Tatuanui	Walton	Okauia	Hinuera	Piarere
How the rate will be calculated	Uniform charge per rating unit					Per dollar of capital value		
Annual Plan 2020/21	38.20	34.80	41.50	61.80	30.00	0.00001549	0.00001401	0.00001781
2021/22	38.20	34.80	41.50	61.80	30.00	0.00001549	0.00001401	0.00001781
2022/23	39.31	35.81	42.71	63.60	30.87	0.00001594	0.00001442	0.00001833
2023/24	40.31	36.73	43.80	65.22	31.66	0.00001635	0.00001479	0.00001880
2024/25	41.31	37.64	44.88	66.84	32.45	0.00001675	0.00001515	0.00001926
2025/26 $	42.39	38.62	46.05	68.58	33.29	0.00001719	0.00001555	0.00001976
2026/27	43.46	39.60	47.22	70.32	34.13	0.00001762	0.00001594	0.00002026
2027/28	44.58	40.61	48.43	72.12	35.01	0.00001808	0.00001635	0.00002078
2028/29	45.80	41.73	49.76	74.10	35.97	0.00001857	0.00001680	0.00002135
2029/30	47.06	42.87	51.13	76.14	36.96	0.00001908	0.00001726	0.00002194
2030/31	48.29	43.99	52.46	78.12	37.92	0.00001958	0.00001771	0.00002251

Targeted Rates					
Source	**Targeted rural hall rates will apply to all land within the hall rating area as listed**				
Category	Mangaiti	Waihou	Elstow	Manawaru	Te Poi
How the rate will be calculated	Uniform charge per separately used or inhabited part of a rating unit				
Annual Plan 2020/21	12.65	28.00	21.60	25.80	36.80
2021/22	12.65	20.20	21.60	30.80	36.80
2022/23	13.02	20.79	22.23	31.70	37.87
2023/24	13.35	21.32	22.80	32.50	38.84
2024/25	13.68	21.85	23.36	33.31	39.80
2025/26 $	14.04	22.41	23.97	34.18	40.83
2026/27	14.39	22.98	24.58	35.04	41.87
2027/28	14.76	23.57	25.21	35.94	42.94
2028/29	15.17	24.22	25.90	36.93	44.12
2029/30	15.58	24.89	26.61	37.95	45.34
2030/31	15.99	25.53	27.30	38.93	46.52

GST

The calculation of rates is shown inclusive of GST at the current rate of 15%. Any future changes in the rate of GST would need to be applied to these rates as appropriate.

Revenue and Financing Policy

The rationale for the selection of various funding sources is set out in our Revenue and Financing Policy.

Separately used or inhabited part of rating unit

A separately used or inhabited part of a rating unit is any part of a rating unit that is or is able to be separately used or inhabited by the ratepayer, or by any other person or body having a right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement.

Stormwater Serviced Areas

These are the rating units within the residential, business and industrial zones in Council's Operative District Plan within the townships of Matamata, Morrinsville, Te Aroha and Waharoa.

Waste Management Serviced Areas

These areas are detailed in the Waste Management Serviced Areas Map (June 2015) which can be found in the pages following and on our website: www.mpdc.govt.nz/plans/LTP

Hall Rating areas

These areas are detailed in the Hall Rating Areas Map (1989) which can be found in the pages following and on our website www.mpdc.govt.nz/plans/LTP.

Lump sum contributions

The Council does not invite lump sum contributions for any targeted rates.

Examples of the impact of rates for 2021/22

Our District has a mix of rural and urban properties, and the rates outlined in this Funding Impact Statement affect each property differently because of the differing services that are provided or available to each. Any changes made to the General Rate have a greater impact on higher valued properties as they are calculated as a percentage of the capital value of the property. Changes in the uniform annual general charge affect properties equally as everyone pays the same amount. Changes to Targeted Rates mainly affect urban services.

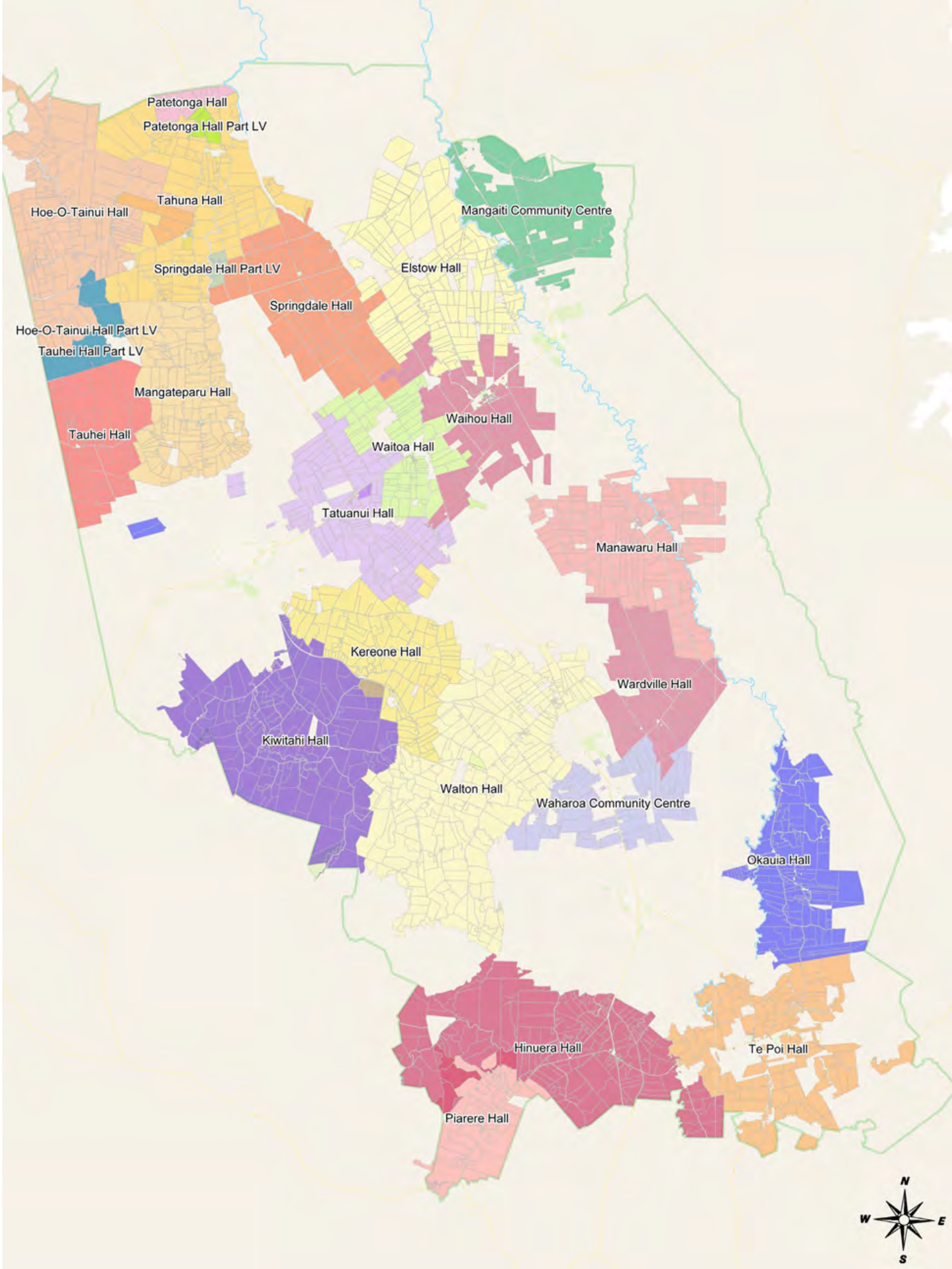
Examples of how a range of properties are impacted by the rates for 2021/22 are outlined below. (Note that this is in an average District-wide example intended to be indicative only.) There will be minor variances for various wards or rating areas due to differing rural hall rates applied. The indicative rates below include GST.

