



Whakatāne Airport Annual Report

Rīpoata - ā - Tau

For the Period 1 July 2017 to 30 June 2018

whakatane.govt.nz





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How the Whakatāne Airport is managed

Te whakahaerenga o te Taunga Waka Rererangi o Whakatāne

The Whakatāne Airport is a joint venture operation between the New Zealand Government (Ministry of Transport) and the Whakatāne District Council (the Council), with each party owning a 50 percent share. Council manages the day-to-day operation and maintenance of the airport through a contract for service with JNP Aviation.

A brief history

Hītori

Planning for an aerodrome was initiated by the Whakatāne County and Borough Councils in 1944. Development of a grass airfield started in 1958 on the current Whakatāne Airport site, but it was not until 1960 that it was officially opened, following some difficulties in sowing grass. A sealed airstrip was completed in 1962, to provide adequate facilities for larger DC3 aircraft. That development was followed by the construction of the iconic Whakatāne Airport building. The building was designed by architect Roger Walker and completed in 1974. It has since received the enduring architecture award from the New Zealand Institute of Architects. In 2016 the Terminal building was given a Heritage Significance rating of “Some Significance”.

Today, the Whakatāne Airport caters for both commercial and recreational flight activities, including daily scheduled passenger services by Air Chathams to and from Auckland.





Foreword

Kupu whakataki

Welcome to the Whakatāne Airport Annual Report for the 2017/18 financial year. This report details the actual performance of the Whakatāne Airport for the period 1 July 2017 - 30 June 2018, compared to what was planned through the Whakatāne Airport Statement of Intent for 2017/18. The Statement of Intent can be found on the Whakatāne District Council website (whakatane.govt.nz).

Nau mai ki te Rīpoata-ā-Tau o te Taunga Waka Rererangi o Whakatāne mō te tau pūtea o 2017/18. He rīpoata tēnei o te mahi o te Taunga Waka Rererangi o Whakatāne mō te wā 1 Hōngongoi 2017 – 30 Pipiri 2018, i te Pānui Whāinga o te Taunga Waka Rererangi o Whakatāne mō te tau 2017/18. Kei te pae tukutuku o te Kaunihera o Whakatāne te Pānui Whāinga (whakatane.govt.nz).

The Whakatāne Airport is a Council-Controlled Organisation (CCO) as defined by the Local Government Act 2002. It contributes to residents' quality of life and, as a major enabler for local businesses, it is crucial to the economic well-being of the District and the wider Eastern Bay of Plenty. The Whakatāne Airport also plays an important role in fostering the tourism strategy and aspirations for the District.

The Council's primary focus for the Whakatāne Airport is its efficient operation under sound business principles, for the benefit of both commercial and non-commercial users. The Whakatāne Airport must also operate in accordance with the terms of its aerodrome certificate, which defines standards and conditions laid down by the Civil Aviation Authority of New Zealand (CAA).

This Annual Report provides an opportunity for the Council to acknowledge its partners and their contributions to the Whakatāne Airport during the year. In particular, this includes the Ministry of Transport, the Commercial Advisory Board and the Whakatāne Airport User Group.

A Year in Review

Te arotakenga o te tau

June 30, 2018 marked the end of the third full financial year of Air Chathams providing air services to the Whakatāne District. Over the year, Air Chathams carried a total of 25,476 passengers, an increase of 10% on the 2016/17 financial year.

As well as providing regular scheduled flights between Auckland and Whakatāne by Metroliner, in 2017/18 Air Chathams continued to offer scenic flights in its lovingly-restored DC-3. The aircraft, now 73 years old, is a very important part of Kiwi history. It is the last flying piston engine example of the Royal New Zealand Air Force (RNZAF) C-47 fleet, the last flying example of the New Zealand National Airways Corporation DC-3 fleet, the last flying example of the Fieldair fleet and the only surviving RNZAF World War II veteran aircraft still in service.

The Council appreciates its positive working relationship with Air Chathams. In addition to providing air services, Air Chathams continues to support the wider community by sponsoring local events, notably Hospice “Sunshine and a Plate”, where flights on the DC-3 are a very popular part of the event. The Council looks forward to building this relationship in the future.

Duane Emeny, Air Chathams’ Airline and Charter General Manager, says:

“Year-on-year we have seen positive growth in passenger numbers, indicating more travellers are choosing the convenient option of flying directly into the Eastern Bay. Our load factors were around 60% when we commenced services just over three years ago, and are now averaging over 70%

consistently. The onus is now on us to continue to develop our passenger product and provide the equipment to ensure we meet the demand and allow that growth to continue.

