



| 25. CASH FLOW RECONCILIATION | CONSOLIDATED | | COUNCIL | |
|--|----------------|----------------|----------------|----------------|
| | 2014 \$000s | 2013 \$000s | 2014 \$000s | 2013 \$000s |
| Reported surplus / (deficit) | (1,388) | 4,156 | (2,285) | 7,087 |
| Add non cash items | | | | |
| Depreciation and amortisation | 29,609 | 28,541 | 28,716 | 28,087 |
| Vested assets | (1,464) | (2,652) | (1,064) | (2,652) |
| Change in deferred taxation | 73 | 15 | 0 | 0 |
| Loss on property, plant & equipment | 2,762 | 1,133 | 2,762 | 1,133 |
| Unrealised revaluation and devaluation | 4,629 | 13,341 | 4,455 | 10,546 |
| Impairment of capital assets | 717 | 0 | 617 | 0 |
| Add/(less) movements in other working capital items | | | | |
| (Increase) / decrease in debtors & other receivables | 5,121 | (5,551) | 5,013 | (5,260) |
| (Increase) / decrease in inventories | (32) | 3 | (34) | (3) |
| Increase / (decrease) in provisions | 1,199 | (56) | 1,199 | (56) |
| Increase / (decrease) in employee benefits | (4) | 174 | (25) | 135 |
| Increase / (decrease) in trade & other payables | (2,590) | 5,311 | (1,775) | 4,672 |
| Increase / (decrease) in derivative financial instruments | 10 | 0 | 10 | 0 |
| Items classed as investing activities | 714 | 359 | 1,066 | (279) |
| Net operating cash flows | 39,356 | 44,774 | 38,655 | 43,413 |

Reconciliation of reported operating surplus to net cash inflow / outflow from operating activities.

| 26. CAPITAL COMMITMENTS | CONSOLIDATED | | COUNCIL | |
|--|----------------|----------------|----------------|----------------|
| | 2014 \$000s | 2013 \$000s | 2014 \$000s | 2013 \$000s |
| Capital commitments approved and contracted | | | | |
| Roading | 0 | 23 | 0 | 23 |
| Sewerage | 0 | 434 | 0 | 434 |
| Water (Sweetwater land) | 0 | 250 | 0 | 250 |
| Governance and Strategy | 0 | 678 | 0 | 678 |
| Community facilities | 23 | 0 | 23 | 0 |
| Total capital commitments | 23 | 1,385 | 23 | 1,385 |

There are no Rooding commitments attracting subsidy in 2013/14 (2013 - \$13k).

NON-CANCELLABLE OPERATING LEASE COMMITMENTS

Council has operating lease agreements for the use of facsimile machines, property and photocopiers/printers.

| | CONSOLIDATED | | COUNCIL | |
|---|----------------|----------------|----------------|----------------|
| | 2014 \$000s | 2013 \$000s | 2014 \$000s | 2013 \$000s |
| Operating leases | | | | |
| Lease payments made: | 461 | 487 | 399 | 450 |
| Lease payments due: | | | | |
| Not later than 1 year | 358 | 359 | 284 | 282 |
| Later than 1 year and not later than 2 years | 228 | 244 | 174 | 170 |
| Later than 2 years and not later than 5 years | 392 | 242 | 296 | 126 |
| Later than 5 years | 641 | 791 | 127 | 219 |
| Total operating leases | 1,619 | 1,636 | 881 | 797 |

There are no restrictions placed on the group by any of the leasing arrangements.

Operating Leases As Lessor

Far North Holdings Limited leases its investment property under operating leases. The future aggregate minimum lease payments to be collected under non cancellable operating leases are as follows:

| | CONSOLIDATED | | COUNCIL | |
|--|----------------|----------------|----------------|----------------|
| | 2014 \$000s | 2013 \$000s | 2014 \$000s | 2013 \$000s |
| Non-cancellable operating leases lessor | | | | |
| Not later than 1 year | 1,812 | 1,753 | 233 | 248 |
| Later than 1 and not later than 5 years | 2,957 | 4,979 | 709 | 777 |
| Later than 5 years | 1,886 | 2,618 | 1,608 | 1,764 |
| Total non cancellable operating leases | 6,655 | 9,350 | 2,550 | 2,790 |

| 27. CONTINGENCIES | CONSOLIDATED | | COUNCIL | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$000s | 2013 \$000s | 2014 \$000s | 2013 \$000s |
| Building Act claims | 30 | 0 | 30 | 0 |
| Weather-tight home calls – Riskpool | 150 | 0 | 150 | 0 |
| Other legal proceedings | 147 | 122 | 147 | 122 |
| Roading legalisation claims | 50 | 50 | 50 | 50 |
| Total contingent liabilities | 377 | 172 | 377 | 172 |

Litigation

There are 16 claims involving possible future costs totalling an estimated value of \$377,000 exist. These claims are contingent and have not been accrued in the financial statements. (Last year there were 11 possible claims at an estimated value of \$172,000).

The Council is subject to some claims in respect of repair costs for weather-tight homes. As at the date of this report, the Weather-tight Homes Resolution Service advises that it is actioning 3 claims in relation to Far North District Council. Council has recognized a provision for these of \$2,010,000 refer to Note 21. The number of buildings affected by those claims is unknown. Claims lodged prior to July 07 will be substantially covered by insurance and those from July 08 will be subject to an excess of \$50k per claim. From July 09 no further claims will be covered by Riskpool.

Guarantees

Far North District Council has guaranteed a bank loan for the Civic Centre Trust for \$1,632,246 (2013 \$1,709,603), Hohoura Big Game Sports & Fishing Club \$50,000 (2013 \$50,000) and the Kawakawa Bowling Club of \$40,000 (2013 \$40,000).



28. RELATED PARTY TRANSACTIONS

Key management personnel in relation to NZ IAS24 are deemed to be the Chief Executive, senior management team and Mayor, Councillors, Elected Members of Far North District Council and the Directors of Far North Holdings Limited.

Council

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates). Other details relating to expenditure incurred by Council are as follows:

| | COUNCIL | | | |
|--|-----------------------|--------|-------------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| | Expenditure \$000s | \$000s | Revenue \$000s | \$000s |
| Cllr Kitchen/Macauley – Northland District Health Board | 295 | 295 | 0 | 0 |
| Cllr Macauley – Kaikohe & District Historical & Mechanical Society | 37 | 37 | 0 | 0 |
| Cllr Macauley/Member Davis – Kawakawa Hundertwasser Centre | 20 | 53 | 0 | 0 |
| Cllr Macauley – Palmer Macauley Lawyers | 14 | 14 | 0 | 0 |
| Cllr Knight – Kaitaia Business Association | 12 | 50 | 1 | 0 |
| Cllr Knight/Cllr Macauley – The Turner Centre | 78 | 3 | 0 | 0 |
| Cllr McNally – The Rintoul Group | 59 | 283 | 1 | 0 |
| Cllr McNally – Twin Coast Valuations | 0 | 2 | 0 | 0 |
| Cllr Court – Top Energy Consumer Trust | 668 | 337 | 0 | 0 |
| Member Lugnet – Doubtless Bay Information Centre | 10 | 10 | 0 | 0 |
| Member Ward – Paihia Business Incorporated | 13 | 4 | 0 | 0 |
| Member Senior – Tiaho Trust | 2 | 0 | 1 | 0 |
| Member Clarke – Rawene Community Hall | 4 | 0 | 0 | 0 |
| Member Toorenburg – Hokianga Tourism Association | 2 | 0 | 0 | 0 |
| Cllr Macauley – Bay of Islands Arts Festival | 15 | 0 | 0 | 0 |
| Cllr Kitchen – NZ Fire Service | 3 | 0 | 13 | 0 |
| Member Davis – BOI Vintage Railway Trust | 40 | 23 | 0 | 0 |

No other Councillors or senior management have entered into related party transactions with the group.

At reporting date, the sum of \$ 176k was owed to Top Energy, \$0.3k was owed to Paihia Business Association and \$0.7k was owed to The Centre.