	Rates 2020/21	Forecast rates 2021/22	Increase from the previous year
Urban home worth $350,000 (connected to all services)	$2,285	$2,484	8.74%
Urban home worth $550,000 (connected to all services)	$2,516	$2,751	9.34%
Urban home worth $850,000 (connected to all services)	$2,862	$3,150	10.07%
Rural lifestyle property worth $600,000 (services not available)	$1,423	$1,547	8.69%
Rural lifestyle property worth $1,000,000 (services not available)	$1,885	$2,080	10.32%
Commercial property worth $500,000 (with additional two pans and connected to all services)	$3,755	$3,985	6.12%
Commercial property worth $800,000 (with additional two pans and connected to all services)	$4,101	$4,384	6.90%
Rural property worth $5million (services not available)	$6,502	$7,405	13.88%
Rural property worth $8million (services not available)	$9,965	$11,399	14.39%

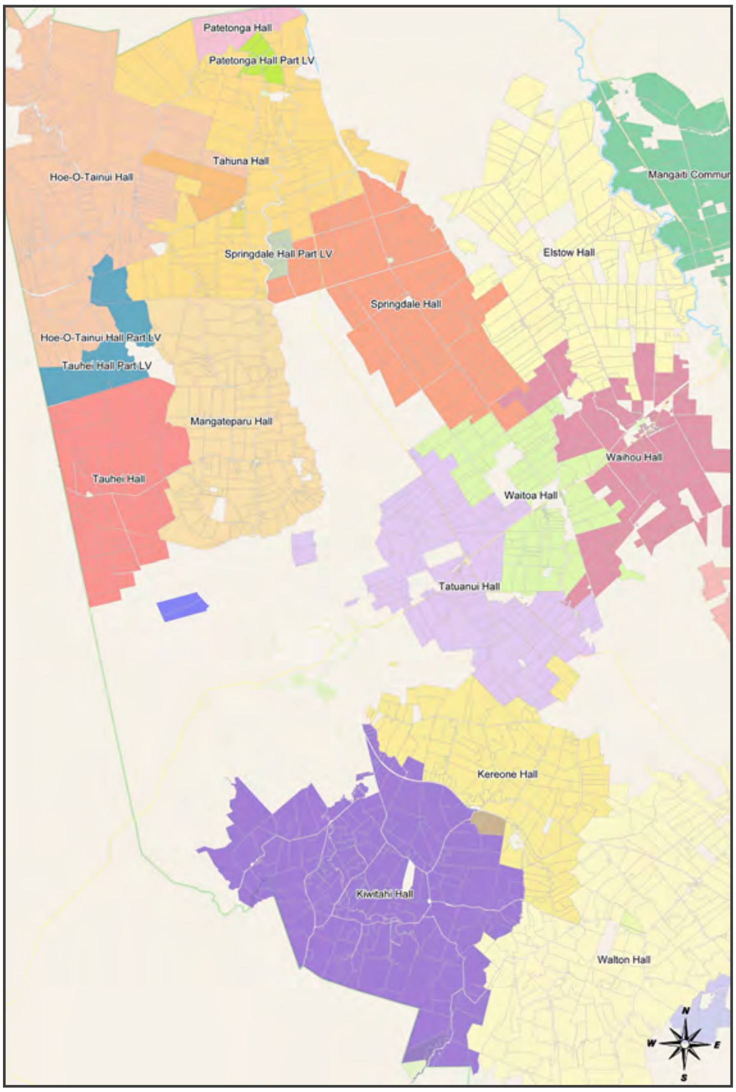
Hall Rating Areas

Please visit our website mpdc.govt.nz and refer to the Hall Rating Areas (1989) for this information.