With Whakatāne District Council support, we hope to develop the airport and enable services with the larger SAAB airliner in the future. The Eastern Bay is a great place to live, raise a family, and do business. So as the rest of New Zealand catches on, we will need to ensure they have a reliable, safe air service to meet their air travel demands.

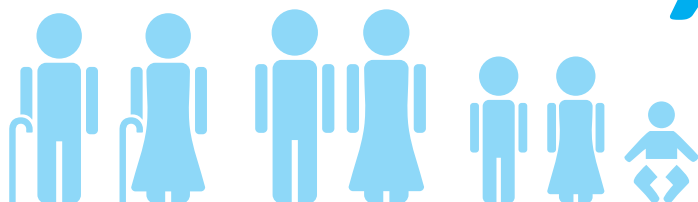
The Airport terminal facilities continue to be improved, thanks to good support from the Whakatāne District Council, which all adds to the positive customer experience. The proposed Runway End Safety Area capital works will allow the introduction of the larger SAAB 340 aircraft into the Eastern Bay market. Air Chathams has a SAAB 340 allocated to the Whakatāne run and looks forward to its commissioning.

This enhanced service will provide a more enjoyable experience for passengers and planning is progressing for the introduction of a possible direct service between Wellington and Whakatāne.”

In November 2017, a multi-agency emergency exercise was held at the Airport. Fire and Emergency, Police, St Johns and JNP Aviation jointly held the exercise, to test the preparedness of all agencies in the case of an emergency. Several positive improvements were identified and are to be incorporated in the Aerodrome Emergency Plan.

25,476

PASSENGERS



*departed from or arrived into
Whakatāne Airport in 2017/18*

Ten Year Business Plan

Mahere Pakihi mō ngā tau tekau

In March 2013, the Whakatāne Airport Board adopted a Ten Year Business Plan for Whakatāne Airport. The Plan provides a strategic framework for the airport, identifies opportunities for growth and development, and outlines a set of actions to support its future capacity.

The Business Plan has four inherent strategies, which are to:

1. Maximise commercial opportunities;
2. Diversify income streams by encouraging the development of aviation and other service industries and associated enterprises;
3. Maintain and improve the assets of the Whakatāne Airport in order that it operates as an efficient facility and enterprise;
4. Maintain and enhance relationships with businesses and individuals with interests in the Airport to improve confidence in its operations and management.

During the 2017/18 financial year, several actions have been completed in line with these strategies.

Maximising commercial opportunities

An Airport Development Plan has been completed to quantify the current situation at the Airport and to identify where future growth is possible. There have been requests to establish two new hangars on-site and the Plan identifies the requirements to accommodate these requests. Land acquisition will be required to accommodate any further development on the site.

Extensions to the Airport Runway End Safety Areas (RESA) have been scheduled, which will allow aircraft carrying more than 30 passengers to use the Airport. This will enhance the flying experience of passengers and open up route expansion opportunities.

Maintaining and improving assets

As noted above, the existing 90-metre RESAs will be extended to 240 metres, to comply with a recent Supreme Court ruling relating to the RESA length requirements for operating an aircraft carrying more than 30 passengers.

The existing runway edge, threshold and taxiway lighting and infrastructure originally installed in the 1960s has been upgraded to an LED lighting system. Following the introduction of new CAA regulations new Hold Point/MAG Lights have also been installed.

Site security has been improved with the introduction of new swipe card locks on all Airport gates.

The western observation window in the reception lounge has been replaced. The eastern observation window and

the fire escape from the control tower have been repaired. Given the age of the terminal building, maintenance will be ongoing.

Repairs to the runway apron fencing have improved the security of the operating area, enhancing the safety of passengers.

An upgrade of terminal CCTV capabilities has improved the ability of both Airport and Council staff to monitor site activity within the operational area.

The aging backup power generator has been upgraded to include real-time telemetry and provide remote monitoring and control. This will provide surety that appropriate maintenance, monitoring of run-time and warning alerts will occur.

Maintaining and enhancing business relationships

A programme of minor improvements to the terminal building has continued in 2017/18, to deliver an improved customer experience for Air Chathams passengers. Further improvements are planned for the 2018/19 year.

Discussion and planning has been undertaken with rental car providers to enhance their presence in the terminal and enable the planned creation of a display space in the central column alcove area.

Discussions have also begun with the Taiwhakaea Hapū about the creation of resources which will inform terminal users about the history of the area.



