

Waikato District Community Wellbeing Trust
Performance Report
For the year ended 30 June 2016

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Waikato District Community Wellbeing Trust

Performance report

for the year ended 30 June 2016

Entity information

Legal name

Waikato District Community Wellbeing Trust (the Trust).

Type of entity and legal basis

The Trust was incorporated on 1 November 2010 under the Charitable Trust Act 1957 and is domiciled in New Zealand. On the same date the Trust was registered in accordance with the Charities Act 2005 to give it charitable status. (Registration number: CC45642)

The Trust is controlled by Waikato District Council (Council) and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002, by virtue of Council's right to appoint the Trustees.

Objectives of the Trust

1. To comply with the terms of the Trust Deed and in particular with the duties of the Trust as set out in clause 11 of the Deed *;
2. To develop an investment mandate seeking for the portfolio both income and growth from suitably diversified investments having a moderate investment risk.

* Clause 11 of the Deed lists the Trust's objectives as:

- a) To consider and approve projects submitted by Waikato District Council (Council);
- b) To publicise the projects and activities of the Trust;
- c) To actively promote the work of the Trust with a view to ensuring the long term operations of the Trust;
- d) To ensure information about the Trust's activities and objectives is available to people within the area and fosters a sense of community achievement and betterment;
- e) To develop appropriate funding allocation mechanisms; and,
- f) To be guided by a clearly defined set of principles.

The principal activities of the Trust are undertaken to:

- Promote the social, environmental and cultural wellbeing of the Waikato district and its communities;
- Deliver on the aspirations and community outcomes of the Waikato district as identified and promoted by the community; and,
- Fund projects identified by Council's planning documents.

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Structure of the Trust's operations, including governance arrangements

The Trust comprises a Board of five Trustees who oversee the governance of the Trust.

The operation and administration of the Trust are undertaken by staff of Council. Those staff members are: General Manager-Strategy & Support, PA to the General Manager-Strategy & Support, Community Development Coordinator and Financial Accountant.

The Trustees are:

Mayor	Allan Sanson
Deputy Mayor	Dynes Fulton (Chairperson)
Councillor	Shelley Lynch
Council appointee	Eileen Bateup
Council appointee	Judi Muru

Main sources of the Trust's cash and resources

The Trust's introductory fund was provided by distribution of the capital fund of the Waikato Foundation Trust.

The proceeds of that distribution are invested in a portfolio of financial assets managed by Gareth Morgan Investments. The returns from the portfolio are the Trust's source of continuing revenue.

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Statement of service performance

The following performance measures were incorporated into the Statement of Intent for the year ended 30 June 2016.

Objective	Performance Measures	2015/16 Result	2014/15 Result
<p>Governance: To comply with the terms of the Trust Deed and in particular with the duties of the Trust as set out in clause 11 of the Deed.</p>	<p>Undertake an annual legal review of compliance with the Trust Deed no later than two months after the end of each financial year.</p>	<p>Achieved. Legal review completed on 22 August 2016.</p>	<p>Achieved. Legal review completed on 14 July 2015.</p>
<p>Investment: To adhere to the Trust's <i>Management of Investment Portfolio and Distribution Policy</i>.</p> <p>To review on an annual basis the investment mandate and the performance of the portfolio manager.</p>	<p>At each quarterly meeting review compliance with the Trust's <i>Management of Investment Portfolio and Distribution Policy</i> during that quarter.</p>	<p>Achieved. Quarterly compliance certificates have been provided to each meeting of trustees. The certificates are reviewed and adopted by the Trust Board.</p>	<p>Achieved. Review meetings were held on 13 August, 8 October 20 February and 24 April.</p> <p>(please see the table below for Investment Portfolio and Distribution Policy compliance during the 2014/15 year)</p>
<p>Fund disbursement: As per the <i>Management of Investment Portfolio and Distribution Policy</i>, to distribute a total grant disbursement that does not exceed 50% of the accumulated retained net income after allowing for accumulated expenses, inflation movements and prior year distributions.</p>	<p>A distribution process is undertaken that distributes the annual fund to eligible recipients in accordance with funding targets set by the Trustees in accordance with the <i>Management of Investment Portfolio and Distribution Policy</i> for the current year.</p>	<p>Achieved. Grants Distributions equate to 42% of the allowable amount per the policy. Actual grants paid were all approved in the previous year.</p>	<p>Achieved. The actual grants paid represented 28% of net income less expenses and the capital maintenance allowance. Two grants that were approved in the 2013/14 year were paid in 2014/15 totalling \$80,000. A further two grants approved in 2014/15 were paid within the year totalling \$60,000.</p>