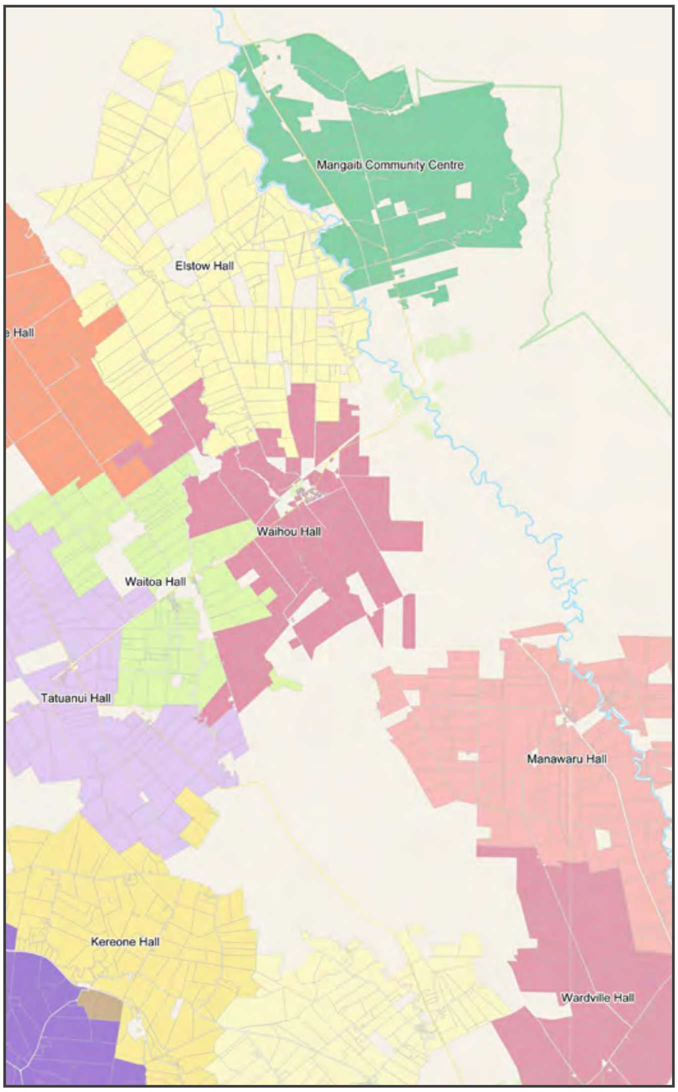
Hall ratings Matamata-Piako District



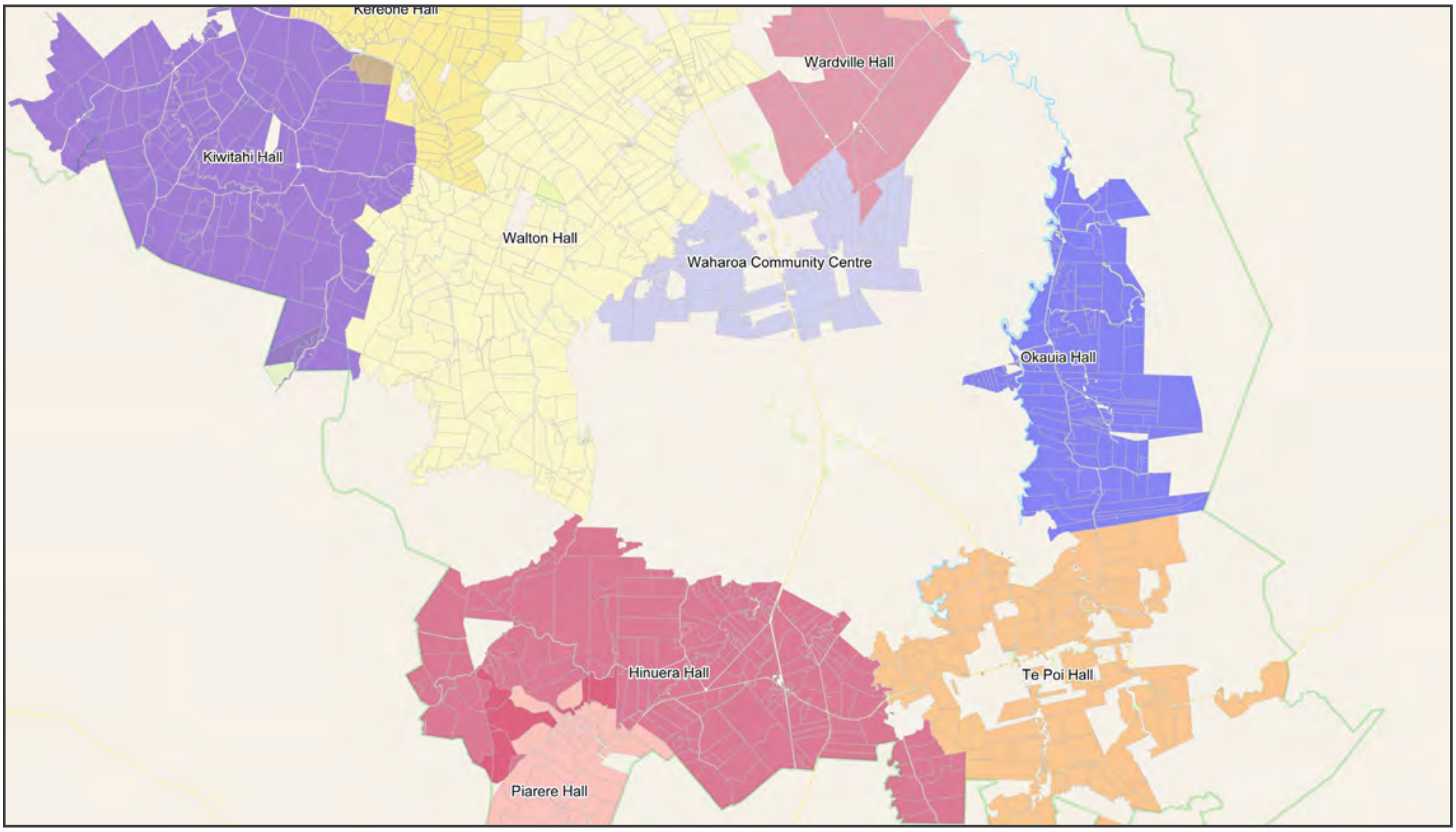
Hall ratings Morrinsville



Hall ratings Te Aroha



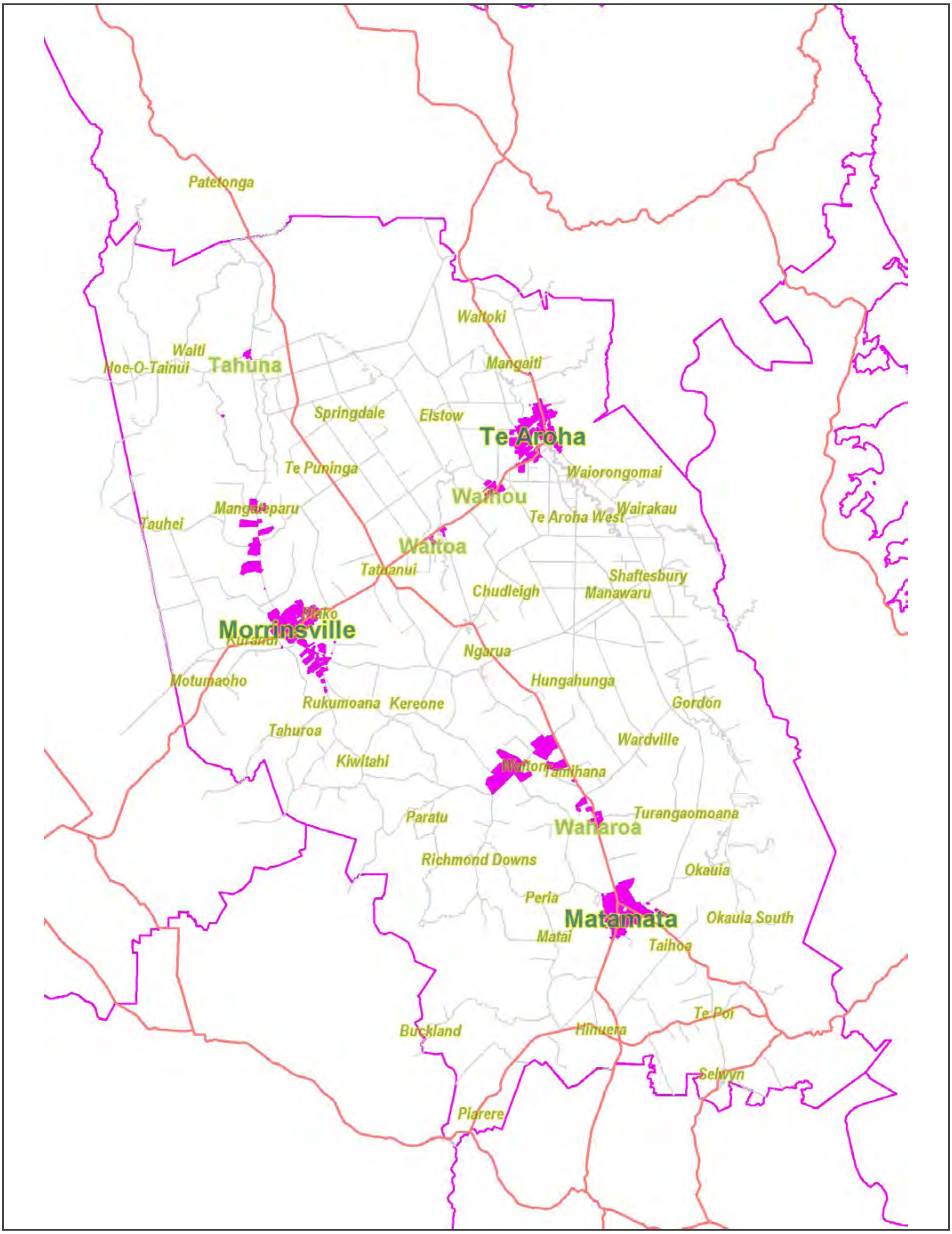