KEY MANAGEMENT PERSONNEL COMPENSATION

| | CONSOLIDATED | | COUNCIL | |
|--|--------------|--------------|--------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$000s | \$000s | \$000s | \$000s |
| Council – salaries | 1,698 | 1,674 | 1,698 | 1,674 |
| Termination benefits | 248 | 0 | 248 | 0 |
| Subsidiary - salaries | 408 | 381 | 0 | 0 |
| Total salaries - key management personnel | 2,354 | 2,055 | 1,946 | 1,674 |

Far North Holdings Limited is wholly owned by Far North District Council. In presenting the financial statements of the group the effect of transactions and balances between fellow subsidiaries have been eliminated.

| TRANSACTIONS WITH SUBSIDIARIES | COUNCIL | |
|--|----------------|----------------|
| | 2014 \$000s | 2013 \$000s |
| Far North Holdings Ltd | | |
| Services received from Council | 366 | 247 |
| Services provided to Council | 934 | 988 |
| Donated asset | 400 | 0 |
| Amounts receivable from the Council | 67 | 186 |
| Amounts payable to the Council | 96 | 236 |
| Te Ahu Charitable Trust | | |
| Contribution to Te Ahu Charitable Trust. | 0 | 300 |
| Services provided by Te Ahu | 31 | 0 |
| Amounts payable to Council | 3 | 51 |

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2013 \$nil).

Council has 3 CCOs – Far North Holdings Limited, Te Ahu Charitable Trust and Rolands Wood Trust. The values relating to the Rolands Wood Trust are deemed not material for the Far North District Council consolidation. The Rolands Wood Trust has a balance of \$116k (\$130k June 2013) shown as a deposit in Far North District Council accounts. This was specifically bequeathed to Council for the maintenance of an area of woodland for community use.

| 29. REMUNERATION | CONSOLIDATED | | COUNCIL | |
|---|----------------|----------------|----------------|----------------|
| | 2014 \$000s | 2013 \$000s | 2014 \$000s | 2013 \$000s |
| The Chief Executive Officer of the Far North District Council, appointed under section 42(1) of the Local Government Act 2002 received a salary and benefits respectively of: | | | | |
| CEO to December 2013 | | | | |
| Salary | 431 | 291 | 431 | 291 |
| Vehicle | 7 | 11 | 7 | 11 |
| Acting CEO from January 2014 | | | | |
| Salary | 141 | 0 | 141 | 0 |
| Total CEO costs | 579 | 304 | 579 | 304 |



| 29. REMUNERATION | CONSOLIDATED | | COUNCIL | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$000s | 2013 \$000s | 2014 \$000s | 2013 \$000s |
| Elected representatives: | | | | |
| Mayor Brown - salary | 31 | 108 | 31 | 108 |
| Mayor Brown - vehicle | 4 | 11 | 4 | 11 |
| Mayor Carter – salary | 86 | 0 | 86 | 0 |
| Mayor Carter - mileage | 13 | 0 | 13 | 0 |
| Other elected representatives | | | | |
| Baker T – salary | 12 | 41 | 12 | 41 |
| Baker T – mileage & other expenses | 1 | 2 | 1 | 2 |
| Court A– salary | 50 | 52 | 50 | 52 |
| Court A– mileage & other expenses | 5 | 5 | 5 | 5 |
| Dalton T – salary | 12 | 41 | 12 | 41 |
| Dalton T – mileage & other expenses | 0 | 1 | 0 | 1 |
| Macauley S – salary | 47 | 42 | 47 | 42 |
| Macauley S – mileage & other expenses | 1 | 1 | 1 | 1 |
| Kitchen C – salary | 41 | 41 | 41 | 41 |
| Kitchen C – mileage & other expenses | 3 | 1 | 3 | 1 |
| Maxwell D – salary | 47 | 42 | 47 | 42 |
| Maxwell D – mileage & other expenses | 5 | 2 | 5 | 2 |
| McNally S – salary | 12 | 41 | 12 | 41 |
| McNally S – mileage & other expenses | 0 | 2 | 0 | 2 |
| Knight M – salary | 12 | 41 | 12 | 41 |
| Knight M – mileage & other expenses | 2 | 5 | 2 | 5 |
| Radich M – salary | 41 | 41 | 41 | 41 |
| Radich M – mileage & other expenses | 5 | 4 | 5 | 4 |
| Prime WJ – salary | 28 | 0 | 28 | 0 |
| Prime WJ – mileage & other expenses | 1 | 0 | 1 | 0 |
| McInnes T – salary | 40 | 0 | 40 | 0 |
| McInnes T – mileage & other expenses | 3 | 0 | 3 | 0 |
| Vujcich J – salary | 35 | 0 | 35 | 0 |
| Vujcich J – mileage & other expenses | 2 | 0 | 2 | 0 |
| Collard D – salary | 28 | 0 | 28 | 0 |
| Collard D – mileage & other expenses | 4 | 0 | 4 | 0 |
| Total elected representatives | 568 | 524 | 568 | 524 |

| 29. REMUNERATION | CONSOLIDATED | | COUNCIL | |
|---|----------------|----------------|----------------|----------------|
| | 2014 \$000s | 2013 \$000s | 2014 \$000s | 2013 \$000s |
| Elected members | | | | |
| Te Hiku Community Board | | | | |
| Alvrez I – salary | 7 | 0 | 7 | 0 |
| Bowman D - salary | 5 | 19 | 5 | 19 |
| Bowman D – mileage & other expenses | 1 | 3 | 1 | 3 |
| Lugnet C - salary | 3 | 10 | 3 | 10 |
| Lugnet C – mileage & other expenses | 1 | 2 | 1 | 2 |
| Van Der Sluis W – salary | 3 | 10 | 3 | 10 |
| Van Der Sluis W– mileage & other expenses | 0 | 1 | 0 | 1 |
| Atkinson S – salary | 18 | 14 | 18 | 14 |
| Atkinson S – mileage & other expenses | 4 | 2 | 4 | 2 |
| Senior D - salary | 10 | 10 | 10 | 10 |
| Senior D – mileage & other expenses | 2 | 2 | 2 | 2 |
| Smith Y - salary | 3 | 10 | 3 | 10 |
| Smith Y – mileage & other expenses | 1 | 2 | 1 | 2 |
| Gardner K – salary | 7 | 0 | 7 | 0 |
| Gardner K – mileage & other expenses | 2 | 0 | 2 | 0 |
| Rae M – salary | 4 | 0 | 4 | 0 |
| Rae M – mileage & other expenses | 1 | 0 | 1 | 0 |
| Ward M – salary | 7 | 0 | 7 | 0 |
| Ward M – mileage & other expenses | 1 | 0 | 1 | 0 |
| Kaikohe-Hokianga Community Board | | | | |
| Stephens W – salary | 12 | 19 | 12 | 19 |
| Stephens W – mileage & other expenses | 2 | 4 | 2 | 4 |
| Anderson M - salary | 0 | 5 | 0 | 5 |
| Anderson M – mileage & other expenses | 0 | 1 | 0 | 1 |
| Gundry W - salary | 3 | 10 | 3 | 10 |
| Pakai L – salary | 3 | 10 | 3 | 10 |
| Pakai L mileage & other expenses | 0 | 1 | 0 | 1 |



| 29. REMUNERATION | CONSOLIDATED | | COUNCIL | |
|---|----------------|----------------|----------------|----------------|
| | 2014 \$000s | 2013 \$000s | 2014 \$000s | 2013 \$000s |
| Cherrington J – salary | 3 | 10 | 3 | 10 |
| Cherrington J – mileage & other expenses | 0 | 2 | 0 | 2 |
| Schollum J – salary | 17 | 14 | 17 | 14 |
| Schollum J – mileage & other expenses | 3 | 2 | 3 | 2 |
| Clarke G – salary | 10 | 3 | 10 | 3 |
| Clarke G – mileage & other expenses | 2 | 1 | 2 | 1 |
| Evans P – salary | 7 | 0 | 7 | 0 |
| Evans P – mileage & other expenses | 1 | 0 | 1 | 0 |
| Van Gaalen K – salary | 7 | 0 | 7 | 0 |
| Toorenborg L – salary | 7 | 0 | 7 | 0 |
| Toorenborg L – mileage & other expenses | 2 | 0 | 2 | 0 |
| Bay of Islands-Whangaroa Community Board | | | | |
| Annison F – salary | 13 | 19 | 13 | 19 |
| Annison F – mileage & other expenses | 1 | 1 | 1 | 1 |
| Brown H - salary | 3 | 10 | 3 | 10 |
| Brown H – mileage & other expenses | 1 | 1 | 1 | 1 |
| Davis J - salary | 3 | 10 | 3 | 10 |
| Davis J – mileage & other expenses | 0 | 1 | 0 | 1 |
| Greening T – salary | 17 | 10 | 17 | 10 |
| Greening T – mileage & other expenses | 3 | 2 | 3 | 2 |
| Mills B – salary | 10 | 10 | 10 | 10 |
| Mills B – mileage & other expenses | 2 | 3 | 2 | 3 |
| Turner D - salary | 10 | 10 | 10 | 10 |
| Turner D – mileage & other expenses | 2 | 2 | 2 | 2 |
| Ward B - salary | 12 | 14 | 12 | 14 |
| Ward B – mileage & other expenses | 2 | 1 | 2 | 1 |
| Robinson M – salary | 7 | 0 | 7 | 0 |
| Waikaire M – salary | 7 | 0 | 7 | 0 |
| Waikaire M – mileage & other expenses | 1 | 0 | 1 | 0 |
| Total community board costs | 253 | 261 | 253 | 261 |
| Total remuneration costs | 1,400 | 1,089 | 1,400 | 1,089 |