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Objective	Performance Measures	2015/16 Result	2014/15 Result
Fund disbursement (cont)	Six-monthly reports are received from all successful applicants within the required timeframe.	Achieved. All required reports were received.	Not achieved. Status reports were received from all but one of the applicants within the required timeframe. The final report was received on 10 July 2015, which was outside the stipulated timeframe.

Portfolio and distribution policy compliance

Agreed targets	Actual Outcome 2015/16	Actual Outcome 2014/15
Ensure that the real (inflation adjusted) value of the fund is protected.	Achieved. The capital maintenance fund has been increased by 2% of opening capital while the annual Consumer Price Index increased by only 0.4% over the year.	Achieved. The capital maintenance fund has been increased by 2% of opening capital while the annual Consumer Price Index increased by only 0.1% over the year.
Ensure that no more than 10% of the capital is distributed in any one year.	Achieved. The grant payments of \$51,048 represent only 1.4% of total capital.	Achieved. The overall grant payments of \$140,000 equates to 4.4% of total capital.
Ensure there is diversification of investments with a 2% cap on the value of any single investment in the portfolio.	Mostly achieved. The instances where the cap was exceeded are not considered high risk and involved cash or fixed interest managed funds.	Mostly achieved. The instances where over 2% cap in value of part of the investment portfolio occurred are not considered to be high risk category and the percentage is only marginally over the 2% cap.
The portfolio investment manager will report regularly to the Trustees.	Achieved. The portfolio investment reports are provided to the Trustees at each meeting.	Achieved. The portfolio investment reports are provided to the Trustees at each meeting.

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Waikato District Community Wellbeing Trust
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<p>The Trustees will annually review the performance of the portfolio manager.</p>	<p>Achieved. The performance of the portfolio manager has been reviewed. The Trustees have always acknowledged the need for a long-term view of portfolio management performance.</p>	<p>Achieved. The performance of the portfolio manager has been reviewed and it is considered that the portfolio manager is adding value to the investment activity relative to the benchmark.</p>
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Declaration by Board of Trustees

The Board of Trustees is responsible for the preparation of the financial statements and performance information in accordance with the financial reporting standards.

The Board of Trustees is responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting and service performance results. In the opinion of the Board of Trustees, these financial statements fairly reflect or give a true and fair view of the financial position, operations and service performance of the Waikato District Community Wellbeing Trust for the year ended 30 June 2016.

Trustee: D.W. Fulton

Trustee: S.D. Liph

Date: 12/12/2016

Date: 12.12.2016



Waikato District Community Wellbeing Trust
 Performance report
 For the year ended 30 June 2016

Statement of financial performance

		2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
	Notes			
Revenue				
Finance income	1	58,591	51,626	81,757
Dividend income from portfolio of investments managed by Gareth Morgan Investments (GMI)		39,930	24,583	30,944
Realised gains on investments		188,442	-	249,200
Unrealised gains on investments		-	169,626	235,599
Total revenue		286,963	245,835	597,500
Expenses				
Audit fees				
- Current year		7,399	7,200	6,291
- Additional prior year		944	-	-
Other expenditure	2	22,471	22,190	22,446
Grants	3	51,048	74,921	140,000
Unrealised losses on investments		353,256	-	-
Total expenses		435,118	104,311	168,737
Surplus (deficit) for the year		(148,155)	141,524	428,763

Explanations of major variances against budget are provided in note 14.