Hall ratings Matamata



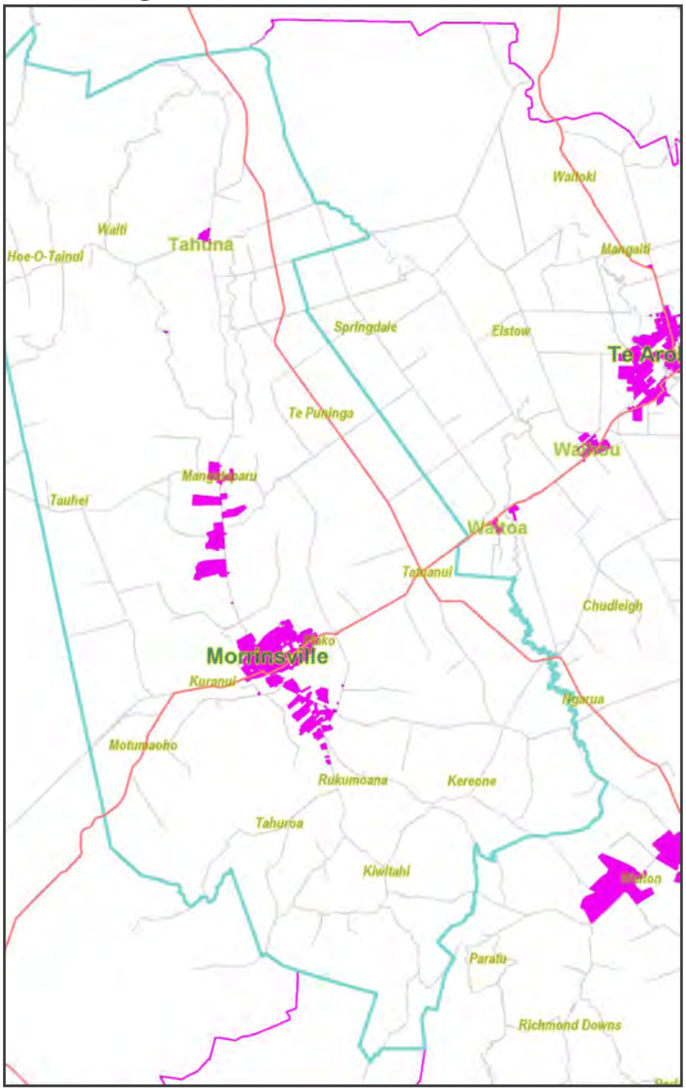
Waste Management Serviced Areas

These areas are detailed in the Solid Waste Serviced Areas Map (June 2015) which can be found on our website.