**COUNCIL
2013
\$000s**

Total annual remuneration by band of employee as at 30 June

| | |
|------------------------|------------|
| < \$60,000 | 139 |
| \$60,000 to \$79,999 | 65 |
| \$80,000 to \$99,999 | 22 |
| \$100,000 to \$119,999 | 12 |
| \$120,000 to \$139,999 | 7 |
| \$140,000 to \$280,000 | 4 |
| Total employees | 249 |

**COUNCIL
2014
\$000s**

Total annual remuneration by band of employee as at 30 June

| | |
|------------------------|------------|
| < \$60,000 | 153 |
| \$60,000 to \$79,999 | 60 |
| \$80,000 to \$99,999 | 28 |
| \$100,000 to \$119,999 | 9 |
| \$120,000 to \$139,999 | 8 |
| \$140,000 to \$320,000 | 3 |
| Total employees | 261 |

Total remuneration includes non-financial benefits provided to employees

At balance date, the Council employed 215 (2012/13 - 218) full time employees, with the balance of staff representing 22.355 (2012/13 - 22.7) full time equivalent employees. A full time employee is determined on the basis of a 40 hour week.

30. SEVERANCE PAYMENTS

There were three severance payments made in 2013/14, \$193,846, \$53,504 and \$16,577 (2012/13 – nil).

31. EVENTS AFTER BALANCE SHEET DATE

A weather event occurred in the Far North in early July 2014. This resulted in significant damage to the roading network and the creation of a Mayoral Relief Fund for those affected by flooding and power outages. Far North District Council subsidiaries did not have any events occurring after the balance sheet date that require disclosure in these financial statements (2013 - nil).



32. FINANCIAL INSTRUMENT RISK

| | CONSOLIDATED | | COUNCIL | |
|---|----------------|----------------|---------------|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| 32a Financial instrument categories | \$'000s | \$'000s | \$'000s | \$'000s |
| FINANCIAL ASSETS | | | | |
| Derivatives that are cash flow hedge accounted | | | | |
| Derivative financial instrument assets | 1,175 | 726 | 1,175 | 726 |
| Total derivatives that are in a cash flow hedge relationship | 1,175 | 726 | 1,175 | 726 |
| Loans and receivables | | | | |
| Cash and cash equivalents | 418 | 4,117 | 181 | 3,738 |
| Other financial assets | | | | |
| Short term deposits | 4,176 | 3,185 | 4,176 | 3,185 |
| Debtors and other receivables (excluding prepayments) | 32,912 | 38,422 | 32,380 | 37,728 |
| Total loans and receivables | 37,506 | 45,725 | 36,737 | 44,652 |
| Fair value through equity | | | | |
| LGNZ shares | 96 | 101 | 96 | 101 |
| LGFA borrower notes | 160 | 160 | 160 | 160 |
| Total fair value through equity | 256 | 261 | 256 | 261 |
| FINANCIAL LIABILITIES | | | | |
| Derivatives that are cash flow hedge accounted | | | | |
| Derivative financial instrument liabilities | | | | |
| Current | 63 | 53 | 63 | 53 |
| Non-current | 25 | 324 | 25 | 324 |
| Total derivatives that are in a cash flow hedge relationship | 88 | 377 | 88 | 377 |
| Financial liabilities at amortised cost | | | | |
| Creditors and other payables | 17,426 | 24,883 | 15,865 | 23,117 |
| Borrowings | | | | |
| Bank overdraft | 48 | 0 | 0 | 0 |
| Secured loans | 82,800 | 100,163 | 71,566 | 89,622 |
| Total financial liabilities at amortised cost | 100,274 | 125,046 | 87,431 | 112,739 |

32B FINANCIAL INSTRUMENT RISKS

Management Policies With Respect To Financial Instruments

The Group has a series of policies providing risk management for interest rates and the concentration of credit risk. The Group is risk averse and seeks to minimise exposure from its treasury activities. The Group has established a Treasury Policy specifying what transactions can be entered into. The policy does not allow any financial transactions that are speculative in nature to be entered into.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Council is exposed to equity price risk on investments, which are classified as financial assets held at fair value through equity. The price risk arises due to changes in performance of the shares held and is annually assessed.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return on investment. The interest rates on the Group's borrowings are disclosed in note 23. There are 9 interest rate swap agreement in place at 30 June 2014 (2013 - 12). Council manages its interest rate risk by varying financing terms of its public debt.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group has limited exposure to currency risk.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a loss. The maximum amount of credit risk for each class is the carrying amount in the Statement of Financial Position. Council has minimal credit risk, apart from Maori land rates, which is provided for in the provision for Impairment of rates (Note 9), in its holdings of various financial instruments. These financial instruments include bank balances, local authority stock and accounts receivable.

Council invests funds only in deposits with registered banks and local authority stock and limits the amount of credit exposure to any one institution or organisation. Accordingly, Council does not require any collateral or security to support the financial instruments with organisations it deals with.

Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arms length transaction.

The fair value of financial instruments is approximately equivalent to the carrying amount disclosed in the Statement of Financial Position.

Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flow from a financial instrument will fluctuate because of changes in market interest rates. Council has variable rate borrowings in the form of bank facilities, drawable on demand.

Fair Value Interest Risk

Fair value interest risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Council holds all long term borrowings at fixed rates which could expose the Council to fair value interest rate risk.

| | CONSOLIDATED | | COUNCIL | |
|---------------------------------|---------------|---------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| Maximum exposure to credit risk | \$000s | \$000s | \$000s | \$000s |
| Cash at bank and term deposits | 418 | 4,117 | 181 | 3,738 |
| Debtors and other receivables | 32,912 | 38,422 | 32,380 | 37,728 |
| Other financial assets | 4,176 | 3,185 | 4,176 | 3,185 |
| LGNZ shares | 96 | 101 | 96 | 101 |
| LGFA borrower notes | 160 | 160 | 160 | 160 |
| Total credit risk | 37,762 | 45,986 | 36,993 | 44,913 |



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 Poor's credit ratings (if available) or to historical information about counter party default rates:

| | CONSOLIDATED | | COUNCIL | |
|---|----------------|----------------|----------------|----------------|
| | 2014 \$000s | 2013 \$000s | 2014 \$000s | 2013 \$000s |
| COUNTERPARTIES WITH CREDIT RATINGS | | | | |
| Cash at bank and term deposits | | | | |
| AA- | 418 | 4,117 | 181 | 3,738 |
| Total cash at bank and term deposits | 418 | 4,117 | 181 | 3,738 |
| Derivative financial assets | | | | |
| Derivative financial instruments | | | | |
| AA- | 1,087 | 349 | 1,087 | 349 |
| Total Derivative financial assets | 1,087 | 349 | 10,87 | 349 |
| Fair value through equity | | | | |
| A+ | 256 | 261 | 256 | 261 |
| Total fair value through equity | 256 | 261 | 256 | 261 |

Debtors and other receivables mainly arise from Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors or other receivables with reference to credit ratings. Apart from Maori land, which is provided for in the provision for impairment of rates (Note 9), Council has no significant concentration of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly rate payers, and Council 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 Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Council aims to maintain flexibility in funding by keeping committed credit lines available. In meeting its liquidity requirements, Council maintains a loan profile, in accordance with its funding and financial policies, which includes a Treasury Management Policy. Council has a maximum amount that can be drawn against its overdraft facility of \$3,000,000 (2013- \$3,000,000). There are no restrictions on the use of this facility.