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Waikato District Community Wellbeing Trust
Performance report
For the as of 30 June 2016

Statement of financial position

	Note	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Assets				
Current assets				
Bank accounts and cash	4	281,689	342,773	296,968
Investments	5	3,242,213	3,456,447	3,477,916
Accrued interest		1	-	1
Total current assets		3,523,903	3,799,220	3,774,885
Total assets		3,523,903	3,799,220	3,774,885
Liabilities				
Current liabilities				
Creditors and other payables	6	60,075	325,729	164,010
Accrued expenses	7	7,559	1,796	6,451
Total current liabilities		67,634	327,525	170,461
Total liabilities		67,634	327,525	170,461
Total assets less total liabilities (net assets)		3,456,269	3,471,695	3,604,424
Trust equity				
	8			
Introductory fund		2,579,899	2,579,899	2,579,899
Capital maintenance fund		265,731	260,246	193,643
Accumulated funds		610,639	631,550	830,882
Total Trust equity		3,456,269	3,471,695	3,604,424

Explanations of major variances against budget are provided in note 14.

Waikato District Community Wellbeing Trust
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Statement of cash flows

	Note	2015/16 Actual \$	2015/16 Budget \$	2014/15 Actual \$
Cash flows from operating activities				
Cash was received from:				
Interest receipts		58,593	51,626	77,028
Dividends received		39,933	24,583	30,943
Cash was applied to:				
Payment to donees		(140,000)	-	-
Payment to suppliers		(44,688)	(20,756)	(22,203)
Net cash flows from operating activities		(86,162)	55,453	85,768
Cash flows from investing and financing activities				
Cash was received from:				
Sale of investments		5,336,352	-	4,289,060
Cash was applied to:				
Acquisition of investments		(5,265,205)	(35,232)	(4,306,375)
Net cash flows from investing and financing activities		71,147	(35,232)	(17,315)
Foreign exchange translation differences		(264)	-	170
Net increase (decrease) in cash for the year		(15,279)	20,221	68,623
Add opening bank accounts and cash	4	296,968	322,552	228,345
Closing bank accounts and cash	4	281,689	342,773	296,968

Explanations of major variances against budget are provided in note 14.

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Waikato District Community Wellbeing Trust

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Statement of accounting policies

Basis of preparation

The Board of Trustees has elected to apply PBE SFR-A (PS) *Public Benefit Entity Simple Format Reporting – Accrual (Public Sector)* for Tier 3 entities on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

Notwithstanding the comments above, the following Tier 2 PBE accounting standards have been used:

PBE IPSAS 4 The effects of changes in foreign exchange rates; and,
PBE IPSAS 29 Financial instruments: recognition and measurement.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

Goods and services tax (GST)

The Trust is not registered for GST. All amounts in the performance report are inclusive of GST.

Significant accounting policies

Interest and dividend revenue

Interest revenue is recognised as it is earned during the year.
Dividend revenue is recognised when the dividend is declared.

Foreign currency transactions

Foreign currency transactions are translated into New Zealand Dollars using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses, resulting from 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 surplus (deficit) for the year.

Grant expenditure

All grants made by the Trust are classified as discretionary.

Discretionary grants are those grants where the Trust has no obligation to award on receipt of the grant application. Such grants are recognised as expenditure when approved without condition by the Board and the approval has been communicated to the applicant. Discretionary grants made subject to conditions are recognised as expenditure when all conditions have been met.

Income tax

The Trust has charitable status and is exempt from income tax.

Bank accounts and cash

Bank accounts and cash includes cash on hand and deposits held at call with financial institutions.

Investment portfolio

Components of the investment portfolio are classified as financial assets at fair value through surplus or deficit. The reason for this classification is that the portfolio is comprised of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking.

All financial assets in the portfolio are classified as a current asset.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus(deficit) for the year.

Creditors and accrued expenses

Creditors and accrued expenses are measured at the amount owed.

Budget figures

The budget figures are derived from the statement of intent approved by the Trustees at the beginning of the financial year. The budget figures have been prepared in accordance with Tier 3 standards (with the exceptions noted above), using accounting policies that are consistent with those adopted by the Trustees in preparing these financial statements.

Changes in accounting policies

There have been no changes in accounting policies.

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Notes to the performance report.