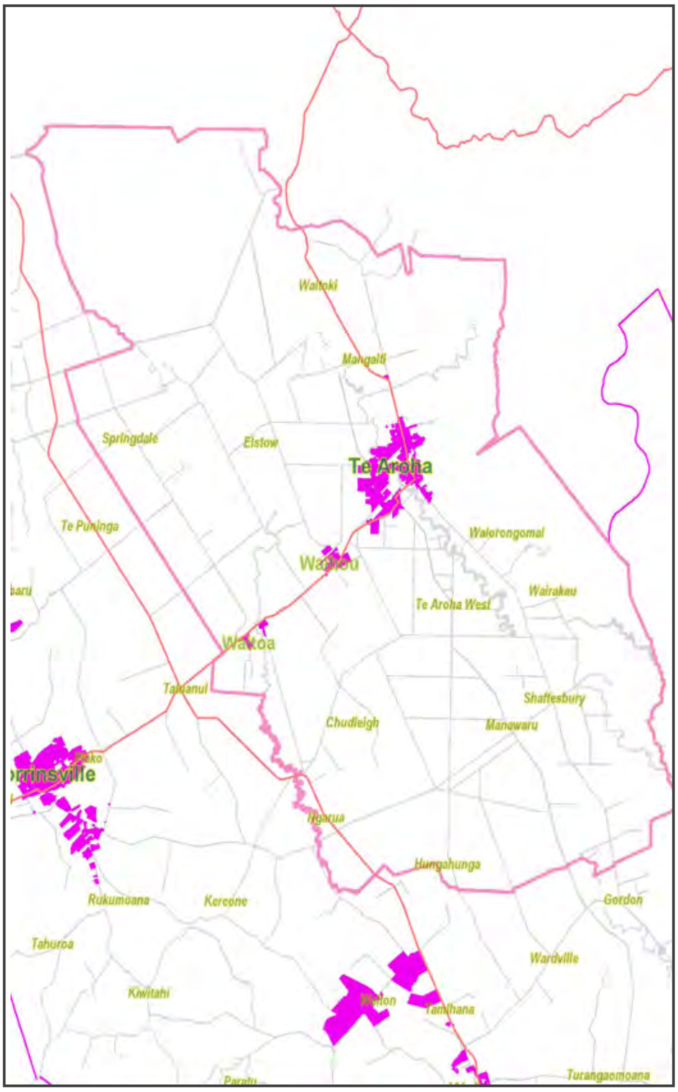
Waste Management serviced areas Matamata-Piako District



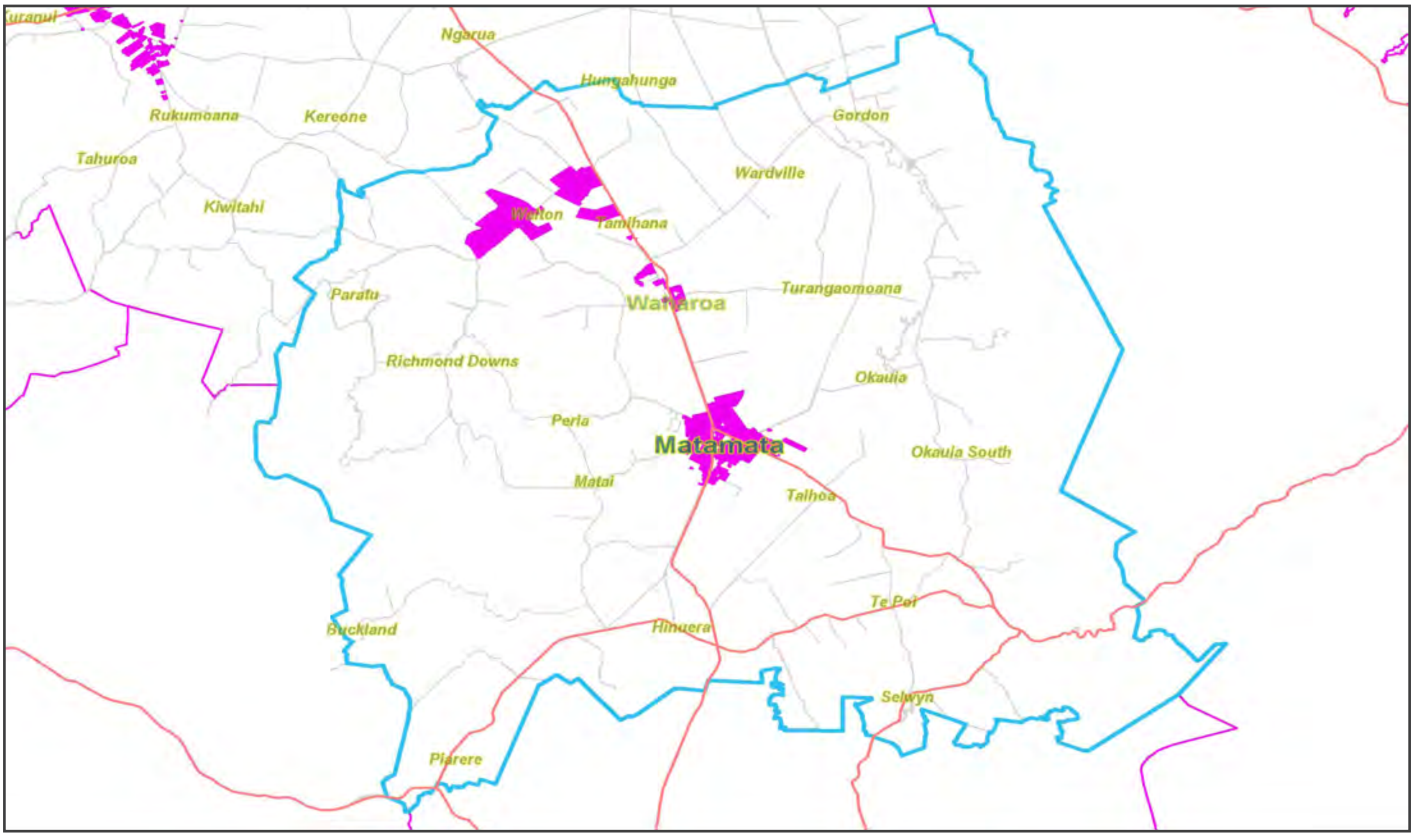
Waste Management serviced areas Morrinsville