Contractual Maturity Analysis Of Financial Liabilities

The table below analyses Council's financial liabilities into relevant maturity groups, based on the remaining period at the balance date, up to the contractual maturity date. Future interest payments are based on the rate attributable to that debt. The amounts disclosed are the contractual undiscounted cash flows.

| | Carrying amount \$000s | Contractual cash flows \$000s | Less than 1 year \$000s | 1–2 years \$000s | 2–5 years \$000s | More than 5 years \$000s |
|------------------------------------|------------------------------|-------------------------------------|-------------------------------|---------------------|---------------------|--------------------------------|
| Council 2014 | | | | | | |
| Creditors and other payables | 15,865 | 15,865 | 15,865 | 0 | 0 | 0 |
| Bank overdraft | 0 | 0 | 0 | 0 | 0 | 0 |
| Net settled derivative liabilities | 785 | 785 | 0 | 0 | 785 | 0 |
| Secured loans | 71,566 | 83,353 | 12,309 | 5,389 | 43,886 | 21,769 |
| Finance leases | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 88,216 | 100,003 | 28,174 | 5,389 | 44,671 | 21,769 |
| Group 2014 | | | | | | |
| Creditors and other payables | 17,426 | 17,426 | 17,426 | 0 | 0 | 0 |
| Bank overdraft | 48 | 48 | 48 | 0 | 0 | 0 |
| Net settled derivative liabilities | 785 | 785 | 0 | 0 | 785 | 0 |
| Secured loans | 82,800 | 94,599 | 12,313 | 16,629 | 43,888 | 21,769 |
| Finance leases | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 101,059 | 112,858 | 29,787 | 16,629 | 44,673 | 21,769 |
| Council 2013 | | | | | | |
| Creditors and other payables | 23,117 | 23,117 | 23,117 | 0 | 0 | 0 |
| Bank overdraft | 0 | 0 | 0 | 0 | 0 | 0 |
| Net settled derivative liabilities | (14) | (14) | 0 | 0 | (14) | 0 |
| Secured loans | 89,622 | 106,970 | 8,330 | 13,189 | 62,817 | 22,634 |
| Finance leases | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 112,725 | 130,073 | 31,447 | 13,189 | 62,803 | 22,634 |
| Group 2013 | | | | | | |
| Creditors and other payables | 24,883 | 24,883 | 24,883 | 0 | 0 | 0 |
| Bank overdraft | 0 | 0 | 0 | 0 | 0 | 0 |
| Net settled derivative liabilities | (14) | (14) | 0 | 0 | (14) | 0 |
| Secured loans | 100,162 | 117,510 | 8,330 | 23,729 | 62,817 | 22,634 |
| Finance leases | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 125,031 | 142,379 | 33,213 | 23,729 | 62,803 | 22,634 |

Sensitivity Analysis

The table below illustrates the potential profit and loss impact for reasonably possible market movements, with all other variables held constant based on Council's financial instrument exposures at the balance date.



| INTEREST RATE RISK | 2014 | 2014 | 2013 | 2013 |
|--|------------------|------------------|------------------|------------------|
| | \$000s | \$000s | \$000s | \$000s |
| COUNCIL | Profit – 100 bps | Profit + 100 bps | Profit – 100 bps | Profit + 100 bps |
| Financial assets | | | | |
| Cash and cash equivalents | 6 | (6) | 2 | (2) |
| Derivative financial assets | | | | |
| Derivative financial instruments | (1,413) | 1,337 | (2,363) | 2,219 |
| Financial liabilities | | | | |
| Borrowings | | | | |
| Credit lines | (51) | 51 | (51) | 51 |
| Total sensitivity to interest rate risk | (1,458) | 1,382 | (2,412) | 2,268 |

Explanation Of Sensitivity Analysis

1. Cash and cash equivalents

Cash and cash equivalents are \$181,000 (2013 \$3,738,000) which are at a floating rate. A movement of plus or minus 1% has an effect on interest income of \$5,706 (2013 \$2,175)

2. Credit lines

The balance on the credit lines was nil at 30 June (2013 \$10,000,000) at a floating rate. A movement in interest rates of plus or minus 1% has an effect on interest payable of \$51,094 (2013 \$50,659)

Far North Holdings does not have any significant interest rate risk.

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

Far North District Council has created reserves for different areas of benefit. These are used where there is a discrete set of rate payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to specific reserves.

34. PROPERTY AVAILABLE FOR SALE

Far North District Council has 4 (2013 – 4) parcels of land that will be transferred under an Office of Treaty Settlement agreement at a value of \$610,000. There are an additional 5 (2013 – 3) parcels that have been declared surplus to requirement and marketed for sale and have a market value of \$604,000. Directors of Far North Holdings Limited have initiated a plan to sell 1 property with a total value of \$400,000 (2013 – 1 property \$500,000).

| 35. DERIVATIVE FINANCIAL INSTRUMENTS | COUNCIL | |
|--|----------------|----------------|
| | 2014 \$000s | 2013 \$000s |
| Non-current asset – cash flow hedge | 1,175 | 726 |
| Current liability – cash flow hedge | (63) | (53) |
| Non-current liability - cash flow hedge | (25) | (324) |
| Total derivative financial instrument liabilities | 1,087 | 349 |

Fair Value

The fair value of the interest rate swap has been determined using discounted cash flow valuation based on quoted market rates. Derivative financial assets and liabilities are valued using valuation techniques using observable inputs, being level two per the fair value hierarchy.

Interest Rate Swap

The notional principal amount of the outstanding interest rate swap contracts with Council was \$45,000,000 (June 2013 \$60,000,000). At June 30 the fixed interest rates of the cash flow hedges ranged from 2.89% to 7.1% with maturity dates ranging from February 2015 to March 2022 (2013 – 2.89% to 7.1%) There was a loss of \$61k recognised in the Statement of Comprehensive Income (2013 gain \$362k).

| 36. VARIANCES TO ANNUAL PLAN | COUNCIL |
|--|-----------------|
| | 2014 \$000s |
| Statement of Comprehensive Income | |
| Annual Plan surplus | 6,215 |
| Annual Report surplus | (2,285) |
| Net operating surplus variance | (8,500) |
| Variance represented by: | |
| Variance area | |
| Rates | 8,297 |
| Other | (239) |
| Total income variance | 8,058 |
| District facilities (*) | (2,411) |
| Environmental management (*) | (3,116) |
| Governance & strategy (*) | (1,596) |
| Roading & footpaths (*) | (9,066) |
| Sewerage treatment & disposal | (345) |
| Stormwater drainage | 550 |
| Waste management | 88 |
| Water supply | (661) |
| Total expenditure variance | (16,557) |
| Net operating surplus variance | (8,500) |

(*) See individual Statement of Service Performance for explanation of each group's variance to Annual Plan.

The variance in rate income of \$8.297m is significantly due to increased penalty rate income that is not budgeted for of \$5.625m. The remaining variance is due to a change in policy concerning Separately Used and Inhabitable Parts (SUIP's) and a budget error concerning water by meter charges, which are now disclosed as fees and charges income.

Council's asset revaluation reserves have increased by \$28 million during the year.



37. FUNDING IMPACT STATEMENT

| Whole of Council | Annual plan 2012/13 \$000s | Actual 2012/13 \$000s | Annual plan 2013/14 \$000s | Actual 2013/14 \$000s |
|---|----------------------------------|-----------------------------|----------------------------------|-----------------------------|
| Sources of operational funding | | | | |
| General rates, uniform annual general charges, rates penalties | 45,817 | 53,451 | 45,242 | 51,172 |
| Targeted rates (excluding water supply rates) | 22,801 | 21,339 | 26,633 | 27,224 |
| Subsidies and grants for operating purposes | 5,621 | 6,051 | 5,720 | 6,278 |
| Fees, charges and targeted water supply rates | 15,492 | 13,063 | 14,049 | 13,592 |
| Interest and dividends from investments | 399 | 939 | 295 | 821 |
| Local authority fuel tax, fines, infringement fees and other receipts | 954 | 1,214 | 1,014 | 1,947 |
| Total operating funding (A) | 91,084 | 96,057 | 92,952 | 101,033 |
| Applications of operating funding | | | | |
| Payments to staff and suppliers | 61,152 | 62,707 | 61,746 | 72,279 |
| Finance costs | 7,120 | 5,171 | 6,579 | 5,109 |
| Internal charges and overheads applied | 0 | 13 | 0 | 0 |
| Total applications of operating funding (B) | 68,272 | 67,891 | 68,324 | 77,389 |
| Surplus/(deficit of operating funding (A-B)) | 22,811 | 28,166 | 24,628 | 23,644 |
| Sources of capital funding | | | | |
| Subsidies and grants for capital expenditure | 16,075 | 14,256 | 10,257 | 8,905 |
| Development and financial contributions | 484 | 1,780 | 487 | 743 |
| Increase (decrease) in debt | 10,762 | (11,094) | 9,001 | (18,061) |
| Total sources of capital funding (C) | 27,321 | 4,942 | 19,745 | (8,413) |
| Applications of capital funding | | | | |
| Capital expenditure to meet: | | | | |
| -Additional demand | 902 | 413 | 1,585 | 660 |
| -Improved levels of service | 26,482 | 16,237 | 19,693 | 5,808 |
| -Replacement of existing assets | 24,038 | 14,401 | 21,595 | 16,695 |
| Increase (decrease) in reserves | (1,290) | 2,057 | 1,499 | (7,933) |
| Total applications of capital funding (D) | 50,132 | 33,108 | 44,373 | 15,230 |
| Surplus/(deficit) of capital funding (C-D) | (22,811) | (28,166) | (24,628) | (23,644) |
| Funding balance ((A-B) + (C-D)) | 0 | 0 | 0 | 0 |