WELCOME TO WHAKATĀNE
Gateway to White Island / Whakaari





Financial Statements

Tauākī Pūtea

Statement of Financial Performance

Tauākī Haerenga o te Pūtea

For the Year Ended 30 June 2018

		ACTUAL	
		2018	2017
		\$	
REVENUE			
Operating Revenue	Note 2	192,052	178,551
Finance Income		4,282	4,149
Total Revenue		196,335	182,700
EXPENSES			
Operating Expenses	Note 3	366,977	322,604
Personnel Costs		11,950	-
Depreciation and Amortisation	Note 7	54,544	52,046
Audit Fees		9,540	9,410
Total Expense		443,011	384,060
Surplus/(Deficit) before Tax		(246,677)	(201,360)
Income Tax Expense	Note 4	-	-
Surplus/(Deficit) After Tax		(246,677)	(201,360)
Total Comprehensive Income for the Year		(246,677)	(201,360)

The Notes and the Statement of Accounting Policies on pages 13 to 25 form part of the Financial Statements.

Statement of Financial Position

Tauākī Tūnga Pūtea

For the Year Ended 30 June 2018

		ACTUAL	
		2018	2017
		\$	
ASSETS			
Current Assets			
Receivables	Note 5	134,188	582,334
Non-Current Assets			
Property, Plant and Equipment	Note 7	1,686,831	1,723,999
Work In Progress	Note 7	332,276	-
Total Assets		2,153,294	2,306,333
Less Liabilities			
Current Liabilities			
Whakatāne District Council		763,275	898,570
Trade and Other Payables	Note 6	64,570	53,906
Total Liabilities		827,845	952,476
Assets Less Liabilities		1,325,450	1,353,858
ACCUMULATED FUNDS			
Capital		1,827,984	1,810,602
Reserve Funds		105,105	100,823
Partners Current Accounts		(607,637)	(557,570)
Total Accumulated Funds	Note 8	1,325,450	1,353,858

The Notes and the Statement of Accounting Policies on pages 13 to 25 form part of the Financial Statements.



Tony Bonne
Mayor **TUMUAKI**
19 September 2018



David Bewley
Interim Chief Executive **TOIHAUTŪ TAUPUA**
19 September 2018

Statement of Cashflows

Tauākī Kapewhiti

For the Year Ended 30 June 2018

	ACTUAL	
	2018	2017
	\$	
CASH FLOWS FROM OPERATING ACTIVITIES		
Fees and Charges and Other Revenue received	99,982	78,557
Interest Received	4,282	4,149
Payments to Suppliers and Employees	(376,180)	(335,527)
Net Cash Flow from Operating Activities	(271,916)	(252,821)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(349,657)	(274,749)
Net Cash Flows from Investing Activities	(349,657)	(274,749)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution (Rates Revenue)	200,893	195,122
Contribution - WDC for Capital Works	8,691	137,375
Contribution - MOT for Capital and operational	547,284	-
Net Cash Flow from Financing Activities	756,868	332,497
Net Increase (Decrease) in Cash, Cash Equivalents and Bank Overdrafts	135,295	(195,074)
Cash, Cash Equivalents and Bank Overdrafts at the Beginning of the year	898,570	703,496
Cash, Cash Equivalents and Bank Overdrafts at the End of the Year	763,275	898,570
Represented By		
Cash at Bank - WDC Account	763,275	898,570



Notes to the Financial Statements

Tuhinga o ngā tauākī pūtea

Note 1- Statement of Accounting Policies

The financial statements are for the Whakatāne Airport, which is a 50:50 joint equity venture between the Whakatāne District Council and the Crown.

The principal accounting policies adopted in the preparation of the financial report are set out below.

REPORTING ENTITY

Whakatāne Airport is a Council Controlled Organisation (CCO) registered under the Local Government Act 2002 and is domiciled in New Zealand. Relevant legislation governing the Airport's operations includes the Local Government Act 2002 (LGA).

The primary objective of Whakatāne Airport is to provide goods or services for the community or social benefit rather than making a financial return. The Whakatāne Airport has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of the Whakatāne Airport are for the year ended 30 June 2018.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of Compliance

The financial statements of the Whakatāne Airport have been prepared in accordance with the requirements of the LGA, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP)

The financial statements have been prepared in accordance with Tier 3 PBE accounting standards and the financial statements comply with these standards.

The Whakatāne Airport has elected to apply PBE SFR-A(PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) on the basis that it does not have public accountability and has total annual expenses of less than \$2 million. All transactions in the financial statements are reported using the accrual basis of accounting.

Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. Some rounding variances may occur in the financial statements due to the use of decimal places in the underlying financial data. The functional currency of Whakatāne Airport is New Zealand dollars.

Goods and Services Tax (GST)

All amounts are recorded exclusive of GST, including receivables, payables, commitments and contingencies. GST is accounted for by the Whakatāne District Council.