Waste Management serviced areas Te Aroha



Waste Management serviced areas Matamata



LONG TERM PLAN DISCLOSURE STATEMENT

Long term plan disclosure statement for period commencing 1 July 2021

What is the purpose of this statement?

The purpose of this statement is to disclose the council's planned financial performance in relation to various benchmarks to enable the assessment of whether we are prudently managing our revenues, expenses, assets, liabilities, and general financial dealings. We are required to include this statement in our LTP 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 benchmark

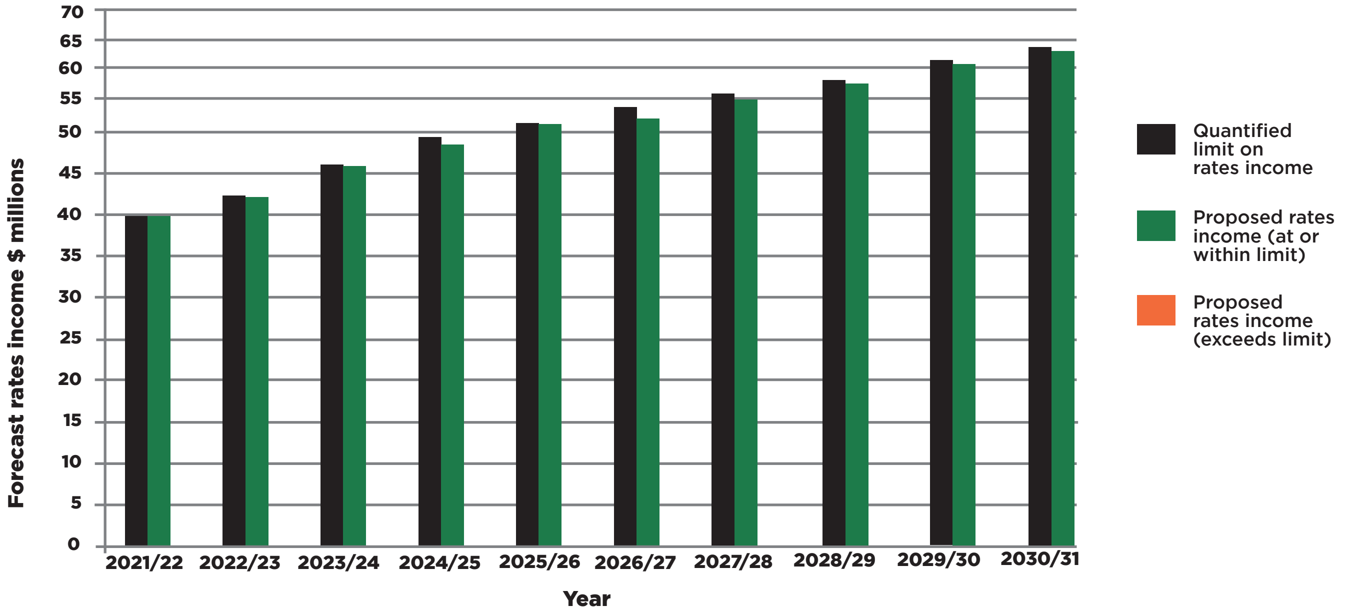
The Council meets the rates affordability benchmark if:

- Its planned rates income equals or is less than each quantified limit on rates; and
- Its planned rates increases equal or are less than each quantified limit on rates increases.

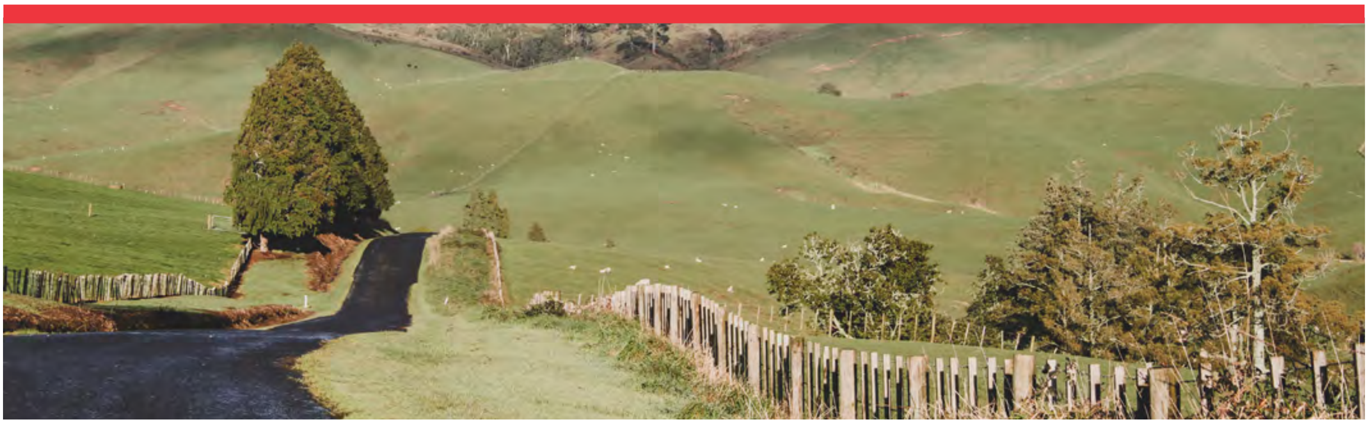
Rates (income) affordability

The following graph compares the Council's planned rates with a quantified limit on rates contained in the financial strategy included in this LTP.