37. FUNDING IMPACT STATEMENT

| | LTP 2012/13 \$000s | LTP 2013/14 \$000s | Actual 2013/14 \$000s |
|---|--------------------------|--------------------------|-----------------------------|
| District facilities | | | |
| Sources of operational funding | | | |
| General rates, uniform annual general charges, rates penalties | 9,652 | 9,937 | 11,229 |
| Targeted rates (excluding water supply rates) | 8,334 | 8,732 | 8,621 |
| Subsidies and grants for operating purposes | 110 | 115 | 110 |
| Fees, charges and targeted water supply rates | 2,108 | 2,176 | 1,933 |
| Internal charges and overheads recovered | 13 | 13 | 663 |
| Local authority fuel tax, fines, infringement fees and other receipts | 157 | 162 | 186 |
| Total operating funding (A) | 20,374 | 21,135 | 22,742 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 11,593 | 11,869 | 13,295 |
| Finance costs | 1,200 | 1,243 | 673 |
| Internal charges and overheads applied | 4,177 | 4,246 | 3,525 |
| Total applications of operating funding (B) | 16,970 | 17,358 | 17,493 |
| Surplus/(deficit of operating funding (A-B)) | 3,404 | 3,777 | 5,249 |
| Sources of capital funding | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 45 |
| Development and financial contributions | 113 | 113 | 339 |
| Increase (decrease) in debt | 714 | 893 | (668) |
| Total sources of capital funding (C) | 827 | 1,006 | (302) |
| Applications of capital funding | | | |
| Capital expenditure to meet: | | | |
| - Additional demand | 170 | 422 | 138 |
| - Improved levels of service | 825 | 813 | 1,445 |
| - Replacement of existing assets | 5,954 | 6,086 | 1,431 |
| Increase (decrease) in reserves | (2,718) | (2,538) | 1,933 |
| Total applications of capital funding (D) | 4,232 | 4,783 | 4,947 |
| Surplus/(deficit) of capital funding (C-D) | (3,404) | (3,777) | (5,249) |
| Funding balance ((A-B) + (C-D)) | 0 | 0 | 0 |



37. FUNDING IMPACT STATEMENT

| | I TP 2012/13 \$000s | L TP 2013/14 \$000s | Actual 2013/14 \$000s |
|---|---------------------------|---------------------------|-----------------------------|
| Environmental management | | | |
| Sources of operational funding | | | |
| General rates, uniform annual general charges, rates penalties | 7,211 | 7,195 | 7,273 |
| Targeted rates (excluding water supply rates) | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 |
| Fees, charges and targeted water supply rates | 3,160 | 3,261 | 3,392 |
| Internal charges and overheads recovered | 4 | 4 | 163 |
| Local authority fuel tax, fines, infringement fees and other receipts | 92 | 95 | 81 |
| Total operating funding (A) | 10,467 | 10,556 | 10,908 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 7,774 | 7,874 | 10,513 |
| Finance costs | 177 | 176 | 22 |
| Internal charges and overheads applied | 2,352 | 2,347 | 2,252 |
| Total applications of operating funding (B) | 10,303 | 10,397 | 12,788 |
| Surplus/(deficit of operating funding (A-B)) | 164 | 159 | (1,879) |
| Sources of capital funding | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 |
| Increase (decrease) in debt | (23) | (23) | (23) |
| Total sources of capital funding (C) | (23) | (23) | (23) |
| Applications of capital funding | | | |
| Capital expenditure to meet: | | | |
| - Additional demand | 0 | 0 | 0 |
| - Improved levels of service | 10 | 0 | 3 |
| - Replacement of existing assets | 0 | 0 | 0 |
| Increase (decrease) in reserves | 131 | 136 | (1,859) |
| Total applications of capital funding (D) | 141 | 136 | (1,856) |
| Surplus/(deficit) of capital funding (C-D) | (164) | (159) | 1,879 |
| Funding balance ((A-B) + (C-D)) | 0 | 0 | 0 |

| 37. FUNDING IMPACT STATEMENT | | | |
|---|---------------------------|---------------------------|-----------------------------|
| | I TP 2012/13 \$000s | L TP 2013/14 \$000s | Actual 2013/14 \$000s |
| Governance and strategy | | | |
| Sources of operational funding | | | |
| General rates, uniform annual general charges, rates penalties | 10,087 | 10,309 | 12,146 |
| Targeted rates (excluding water supply rates) | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 32 | 25 | 5 |
| Fees, charges and targeted water supply rates | 528 | 544 | 640 |
| Internal charges and overheads recovered | 13 | 102 | 123 |
| Local authority fuel tax, fines, infringement fees and other receipts | 280 | 289 | 664 |
| Total operating funding (A) | 10,940 | 11,269 | 13,578 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 15,822 | 16,187 | 17,948 |
| Finance costs | 1,435 | 1,438 | 1,228 |
| Internal charges and overheads applied | (10,072) | (10,222) | (8,681) |
| Total applications of operating funding (B) | 7,185 | 7,403 | 10,495 |
| Surplus/(deficit of operating funding (A-B)) | 3,755 | 3,866 | 3,083 |
| Sources of capital funding | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 2 |
| Development and financial contributions | 371 | 379 | 0 |
| Increase (decrease) in debt | 54 | (35) | (12,990) |
| Total sources of capital funding (C) | 425 | 345 | (12,988) |
| Applications of capital funding | | | |
| Capital expenditure to meet: | | | |
| - Additional demand | 0 | 0 | 0 |
| - Improved levels of service | 585 | 439 | 90 |
| - Replacement of existing assets | 1,285 | 258 | 988 |
| Increase (decrease) in reserves | 2,310 | 3,514 | (10,981) |
| Increase (decrease) in investments | 0 | 0 | (2) |
| Total applications of capital funding (D) | 4,180 | 4,210 | (9,905) |
| Surplus/(deficit) of capital funding (C-D) | (3,755) | (3,866) | (3,083) |
| Funding balance ((A-B) + (C-D)) | 0 | 0 | 0 |



37. FUNDING IMPACT STATEMENT

| | LTP 2012/13 \$000s | LTP 2013/14 \$000s | Actual 2013/14 \$000s |
|---|--------------------------|--------------------------|-----------------------------|
| Roads and footpaths | | | |
| Sources of operational funding | | | |
| General rates, uniform annual general charges, rates penalties | 11,558 | 11,517 | 10,992 |
| Targeted rates (excluding water supply rates) | 4,026 | 4,084 | 5,227 |
| Subsidies and grants for operating purposes | 5,479 | 6,144 | 6,163 |
| Fees, charges and targeted water supply rates | 792 | 818 | 652 |
| Internal charges and overheads recovered | 27 | 28 | 109 |
| Local authority fuel tax, fines, infringement fees and other receipts | 597 | 616 | 580 |
| Total operating funding (A) | 22,479 | 23,206 | 23,723 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 14,667 | 14,862 | 16,048 |
| Finance costs | 961 | 1,101 | 700 |
| Internal charges and overheads applied | (199) | (208) | 663 |
| Total applications of operating funding (B) | 15,428 | 15,754 | 17,410 |
| Surplus/(deficit of operating funding (A-B)) | 7,050 | 7,452 | 6,312 |
| Sources of capital funding | | | |
| Subsidies and grants for capital expenditure | 9,904 | 7,541 | 8,675 |
| Development and financial contributions | 0 | 0 | 245 |
| Increase (decrease) in debt | 2,332 | 776 | (816) |
| Total sources of capital funding (C) | 12,237 | 8,317 | 8,104 |
| Applications of capital funding | | | |
| Capital expenditure to meet: | | | |
| - Additional demand | 732 | 1,139 | 522 |
| - Improved levels of service | 6,195 | 3,510 | 3,119 |
| - Replacement of existing assets | 12,274 | 10,128 | 12,355 |
| Increase (decrease) in reserves | 86 | 992 | (1,580) |
| Total applications of capital funding (D) | 19,287 | 15,769 | 14,416 |
| Surplus/(deficit) of capital funding (C-D) | (7,050) | (7,452) | (6,312) |
| Funding balance ((A-B) + (C-D)) | 0 | 0 | 0 |