HISTORICAL COST CONVENTION

These financial statements have been prepared under the historical cost convention. The Whakatāne District Council will continue to provide the necessary support to enable the Whakatāne Airport Joint Venture to pay its liabilities as they fall due, including providing funds through the District Fund Account.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with PBE accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Whakatāne Airport's accounting policies.

No material estimates were required this accounting period.

REVENUE RECOGNITION

Revenue comprises the fair value for the sale of goods and services, net of rebates and discounts. All revenue is recognised when earned.

Rental Revenue

Rental revenue is recognised in the period that it relates to.

Finance Revenue

Interest income is recognised on a time-proportion basis using the effective interest method.

INCOME TAX

The Income Tax expense is calculated using the taxes payable method. As a result, no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

LEASES

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment.

Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term.

IMPAIRMENT OF ASSETS

Items of property, plant and equipment and intangible assets with finite useful lives are reviewed at each balance date to determine whether there is any indication that the asset might be impaired. Where such an indication exists, the asset is tested for impairment by comparing its carrying value to its recoverable amount. Intangible assets with indefinite useful lives, intangible assets not yet available for use and goodwill are tested for impairment annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the assets fair value less costs to sell and its value in use. Where the future economic benefits of the asset are not primarily dependent on its ability to generate net cash inflows, and where Whakatāne Airport would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

CURRENT ACCOUNT

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. Investments held are recorded at cost price. The bank account is held by Whakatāne District Council as part of its General Funds. All cashflow is via the Council.

RECEIVABLES

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful receivables is established when there is objective evidence that Whakatāne Airport will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Financial Performance.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when Whakatāne Airport provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of operational assets, which include land, buildings, plant and equipment and furniture and fittings. Items of property, plant and equipment are initially recognised at cost, which includes purchase price plus directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue.

All property, plant and equipment is shown at cost less depreciation and impairment costs. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Whakatāne Airport and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The expected lives, in years, by major classes of fixed assets are as follows:

OPERATIONAL ASSETS:	YEARS	METHOD
Airport Runways, Taxiways and Apron	50	Straight Line
Building	40-100	Straight Line
Water Supply	75-100	Straight Line
Plant and Equipment	2-10	Diminishing Value
Furniture and Fittings	5	Diminishing Value
Fence	10-20	Diminishing Value

The Airport land is vested in the Council under the Reserves Act 1997 for use as an Airport. The Airport holds the land "in substance" and is shown at the value at the date of vesting. Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Financial Performance.

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

PAYABLES AND DEFERRED REVENUE

These amounts represent liabilities for goods and services provided to Whakatāne Airport prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

CHANGES IN ACCOUNTING POLICIES

This is the first set of financial statements prepared including the Work In Progress balance for the Airport. Previously, capital items were only included in the Airport financial statements once all work was completed and capitalised, whereas now the balance of capital projects commenced is recorded as Work in progress in Note 7.

Note 2- Operating Revenue

	ACTUAL	
	2018	2017
	\$	
Airport Dues	67,429	56,535
Lease of Buildings	13,042	11,221
Commercial Leases	38,596	30,145
Grazing Leases	70,404	68,747
Sundry Income	2,580	11,904
	192,052	178,551

Note 3- Operating Expenses

	ACTUAL	
	2018	2017
	\$	
Consultants	31,064	8,913
Contracts	154,149	109,515
Direct Cost Reallocated	30,867	49,379
Equipment and Materials	2,299	6,145
Electricity	14,886	13,807
Fire Security	420	450
General Expenses	2,960	674
Insurances	5,001	4,366
Legal Costs	-	1,080
Maintenance and Repairs	21,012	21,500
Rates Paid	5,000	5,203
Security	421	651
Training and Professional Development	-	1,941
Subscriptions	1,800	1,800
Taxation Advice	5,900	5,150
Travel and Accommodation	77	1,239
Vehicle Costs:	(100)	200
Utilities Management	133	-
Water Purchases	856	823
Overheads	90,231	89,768
Total Other Expenses	366,977	322,604

(Excludes Depreciation, Personnel Costs and Audit Fees)

Note 4- Taxation

	ACTUAL	
	2018	2017
	\$	
Income Tax Expense		
Net Surplus before tax	(246,677)	(201,360)
Tax calculated at applicable tax rate 28% (2017:28%)	(69,070)	(56,381)
Prior year adjustment	-	-
Depreciation Adjustments	1,676	3,075
Tax loss not recognised	67,393	53,306
Tax expense/(benefit)	-	-
Current tax expense	-	-
Prior year adjustments to current tax	-	-
Tax expense	-	-

Tax losses of \$2,152,617 (2017: \$1,911,927) are available to carry forward to offset any future taxable profit. No imputation credits are available to attach to distribution to owners.