The quantified limit is: Annual rates revenue[1] will not increase by more than 6%, other than for year 1 and 3 as indicated.

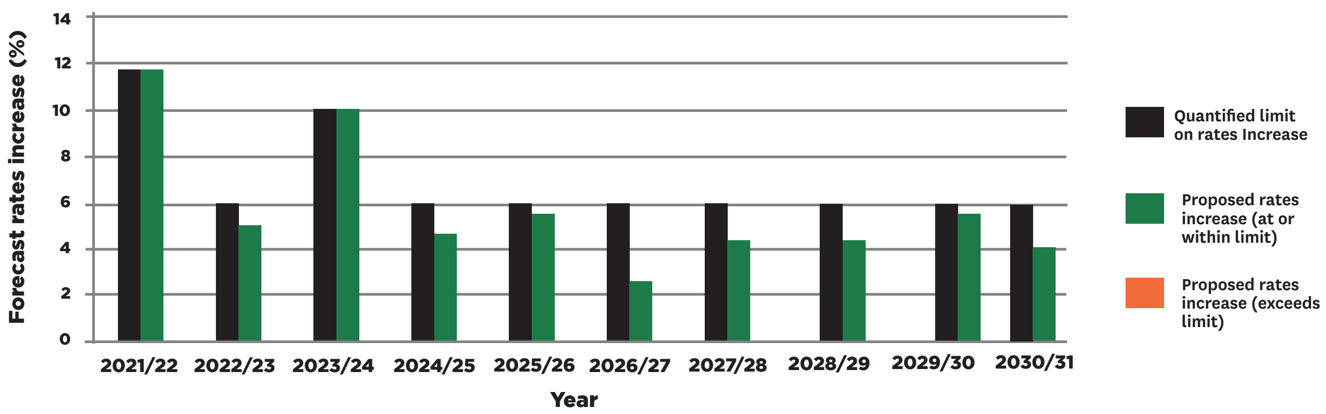


[1] For the purposes of this calculation, rates revenue excludes penalties (which are not budgeted for), and the rate revenue from metered water supplies (the majority of which come from a few large industrial users). These items are excluded as the level of revenue received is not within Councils' direct control.



Rates (increases) affordability

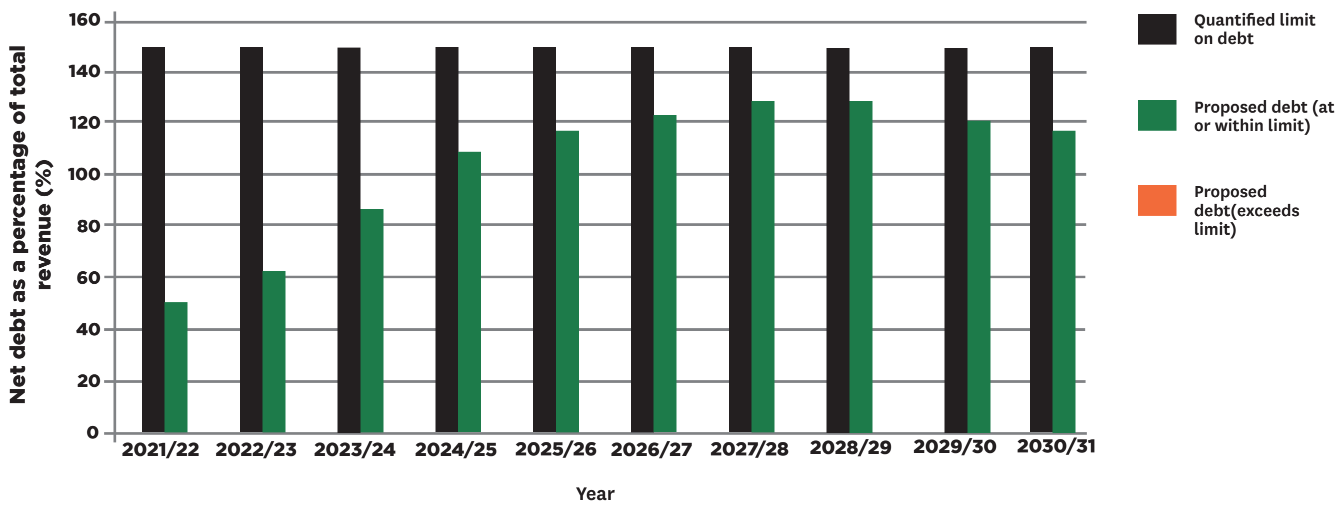
The following graph compares the council's planned rates increases with a quantified limit on rates increases contained in the financial strategy included in this LTP. The quantified limit is: Annual rates revenue[1] will not be more than 6%, other than year 1 and 3 as indicated.



[1] For the purposes of this calculation, rates revenue excludes penalties (which are not budgeted for), and the rate revenue from metered water supplies (the majority of which come from a few large industrial users). These items are excluded as the level of revenue received is not within Councils' direct control.