37. FUNDING IMPACT STATEMENT

| | LTP 2012/13 \$000s | LTP 2013/14 \$000s | Actual 2013/14 \$000s |
|---|--------------------------|--------------------------|-----------------------------|
| Sewerage treatment and disposal | | | |
| Sources of operational funding | | | |
| General rates, uniform annual general charges, rates penalties | 762 | 776 | 1,639 |
| Targeted rates (excluding water supply rates) | 9,925 | 10,896 | 10,792 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 |
| Fees, charges and targeted water supply rates | 231 | 334 | 155 |
| Internal charges and overheads recovered | 4 | 4 | 10 |
| Local authority fuel tax, fines, infringement fees and other receipts | 0 | 0 | 0 |
| Total operating funding (A) | 10,923 | 12,010 | 12,597 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 4,234 | 4,454 | 5,387 |
| Finance costs | 1,711 | 2,101 | 1,339 |
| Internal charges and overheads applied | 981 | 1,006 | 789 |
| Total applications of operating funding (B) | 6,926 | 7,561 | 7,515 |
| Surplus/(deficit of operating funding (A-B)) | 3,996 | 4,448 | 5,081 |
| Sources of capital funding | | | |
| Subsidies and grants for capital expenditure | 5,757 | 4,301 | 93 |
| Development and financial contributions | 0 | 0 | 122 |
| Increase (decrease) in debt | 7,028 | 7,711 | (2,078) |
| Total sources of capital funding (C) | 12,785 | 12,012 | (1,863) |
| Applications of capital funding | | | |
| Capital expenditure to meet: | | | |
| - Additional demand | 0 | 0 | 0 |
| - Improved levels of service | 15,750 | 15,758 | 432 |
| - Replacement of existing assets | 2,021 | 258 | 781 |
| Increase (decrease) in reserves | (990) | 444 | 2,005 |
| Total applications of capital funding (D) | 16,782 | 16,460 | 3,218 |
| Surplus/(deficit) of capital funding (C-D) | (3,996) | (4,448) | (5,081) |
| Funding balance ((A-B) + (C-D)) | 0 | 0 | 0 |



37. FUNDING IMPACT STATEMENT

| | I TP 2012/13 \$000s | L TP 2013/14 \$000s | Actual 2013/14 \$000s |
|---|---------------------------|---------------------------|-----------------------------|
| Stormwater Drainage | | | |
| Sources of operational funding | | | |
| General rates, uniform annual general charges, rates penalties | 2,125 | 2,225 | 2,393 |
| Targeted rates (excluding water supply rates) | 517 | 520 | 629 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 |
| Fees, charges and targeted water supply rates | 0 | 0 | 0 |
| Internal charges and overheads recovered | 0 | 0 | 4 |
| Local authority fuel tax, fines, infringement fees and other receipts | 0 | 0 | 0 |
| Total operating funding (A) | 2,642 | 2,745 | 3,026 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 899 | 927 | 521 |
| Finance costs | 339 | 356 | 246 |
| Internal charges and overheads applied | 298 | 303 | 297 |
| Total applications of operating funding (B) | 1,535 | 1,585 | 1,064 |
| Surplus/(deficit of operating funding (A-B)) | 1,107 | 1,159 | 1,962 |
| Sources of capital funding | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 6 |
| Increase (decrease) in debt | 286 | 251 | (330) |
| Total sources of capital funding (C) | 286 | 251 | (323) |
| Applications of capital funding | | | |
| Capital expenditure to meet: | | | |
| - Additional demand | 0 | 0 | 0 |
| - Improved levels of service | 1,095 | 980 | 172 |
| - Replacement of existing assets | 300 | 310 | 19 |
| Increase (decrease) in reserves | (2) | 120 | 1,448 |
| Total applications of capital funding (D) | 1,393 | 1,410 | 1,639 |
| Surplus/(deficit) of capital funding (C-D) | (1,107) | (1,159) | (1,962) |
| Funding balance ((A-B) + (C-D)) | 0 | 0 | 0 |

37. FUNDING IMPACT STATEMENT

| | I TP 2012/13 \$000s | L TP 2013/14 \$000s | Actual 2013/14 \$000s |
|---|---------------------------|---------------------------|-----------------------------|
| Waste management | | | |
| Sources of operational funding | | | |
| General rates, uniform annual general charges, rates penalties | 4,216 | 4,273 | 4,577 |
| Targeted rates (excluding water supply rates) | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 |
| Fees, charges and targeted water supply rates | 916 | 946 | 793 |
| Internal charges and overheads recovered | 0 | 0 | 4 |
| Local authority fuel tax, fines, infringement fees and other receipts | 166 | 166 | 180 |
| Total operating funding (A) | 5,297 | 5,385 | 5,554 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 3,829 | 3,901 | 3,996 |
| Finance costs | 394 | 380 | 283 |
| Internal charges and overheads applied | 491 | 503 | 363 |
| Total applications of operating funding (B) | 4,714 | 4,783 | 4,641 |
| Surplus/(deficit of operating funding (A-B)) | 583 | 602 | 912 |
| Sources of capital funding | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 |
| Increase (decrease) in debt | (227) | (367) | (358) |
| Total sources of capital funding (C) | (227) | (367) | (358) |
| Applications of capital funding | | | |
| Capital expenditure to meet: | | | |
| - Additional demand | 0 | 0 | 0 |
| - Improved levels of service | 215 | 36 | 48 |
| - Replacement of existing assets | 217 | 245 | 70 |
| Increase (decrease) in reserves | (76) | (46) | 437 |
| Total applications of capital funding (D) | 356 | 235 | 555 |
| Surplus/(deficit) of capital funding (C-D) | (583) | (602) | (912) |
| Funding balance ((A-B) + (C-D)) | 0 | 0 | 0 |



37. FUNDING IMPACT STATEMENT

| | LTP 2012/13 \$000s | LTP 2013/14 \$000s | Actual 2013/14 \$000s |
|---|--------------------------|--------------------------|-----------------------------|
| Water supply | | | |
| Sources of operational funding | | | |
| General rates, uniform annual general charges, rates penalties | 206 | 212 | 924 |
| Targeted rates (excluding water supply rates) | 0 | 0 | 1,955 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 |
| Fees, charges and targeted water supply rates | 7,756 | 9,068 | 6,026 |
| Internal charges and overheads recovered | 0 | 0 | 0 |
| Local authority fuel tax, fines, infringement fees and other receipts | 0 | 0 | 0 |
| Total operating funding (A) | 7,962 | 9,280 | 8,905 |
| Applications of operating funding | | | |
| Payments to staff and suppliers | 3,470 | 4,505 | 4,571 |
| Finance costs | 903 | 937 | 626 |
| Internal charges and overheads applied | 837 | 855 | 792 |
| Total applications of operating funding (B) | 5,211 | 6,298 | 5,989 |
| Surplus/(deficit of operating funding (A-B)) | 2,751 | 2,982 | 2,916 |
| Sources of capital funding | | | |
| Subsidies and grants for capital expenditure | 413 | 184 | 90 |
| Development and financial contributions | 0 | 0 | 30 |
| Increase (decrease) in debt | 597 | 137 | (776) |
| Total sources of capital funding (C) | 1,010 | 321 | (656) |
| Applications of capital funding | | | |
| Capital expenditure to meet: | | | |
| - Additional demand | 0 | 0 | 0 |
| - Improved levels of service | 1,808 | 1,290 | 499 |
| - Replacement of existing assets | 1,985 | 2,408 | 1,051 |
| Increase (decrease) in reserves | (32) | (394) | 710 |
| Total applications of capital funding (D) | 3,761 | 3,304 | 2,260 |
| Surplus/(deficit) of capital funding (C-D) | (2,751) | (2,982) | (2,916) |
| Funding balance ((A-B) + (C-D)) | 0 | 0 | 0 |

BENCHMARKS

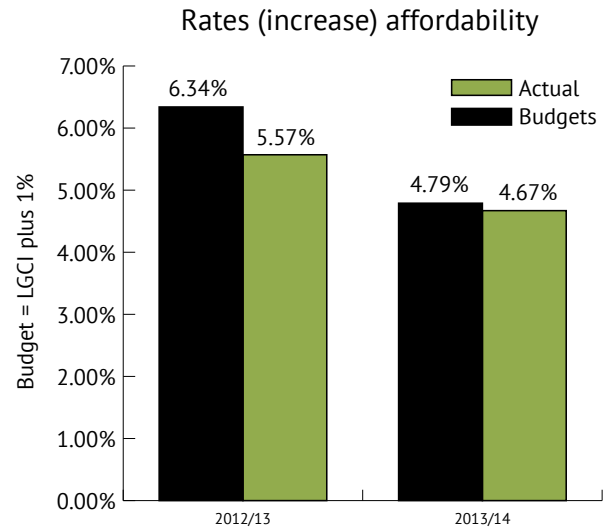
Rates (income) affordability

The following graph compares the council's actual rates income with the quantified limit on rates contained in the financial strategy included in the council's long term plan 2012/22. The quantified limit is that rates income will not exceed 95% of total revenue (excluding subsidies and contributions) in any year. The graph shows the budgeted rates proportion of revenue measured against the actual proportion achieved. Council has achieved this benchmark.