1. Finance income

	2015/16	2014/15
	Actual	Actual
	\$	\$
Interest income from portfolio of investments managed by GMI	58,521	81,754
Interest income from BNZ	70	3
Total finance income	58,591	81,757

All finance income is generated through exchange transactions.

2. Other expenditure

	2015/16	2014/15
	Actual	Actual
	\$	\$
Management fees	21,887	21,618
Other expenses	584	828
Total other expenditure	22,471	22,446



3. Grants

	Purpose of Grant	2015/16 Actual	2014/15 Actual
		\$	
NW Crime Prevention Trust (2015)	Installation of security cameras in North Waikato townships	20,000	-
The Bush Tramway Club Inc		15,548	
Ngaruawahia United AFC		15,500	
Huntly Lions' Club – Ralph Mine Memorial	Construction of memorial poppet head	-	40,000
Allan Turner Memorial Walkway	Matangi-Tamahere bridge connection	-	40,000
Taupiri Rugby Football Club	Construction of a carpark	-	20,000
Te Awa River Ride Charitable Trust	Contribution towards cost of developing the cycleway	-	40,000
Total grants paid		51,048	140,000

See the statement of service performance (pg 4) for details relating to the evaluation of donee performance.

4. Bank accounts and cash

		2015/16 Actual	2014/15 Actual
		\$	
Cash at bank		1,031	1,006
Cash investments managed by GMI	Note 13	280,658	295,962
Total bank accounts and cash		281,689	296,968

The carrying value of cash at bank approximates its fair value.

5. Investments

	2015/16 Actual	2014/15 Actual	
		\$	
Fixed interest instruments managed by GMI	1,578,398	1,656,401	
Equity instruments managed by GMI	1,663,815	1,821,515	
Total investments	3,242,213	3,477,916	

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Investments (cont)

The Trust has a portfolio of investments which is managed by Gareth Morgan Investments (GMI). The portfolio investments are detailed in note 13.

Accrued interest of \$188 (2015: \$20,320) is included in the portfolio.

6. Creditors and other payables

	2015/16	2014/15
	Actual	Actual
	\$	\$
- Audit fee 2012 (inc disbursements)	-	7,118
- Audit fee 2013	-	6,998
- Audit fee 2014	-	7,161
- Audit fee 2015	7,235	-
- Audit disbursements	-	27
- Annual return fees	51	103
- Advertising	-	711
- Credit for over payment	(64)	-
- Grants	51,048	140,000
Council Payable:	58,270	162,118
Management fee	1,805	1,892
Total creditors and other payables	60,075	164,010

Creditors and other payables are non-interest bearing and are normally settled within 30 days, therefore the carrying value of trade and other payables approximates their fair value.

All payables have arisen from exchange transactions.

7. Accrued expenses

	2015/16	2014/15
	Actual	Actual
	\$	\$
Audit fee – current year	7,399	6,291
Audit disbursements - current year	160	120
Bank audit confirmation fee	-	40
Total accrued expenses	7,559	6,451

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8. Equity

	Introductory fund	Capital maintenance fund	Accumulated funds	Total equity
Balance at 1 July 2014	2,579,899	130,130	465,632	3,175,661
Surplus (deficit)			428,763	428,763
Capital maintenance charge		43,513	(63,513)	-
Balance at 30 June 2015	2,579,899	193,643	830,882	3,604,424
Surplus (deficit)			(148,155)	(148,155)
Capital maintenance charge		72,088	(72,088)	-
Balance at 30 June 2016	2,579,899	265,731	610,639	3,456,269

Introductory and capital maintenance funds

The Trust was established with an initial contribution resulting from the transfer of 35% of funds previously held by the Waikato Foundation Trust as at 31 January 2012. This was recognised as revenue in that year and transferred to the introductory fund.

The Trust's performance objectives, as listed in the Statement of intent for the year to 30 June 2016, include a requirement to protect the real (inflation adjusted) value of the fund. An adjustment of 2% is added to the Capital maintenance fund annually in order to achieve this objective.

9. Commitments

Capital commitments

There are no capital commitments as at 30 June 2016 (2015: Nil).