Note 5- Receivables

	ACTUAL	
	2018	2017
	\$	
Air Chathams Ltd Landing Fees	6,178	5,220
Other Receivables	18,972	33,981
Ministry of Transport	109,038	543,133
Total Receivables	134,188	582,334

The reduction of MOT receivable in 2018 is due to prior year accumulated deficits (2015-2017) and completed prior years capital works expenditure settled by MOT.

Note 6- Payables and Deferred Revenue

	ACTUAL	
	2018	2017
	\$	
Audit Fees	9,540	9,410
Trade Payables	25,105	12,948
Income Received in Advance - Rentals and Leases	29,924	31,547
Total Payables and Deferred Revenue	64,570	53,906

Note 7- Plant, Property and Equipment - 2018

2018	COST/ REVALUATION 30 JUNE 2017	ACCUMULATED DEPRECIATION AND IMPAIRMENT 30 JUNE 2017	NET BOOK VALUE 30 JUNE 2017	ADDITIONS CURRENT YEAR	DISPOSALS CURRENT YEAR	IMPAIRMENT CURRENT YEAR	DEPRECIATION CURRENT YEAR	COST/ REVALUATION 30 JUNE 2018	ACCUMULATED DEPRECIATION AND IMPAIRMENT 30 JUNE 2018	NET BOOK VALUE 30 JUNE 2018
LAND	12,246	-	12,246	-	-	-	-	12,246	-	12,246
AIRPORT	12,246	-	12,246	-	-	-	-	12,246	-	12,246
Runways and Taxiways	1,553,192	303,263	1,249,930	-	-	-	31,064	1,553,192	334,327	1,218,865
Fencing	69,608	34,301	35,308	-	-	-	2,542	69,608	36,843	32,765
Water Supply	112,107	15,911	96,196	-	-	-	1,121	112,107	17,032	95,075
Aprons	24,195	18,793	5,402	-	-	-	484	24,195	19,277	4,918
Water Supply Improvement	7,592	875	6,717	-	-	-	76	7,592	950	6,642
Radio Transmitter	941	941	-	-	-	-	-	941	941	-
Airport Signage	17,781	10,612	7,169	-	-	-	3,556	17,781	14,168	3,613
Grassing	30,133	-	30,133	-	-	-	-	30,133	-	30,133
Roading	15,568	-	15,568	-	-	-	-	15,568	-	15,568
Security	25,620	14,122	11,498	-	-	-	1,437	25,620	15,559	10,061
	1,856,737	398,817	1,457,921	-	-	-	40,280	1,856,737	439,098	1,417,640
TERMINAL										
Paths and Parking Area	12,206	5,000	7,206	-	-	-	366	12,206	5,366	6,840
Building	297,891	153,107	144,784	17,381	-	-	5,958	315,272	159,065	156,207
Floodlighting	10,874	8,802	2,072	-	-	-	207	10,874	9,010	1,864
Terminal Site Development	75,221	11,825	63,396	-	-	-	1,075	75,221	12,900	62,321
Automatic Sliding Doors	14,689	10,116	4,573	-	-	-	457	14,689	10,573	4,116
LED Lighting upgrade	28,416	5,683	22,733	-	-	-	4,547	28,416	10,230	18,186
	439,297	194,533	244,763	17,381	-	-	12,610	456,678	207,143	249,535
WORK SERVICES										
Plant and Equipment	7,103	5,514	1,589	-	-	-	159	7,103	5,673	1,430
Furniture and Fittings	30,169	22,695	7,475	-	-	-	1,495	30,169	24,189	5,980
	37,273	28,209	9,064	-	-	-	1,654	37,273	29,863	7,410
	2,345,553	621,559	1,723,995	17,381	-	-	54,544	2,362,934	676,103	1,686,831

Lease rentals amounting to \$124,623 (2017: \$122,017) relating to the lease of building space and grazing leases are included in the income statement (Note 2). The Airport Land is vested in Council under the Reserves Act 1977 for use as an Airport. The Airport holds the land "in substance" and is shown at the value at the date of vesting. No assets are pledged as security.