Rates (increases) affordability

The following graph compares the council's actual rate increases with the quantified limit on rates increases included in the financial strategy included in the council's long term plan 2012/22. The quantified limit is that total rates income will not increase by more than LGCI (Local Government Cost Index) plus 1% in any year. The graph shows the actual rate increase percentages measured against the predicted rates increases. Council has achieved this benchmark.

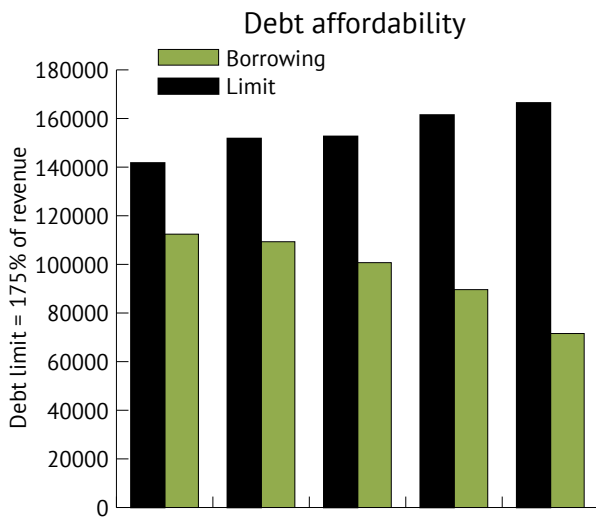




Debt affordability

The council meets the debt affordability benchmark if its actual borrowing is within the quantified limit on borrowing.

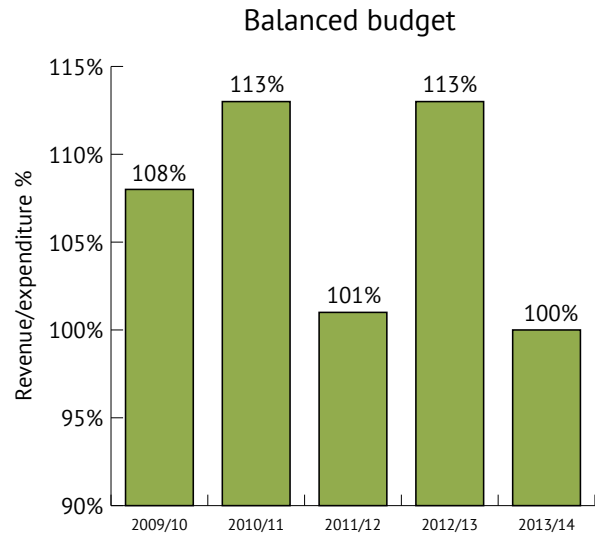
The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long term plan 2012/22. The quantified limit is that borrowing is not to exceed 175% of revenue (excluding subsidies and contributions) in any year. The following graph shows the maximum borrowing permitted under the limit and the actual borrowing achieved. The graph is measured in \$000's Council has achieved this benchmark.



Balanced budget

The following graph displays the council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluation of property, plant & equipment) as a proportion of operating expenses (excluding loss on derivative financial instruments and revaluations of property, plant & equipment).

Council meets this benchmark if it's revenue equals or is greater than it's operating expenses. Council has achieved this benchmark.

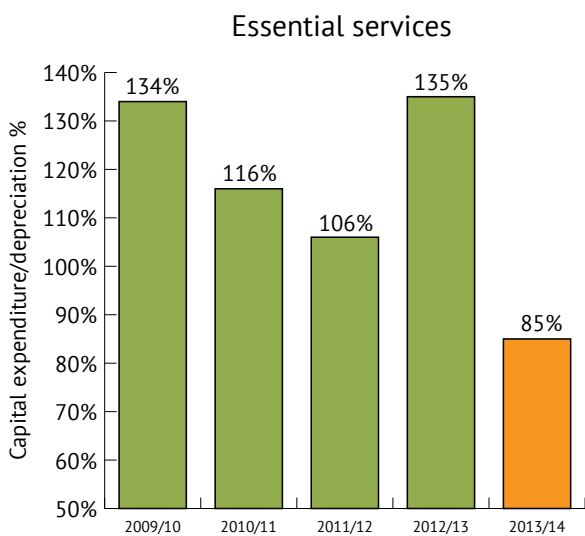


Essential services

The following graph displays the council's capital expenditure on network services as a proportion of depreciation on network services. Network services are defined as:

- Water supply
- Sewerage and treatment and disposal of sewage,
- Stormwater drainage
- The provision of roads and footpaths

Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services. Council has achieved this benchmark in all years except 2013/14. The 2013/14 result is due to non-completion of the capital programme for the year. This was a result of a lack of resources both within Council and the wider supplier community.

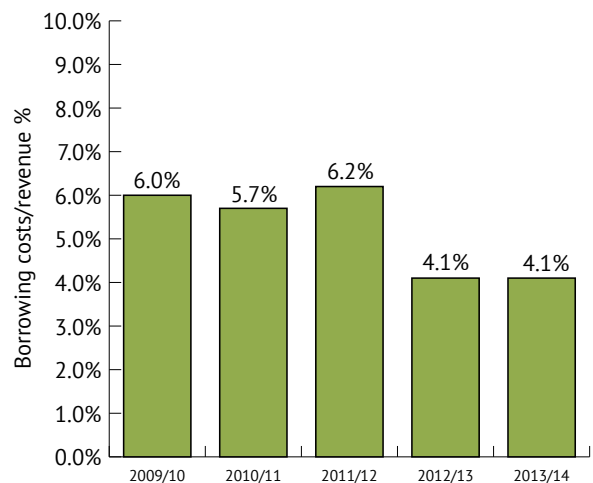


Debt servicing

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 & equipment)

Because Statistics New Zealand projects the council's population will grow more slowly than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or less than 10% of its revenue. Council has achieved this benchmark.

Debt servicing



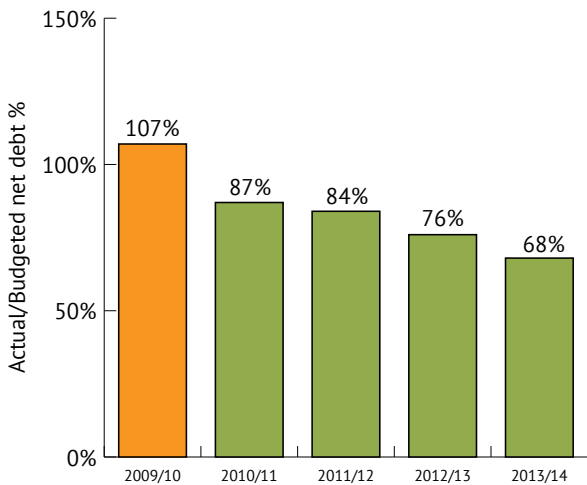


Debt control

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

Council meets the debt control benchmark if its actual net debt is equal or is less than its planned net debt. In the year that this benchmark was not met, the current portion of external borrowings exceeded that anticipated at the planning stage.

Debt control



Operations control

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. In the years that council failed to meet this benchmark, actual income (other than rates) was lower than predicted. In 2009/10 this was predominantly focused on the waste management and roading areas (reduced subsidies)

Operations control



RESERVES REPORT

The LGA, Schedule 10, requires the Annual Report to include information on each reserve fund set aside by Council. The Annual Report must identify the purpose of the fund, the activity it relates to and the amount expected to be in the fund as well as indicating the amounts that were allocated to and from the reserves during the year. The following tables identify the reserves Council maintains.