Debt affordability benchmark

The council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing. The following graph compares the council's planned debt with a quantified limit on borrowing contained in the financial strategy included in this LTP. The quantified limit is: Net debt as a percentage of total revenue will not exceed 150%.[2]



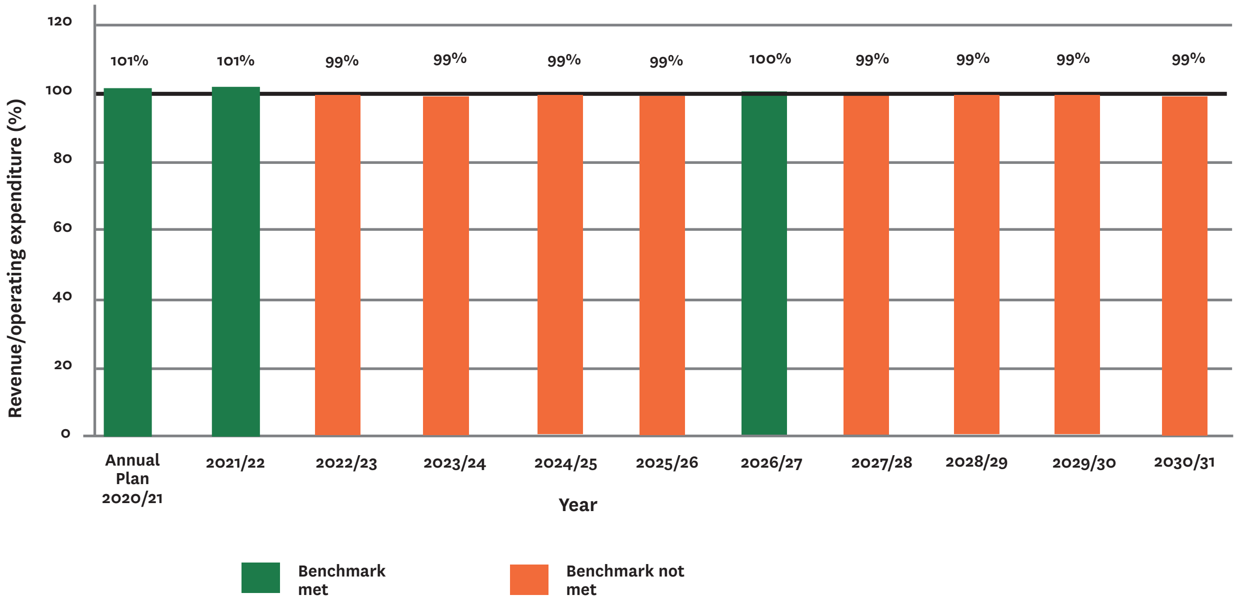
[2]**Consistent with our Liability Management Policy:**

- net debt is calculated as external debt less cash, bank deposits and investments realisable in the short term
- total revenue excludes development and financial contributions, vested and found assets and other gains.

Balanced budget benchmark

The following graph displays the council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, and equipment). The council meets the balanced budget benchmark if its planned revenue equals or is greater than its planned operating expenses.

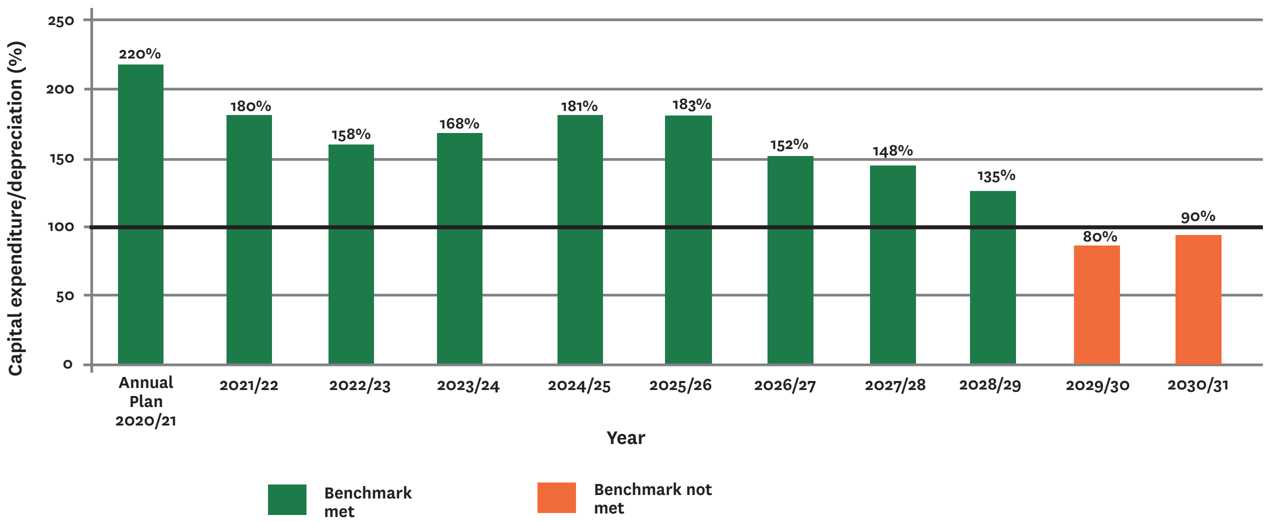
Comment - Council has resolved to not fully fund depreciation on some assets including community halls, some community buildings and stock underpasses. Therefore projected operating revenue is slightly less than the projected operating expenses over most years of the LTP.



Essential services benchmark

The following graph displays the council's planned capital expenditure on network services as a proportion of expected depreciation on network services. The council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

Comment - While the graph highlights that we will not meet the essential services benchmark for two of the 10 years of this plan, this is only due to the planned timing of our capital and renewal work to be undertaken. On an overall basis, we are planning to spend $202 million in capital on our network services over the next ten years, and collect $141 million in depreciation over the same time.



Debt servicing benchmark

The following graph displays the council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, and equipment). Because Statistics New Zealand projects the council's population will grow more slowly than the national population is projected to grow, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 10% of its planned revenue.