Work in Progress - Property, plant and equipment in the course of construction is detailed below:

	WIP BALANCE \$
R11102 - Airport Lighting Navigation Upgrade	302,888
R11125 - Electronic Security System	15,005
R11126 - Runway End Safety Area	14,383
Total Work in Progress	332,276

Note 7 - Plant, Property and Equipment - 2017

2017	COST/ REVALUATION 30 JUNE 2016	ACCUMULATED DEPRECIATION AND IMPAIRMENT 30 JUNE 2016	NET BOOK VALUE 30 JUNE 2016	ADDITIONS CURRENT YEAR	DISPOSALS CURRENT YEAR	IMPAIRMENT CURRENT YEAR	DEPRECIATION CURRENT YEAR	COST/ REVALUATION 30 JUNE 2017	ACCUMULATED DEPRECIATION AND IMPAIRMENT 30 JUNE 2017	NET BOOK VALUE 30 JUNE 2017
LAND	12,246	-	12,246	-	-	-	-	12,246	-	12,246
AIRPORT	12,246	-	12,246	-	-	-	-	12,246	-	12,246
Runways and Taxiways	1,310,630	275,832	1,034,798	242,562	-	-	27,425	1,553,192	303,263	1,249,930
Fencing	69,608	31,561	38,047	-	-	-	2,739	69,608	34,301	35,308
Water Supply	112,107	14,790	97,317	-	-	-	1,121	112,107	15,911	96,196
Aprons	24,195	18,309	5,886	-	-	-	484	24,195	18,793	5,402
Water Supply Improvement	7,592	799	6,793	-	-	-	76	7,592	875	6,717
Radio Transmitter	941	941	-	-	-	-	-	941	941	-
Airport Signage	17,781	7,055	10,726	-	-	-	3,556	17,781	10,612	7,169
Grassing	30,133	-	30,133	-	-	-	-	30,133	-	30,133
Roading	15,568	-	15,568	-	-	-	-	15,568	-	15,568
Security	25,620	12,479	13,141	-	-	-	1,643	25,620	14,122	11,498
	1,614,175	361,767	1,252,408	242,562	-	-	37,044	1,856,737	398,817	1,457,921
TERMINAL										
Paths and Parking Area	12,206	4,634	7,572	-	-	-	366	12,206	5,000	7,206
Building	297,891	147,149	150,742	-	-	-	5,958	297,891	153,107	144,784
Floodlighting	10,874	8,572	2,302	-	-	-	230	10,874	8,802	2,072
Terminal Site Development	75,221	10,750	64,471	-	-	-	1,075	75,221	11,825	63,396
Automatic Sliding Doors	14,689	9,608	5,081	-	-	-	508	14,689	10,116	4,573
LED Lighting upgrade	-	-	-	28,416	-	-	5,683	28,416	5,683	22,733
	410,881	180,713	230,168	28,416	-	-	13,820	439,297	194,533	244,763
WORK SERVICES										
Plant and Equipment	7,103	5,338	1,766	-	-	-	177	7,103	5,514	1,589
Furniture and Fittings	26,398	21,690	4,708	3,771	-	-	1,005	30,169	22,695	7,475
	33,502	27,028	6,474	3,771	-	-	1,181	37,273	28,209	9,064
	2,070,804	569,508	1,501,296	274,749	-	-	52,046	2,345,553	621,559	1,723,995

Lease rentals amounting to \$122,017 (2016: \$112,594) relating to the lease of building space and grazing leases are included in the income statement (Note 2).
The Airport Land is vested in Council under the Reserves Act 1977 for use as an Airport. The Airport holds the land "in substance" and is shown at the value at the date of vesting.
No assets are pledged as security

Note 8- Equity

	ACTUAL	
	2018	2017
	\$	
EQUITY		
Capital	1,827,984	1,810,602
Reserve Funds	105,105	100,823
Partners Current Accounts	(607,637)	(557,570)
Total Closing Public Equity	1,325,454	1,353,857
REPRESENTED BY:		
CAPITAL		
Whakatāne District Council		
Opening Balance	864,233	726,858
Capital Contribution	8,691	137,375
Closing Balance	872,923	864,233
Crown		
Opening Balance	946,370	808,995
Capital Contribution	8,691	137,375
Closing Balance	955,060	946,370
Total Capital	1,827,984	1,810,602
RESERVE FUNDS		
Runway Sealing Fund		
Opening Balance	32,931	29,605
Interest	1,399	1,325
Contribution	-	2,000
Closing Balance	34,329	32,931
Terminal Depreciation Fund		
Opening Balance	67,892	63,069
Interest	2,884	2,823
Contribution	-	2,000
Closing Balance	70,776	67,892
Total Reserve Funds	105,105	100,823
PARTNERS CURRENT ACCOUNTS		
Whakatāne District Council (WDC)		
Opening Balance	(424,681)	(517,123)
Movement for the period*	(123,338)	(102,680)
Contribution (Rates)	200,893	195,122
MOT Repayment of Operating Losses and Capital	(547,284)	-
Closing Balance	(894,411)	(424,681)
Crown		
Opening Balance	(132,889)	(26,060)
Movement for the period*	(127,621)	(106,829)
MOT Repayment of Operating Losses and Capital	547,284	-
Closing Balance	286,774	(132,889)
Total Partners Current Accounts	(607,637)	(557,570)
*Movement in Partners Current Accounts for the Period		
Net Surplus/(Deficit)	(246,677)	(201,360)
Runway reserve	-	(2,000)
Terminal depreciation reserve	-	(2,000)
Total Movement	(246,677)	(205,360)
Reserve interest	(4,282)	(4,149)
WDC Share	(123,338)	(102,680)
MOT Share (Less Reserve Interest)	(127,621)	(106,829)

Note 9- Related Party Transactions

Whakatāne Airport is a 50:50 joint equity venture with the Ministry of Transport and Whakatāne District Council, and both entities are considered to be related parties.

The following transactions were carried out with related parties:

	ACTUAL	
	2018	2017
	\$	
Whakatāne District Council		
Administrative Services	90,231	85,518
Direct Costs Reallocated - OBU Parks Maintenance	-	15,497
Direct Costs Reallocated - Community Property Admin.	14,686	18,668
Direct Costs Reallocated - Roads and Footpaths PSBU	2,897	6,712
Direct Costs Reallocated - Mowing	13,284	8,501
Rates Paid - Water and General	5,000	5,203
Total	126,098	140,099

Related Parties disclosure

In conducting its activities, the Airport is required to pay various taxes and levies (such as GST) to the Crown and entities related to the Crown. The payment of these taxes and levies is based on the standard terms and conditions that apply to all tax and levy payers.

Outstanding balances at year end

All cash transactions occur through the Whakatāne District Council bank accounts. The balance in the District Fund at 30 June 2018 is \$763,275 deficit. (2017: \$898,570 deficit.)

Note 10- Capital Commitments

Whakatāne Airport has capital commitments as at 30 June 2018 : works contracted for \$538,000 in relation to Lighting and Navigational Upgrade works. Work on this project commenced in Q4 2018, however has been delayed due to parts supply issues. Completion is expected in Q1 2019 (2017- \$400k). Further to this, the project for Runway End Safety Area extension budgeted in 2019 is also underway; contracted for \$236,000 and due for completion in Q1 2019. (2017 - Nil).

Note 11- Contingencies

Whakatāne Airport has no contingent assets or liabilities as at 30 June 2018 (2017 : nil)

Note 12- Events After Balance Sheet Date

There were no significant events after the balance date.

Note 13- Financial Instruments

Whakatāne Airport has a series of policies to manage the risks associated with financial instruments. Whakatāne Airport is risk averse and seeks to minimise exposure from its treasury activities. Whakatāne Airport uses Council approved Liability Management and Investment policies. These policies do not allow any transactions to be entered into that are speculative in nature.

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Whakatāne Airport does not hold and is therefore not exposed to equity securities price risk on its investments.

Currency Risk

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

Interest Rate Risk

There is no interest rate risk. The Airport deposits funds directly into Whakatāne District Council bank account.

Credit Risk

Whakatāne Airport is exposed to credit risk in relation to its current account balance with Whakatāne District Council and trade debtors, thus exposure is managed under normal terms of trade

Fair Values

Financial instruments in the Balance Sheet are shown at carrying amounts which are equivalent to their fair values.

Note 14- Statement of Intent

The Airport is a Council Controlled Organisation. For the current reporting period the Airport complied with Section 64 of the Local Government Act 2002, (the Act) which requires the Airport to prepare a Statement of Intent that complies with Clause 9 of Schedule 8 of the Act.

Note 15- Cost Performance

Function performance- 2017/18

MEASURE	KEY PERFORMANCE INDICATOR	TARGET	2017/18 RESULT	2016/17 RESULT
The Airport is maintained to Civil Aviation Authority (CAA) requirements	The Airport is maintained as a CAR Part 139 Certificated aerodrome in accordance with CAA aerodrome design for all aircraft undertaking Air Transport Operations and aircraft above 5,700 kg Maximum Combined Take-Off Weight (MCTOW)	Certification status is maintained	ACHIEVED ✓ The Airport was maintained as a CAR Part 139 certified aerodrome.	ACHIEVED ✓

Cost performance - operating 2017/18

MEASURE	OPERATIONAL EXPENDITURE	STATEMENT OF INTENT 2017/18	ACTUAL 2018	RESULT 2017/18
Operate and maintain the Airport within an operational expenditure budget (excluding corporate overheads and depreciation)	Income (excluding interest and general rates)	246,798	192,052	Revenue was \$55,486 unfavourable owing to lower passenger numbers than budgeted; budget was based on larger aircraft being used.
	Expenditure (excluding corporate overheads and depreciation)	281,006	298,236	Expenses were \$17,230 unfavourable with a number of direct costs variances, but primarily driven by higher contract costs than budget as a result of outsourcing airport operations to JNP.
	Surplus (Deficit)	(34,208)	(106,184)	The financial result (excluding corporate overheads & depreciation) was a deficit of \$106,924. This is \$72,716 unfavourable to the SOI, and is due to the reasons stated above.

Cost performance - operating 2016/17

MEASURE	OPERATIONAL EXPENDITURE	STATEMENT OF INTENT 2016/17	ACTUAL 2016/17	RESULT 2016/17
Operate and maintain the Airport within an operational expenditure budget (excluding corporate overheads and depreciation)	Income (excluding interest and general rates)	227,985	178,551	Revenue was \$49,434 unfavourable owing to lower than budgeted passenger numbers and changes to landing fees.
	Expenditure (excluding corporate overheads and depreciation)	270,765	242,246	Expenses were \$28,519 favourable with a number of direct costs variances. Figure used in the 2016/17 SOI was a draft figure, which was then revised down to \$222,185.
	Surplus (Deficit)	(42,780)	(63,695)	The financial result (excluding corporate overheads and depreciation) was a deficit of \$63,695. This is \$20,915 unfavourable to the SOI, and is due to the reasons stated above.

Cost performance - capital 2017/18

MEASURE	CAPITAL EXPENDITURE	STATEMENT OF INTENT 2017/18	ACTUAL 2018	RESULT 2017/18
Deliver capital projects within capital expenditure budgets	Whakatāne Airport Terminal Renewal	10,000	17,381	NOT ACHIEVED Over budget - Urgent replacement of window and sill on the terminal building, along with renewals works required for fire escape drive this variance.
	Total	10,000	17,381	

Cost performance - capital 2016/17

MEASURE	CAPITAL EXPENDITURE	STATEMENT OF INTENT 2016/17	ACTUAL 2016/17	RESULT 2016/17
Deliver capital projects within capital expenditure budgets	Airport Runway Lighting and Navigational Aids Renewal	8,000	1,194	NOT ACHIEVED This project has been delayed and is now programmed in tandem with runway lighting and navigational aids upgrade works. These are expected to be completed in 2018.
	Electronic Security Access System	12,000	15,005	NOT ACHIEVED The purchase of a new security swipe system for the Whakatāne Airport and associated works are expected to be completed in the first quarter of the 2017/18 financial year.
	Reseal Carpark - West	7,290	-	NOT ACHIEVED This project has been deferred to cover an overspend on the runway reseal project.
	Whakatāne Airport Terminal Renewal	2,500	3,771	COMPLETED This project was completed but was over budget due to the purchase of furniture for the terminal building
	Total	29,790	19,970	

Note 16- Operating Funding

The Whakatāne District Council Long Term Plan 2018-28 incorporates ongoing support for the Airport.

Statement of Compliance and Responsibility

Compliance

The Council and management of the Whakatāne District Council confirm that all the statutory requirements of section 98 of the Local Government Act 2002 have been complied with.

Responsibility

The Council and management of the Whakatāne District Council accept responsibility for the preparation of the Annual Report and the judgements used in them.

The Council and management of the Whakatāne District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and management of the Whakatāne District Council, the Annual Report Joint Venture for the year ended 30 June 2018 fairly reflects the financial position and operations.



Tony Bonne
Mayor *TUMUAKI*
19 September 2018



David Bewley
Interim Chief Executive *TOIHAUTŪ TAUPUA*
19 September 2018



Audit Report
Arotake Pūtea

Independent Auditor's Report

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

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

Opinion

We have audited:

- the financial statements of the Airport on pages 9 to 23 and page 25, that comprise the statement of financial position as at 30 June 2018, 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 Airport on pages 23 to 25.

In our opinion:

- the financial statements of the Airport on pages 9 to 23 and page 25:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2018; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) Standard; and
- the performance information of the Airport on pages 23 to 25 presents fairly, in all material respects, the Airport's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Airport's objectives for the year ended 30 June 2018.

Our audit was completed on 19 September 2018. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

Responsibilities of the Whakatane District Council for the financial statements and the performance information

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

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

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

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

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We evaluate the appropriateness of the reported performance information within the Airport's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Airport's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Airport to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Council is responsible for the other information. The other information comprises the information included on pages 3 to 8, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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



B H Halford
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

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