Reserve balance purposes

Other reserves:

Revaluation reserves

These reserves represent the movement in the valuation of Council's assets.

Fair value through equity reserve, capital reserve, cash flow hedge reserve.

These reserves are all balance sheet reserves used for accounting purposes only.

Restricted Reserves:

Community services fund

Funds are generated by way of targeted rates and are intended for the use of maintenance of community infrastructure such as parks and reserves, public toilets, cemeteries, swimming pools, footpaths, halls etc., and the maintenance of central town areas such as street cleaning and rubbish collection. Funds were maintained at ward level but as the rating policy has changed over time, funds are now maintained as a district wide reserve

General separate funds (drainage, stormwater separate rate, water, wastewater)

These are restricted reserves that are restricted for specific purposes and are not available for general expenditure.

Special funds

Funds received under the RMA that are ring fenced for specific works relating to the aspect of the RMA under which they were contributed.

General separate funds (Kerikeri mainstreet, economic dev't, CBD reserves, car park funds)

These are restricted reserves that are restricted for specific purposes and are not available for general expenditure.

General separate funds (Community footpath reserves)

These are restricted reserves that are restricted for specific purposes and are not available for general expenditure.

Retained earnings

General funds retained by Council arising from the accumulation of prior year's surpluses or deficits from general rate funded operations.

Development contributions

Contributions received in line with Council's Development Contributions Policy. As the policy has changed over time, funds are required to be kept at both district wide and ward levels to provide an account of the contributions received under each policy and their use.

Open spaces development contributions

Contributions received in line with Council's Development Contributions Policy. As the policy has changed over time, funds are required to be kept at both district wide and ward levels to provide an account of the contributions received under each policy and their use.

Depreciation reserves

Council is required to fund depreciation on assets that it is intending to renew at a future date. The depreciation charges generated are held by asset/activity area so that funds are available for future replacement.

Emergency event reserve

Specific funds earmarked for the recovery requirements of future weather related events.

Property disposal reserve

Net sale proceeds arising from surplus property for use to fund future strategic needs within communities. The funds are held at activity and ward levels. The funding decisions are made by Council either at the time of sale or at a future date.

Mineral Survey Reserve

Reserve to investigate the mineral potential of the Northland Region.

NOTE: Where a reserve balance is shown in brackets it means the reserve is overdrawn.



| RESERVES | | | | |
|--|---|--------------------------------|----------------------------------|---|
| | Opening Balance 2013/14 \$000s | Additions 2013/14 \$000s | Withdrawals 2013/14 \$000s | Closing Balance 2013/14 \$000s |
| Other reserves | | | | |
| Revaluation reserves | 253,302 | 41,985 | (14,403) | 280,884 |
| LGNZ Share valuation reserve | 56 | 0 | (5) | 51 |
| Cash flow hedge reserve | (14) | 799 | 0 | 785 |
| Capital reserve | 2,697 | 0 | 0 | 2,697 |
| Total other reserves | 256,041 | 42,784 | (14,408) | 284,417 |
| Restricted reserves | | | | |
| Community services reserves | (835) | 12,193 | (12,289) | (931) |
| General separate funds (drainage, stormwater, water, wastewater) | (1,649) | 22,213 | (20,661) | (97) |
| Special funds | 4,062 | 169 | (238) | 3,993 |
| General separate funds (Kerikeri mainstreet, economic development, CBD rates, car parks) | 696 | 171 | (170) | 697 |
| General separate funds (footpaths) | 234 | 0 | 0 | 234 |
| Total restricted reserves | 2,508 | 34,746 | (33,358) | 3,896 |
| Retained Earnings | | | | |
| Retained earnings | 1,277,148 | 0 | (2,837) | 1,274,311 |
| Development contributions | (17,664) | 543 | (929) | (18,051) |
| Open spaces development contributions | (4,142) | 182 | (75) | (4,036) |
| Depreciation reserves | 42,140 | 28,705 | (26,114) | 44,731 |
| Emergency event reserve | 587 | 1,580 | (1,332) | 835 |
| Property disposal reserve | 395 | 0 | (149) | 246 |
| Mineral survey reserve | 50 | 0 | 0 | 50 |
| Total retained earnings | 1,298,514 | 31,010 | (31,436) | 1,298,086 |

INSURANCE ON ASSETS

Water, wastewater and drainage assets

These assets have a total asset value for insurance purposes of \$73,078,353. The net book value of these assets at 30 June 2014 was \$47,264,950. The insurance cover in this group relates to over ground assets. Council's underground assets are not insured. Council has undertaken a risk assessment for insurance purposes and this has shown that these assets are not at significant risk from earthquake. No provision to self insure these assets has been made.

Roading and footpath assets

The vehicle ferry, Kohu Ra and the 100% NZTA subsidy funded footbridge in Kerikeri are specifically insured with an asset value of \$8,088,719. The net book value of these assets is \$3,589,227. The remaining \$951,085,773 of assets within this group are considered to be uninsured. No provision has been made to self insure these assets as they are deemed to be subject to NZTA subsidy support of at least 55%

Waste management assets

These assets have a total asset value for insurance purposes of \$3,205,724. The net book value of these assets at 30 June 2014 was \$1,980,706. The remaining assets valued at \$1,799,294 are considered to be uninsured. No provision is made to self insure these assets.

Heritage assets

These assets have a total value for insurance purposes of \$4,585,138. The net book value of these assets was \$2,142,948 at 30 June 2014. There are no uninsured assets in this group.

Community assets

These assets have a total asset value for insurance purposes of \$84,689,588. The net book value of these assets at 30 June 2014 was \$22,418,736. The remaining assets valued at \$16,233,316 are considered to be uninsured. No provision is made to self insure these assets. Of the insured assets, the largest values are held within Community Centres and Housing for the Elderly with an insurance value of \$58,536,140 and a net book value of \$10,365,347.

Leasehold improvements, plant & equipment and vehicle assets

These assets have a total asset value for insurance purposes of \$12,335,840. The net book value of these assets at 30 June 2014 was \$6,693,345. The remaining assets valued at \$8,929,655 are considered to be uninsured. No provision is made to self insure these assets.

Council's excess for material damage insurance claims resulting from flood or storm is \$250,000 per claim. This reflects the opinion that the Far North is at risk from weather type events including possible Tsunami. Council rates to cover 1 claim per annum arising from weather events and in years where significant claims are not made, this funding is used to support any additional funding requirements on Roading arising from weather related emergency works.

The following table is not subject to Audit review and is not included in the Audit Opinion on pages 21 to 24.

| CAPITAL STATEMENT | CONSOLIDATED | | COUNCIL | | |
|----------------------------------|----------------|----------------|----------------|---------------|----------------|
| | Actual | Actual | Actual | Budget | Actual |
| | 2014 | 2013 | 2014 | 2014 | 2013 |
| | \$000s | \$000s | \$000s | \$000s | \$000s |
| Capital Statement | | | | | |
| Net Operating surplus | (1,385) | 8,670 | (2,285) | 6,215 | 6,657 |
| Depreciation funding | 26,115 | 19,073 | 26,115 | 29,273 | 19,073 |
| Loans | 3,192 | 5,669 | 3,192 | 13,674 | 5,669 |
| Development funding | 1,005 | 899 | 1,005 | 1,446 | 899 |
| Reserve funding | 534 | 81 | 534 | 415 | 81 |
| Reserve appropriations | (2,451) | (2,163) | (2,451) | (6,208) | (2,163) |
| Retained profit funding | 26 | 32 | 26 | 2,731 | 32 |
| Other funding | 0 | 0 | 0 | 0 | 0 |
| Total Funding | 27,033 | 32,261 | 26,136 | 47,546 | 30,247 |
| New work | 7,685 | 17,608 | 7,294 | 20,908 | 17,608 |
| Renewal works | 15,732 | 15,099 | 15,870 | 21,965 | 15,099 |
| Total Capital Works | 23,417 | 32,707 | 23,164 | 42,873 | 32,707 |
| Loan repayments | 8,061 | 7,094 | 8,061 | 4,673 | 7,094 |
| Total Debt | 8,061 | 7,094 | 8,061 | 4,673 | 7,094 |
| Total Capital Expenditure | 31,478 | 39,801 | 31,226 | 27,546 | 39,801 |
| NET SURPLUS/(DEFICIT) | (4,445) | (7,540) | (5,090) | 0 | (9,554) |