Operational commitments

As at 30 June 2016 the Trust had the following grant commitments:

Donee	Purpose of grant	Amount
Raglan Mountain Bike Club	Contribution towards development of a mountain bike track	20,000
Glen Afton Pukemiro Society Incorporated	Construction of a mining memorial in Glen Afton	20,000
The Bush Tramway Club Incorporated	To complete stage 3 of the extension line on the railway track leading to Glen Afton village	15,548
Ngaruawahia United Football Club Incorporated	To upgrade the kitchen area at the Club's facility located at Centennial Park Ngaruawahia	15,000
Te Kauwhata Committee Events Incorporated	For stage one of the Whangamarino Wetland Walkway	40,000
Onewhero School Building Incorporated	To re-site the old school building back on the grounds of the Onewhero Area School	35,000
Total outstanding grants		\$145,548

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Commitments (cont)

All grants are subject to conditions and are not paid until those conditions are fulfilled.

10. Contingent liabilities

There are no contingent liabilities as at 30 June 2016 (2015: Nil).

11. Events after balance date

There are no significant events after the balance date.

12. Related party transactions

The Trust is controlled by Waikato District Council and is a member of the Waikato District Council Group along with Council and Strada Corporation Limited. All transactions with related parties were conducted at arms-length.

During the year Council has paid some expenses on behalf of the Trust and there is an amount payable to Council at balance date. Those transactions are listed in note 6 and the balance outstanding at 30 June 2016 is \$58,270 (2015: \$162,118).

The Allan Turner Walkway project, to which the Trust made a grant in the previous year (see note 3), is a project of Council.

13. Managed portfolio

The portfolio of the Trust's investments is managed by Gareth Morgan Investments Limited (GMI).

The portfolio composition is:

	2015/16	2014/15
	\$	\$
Cash investments	280,658	295,962
Fixed interest	1,578,398	1,656,401
Equity investments	1,663,815	1,821,515
Total managed portfolio	3,522,871	3,773,878

14. Explanation of major variances against budget

Explanations for major variances from the Trust's budget figures in the 2015/16 Statement of Intent are as follows:

- The Trust did not budget for unrealised losses on investments. The SOI allowed for a net gain included in revenue.
- Total grants distributed were less than the amount budgeted.
- The repayment of amounts owing to Council was not anticipated in the budget, hence the difference between actual and budgeted payables.

15. Breach of section 69 of the Local Government Act 2002

The Trust did not adopt its audited financial statements within three months of balance date (30 September 2016) as required by section 69 of the Local Government Act 2002.

The reason for the late adoption was that some of the evidence required for audit purposes was not available until after 30 September 2016.

Independent Auditor's Report

To the readers of Waikato District Community Wellbeing Trust's financial statements and performance information for the year ended 30 June 2016

The Auditor-General is the auditor of the Waikato District Community Wellbeing Trust (the Trust). The Auditor-General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Trust on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Trust on pages 7 to 17 that comprise the statement of financial position as at 30 June 2016, the statement of financial performance and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Trust on pages 4 to 6.

In our opinion:

- the financial statements of the Trust:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2016; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Simple Format Reporting Standard – Accrual (Public Sector); and
- the performance information of the Trust presents fairly, in all material respects, the Trust's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Trust's objectives for the year ended 30 June 2016.

Our audit was completed on 12 December 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the performance information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the performance information. The procedures selected depend on our

judgement, including our assessment of risks of material misstatement of the financial statements and the performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust's financial statements and performance information in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- the appropriateness of the reported performance information within the Trust's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the performance information. Also, we did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

Responsibilities of the Trustees

The Trustees are responsible for the preparation and fair presentation of financial statements for the Trust that comply with generally accepted accounting practice in New Zealand. The Trustees are also responsible for preparation of the performance information for the Trust.

The Trustees' responsibilities arise from the Local Government Act 2002 and the Trust Deed.

The Trustees are responsible for such internal control as it determines is necessary to enable the preparation of financial statements and the performance information that are free from material misstatement, whether due to fraud or error. Trustees are also responsible for the publication of the financial statements and the performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001, the Trust Deed and Section 69 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the Independence requirements of the External Reporting Board.

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



Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand