

**Waikato District Community Wellbeing Trust**  
**Performance Report**  
**For the year ended 30 June 2019**

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## 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.

## **Waikato District Community Wellbeing Trust**

### **Performance report**

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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: Finance Manager, PA to the General Manager-Strategy & Support, Community Development Coordinator and Financial Accountant.

The Trustees are:

Mayor	Allan Sanson
Councillor	Jacqui Church (Chairperson)
Councillor	Rob McGuire
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 Kiwi Wealth Limited. The returns from the portfolio are the Trust's source of continuing revenue.

**Statement of service performance**

The following performance measures were incorporated into the Statement of Intent for the year ended 30 June 2019.

<b>Objective</b>	<b>Performance Measures</b>	<b>2018/19 Result</b>	<b>2017/18 Result</b>
<p><b>Governance:</b> 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>Not achieved. The review was completed on 17 September 2019.</p>	<p>Review completed 28 August 2018.</p>
<p><b>Investment:</b> 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. The performance of the portfolio manager was reviewed in February 2019.</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. The performance of the portfolio manager was reviewed in February 2018.</p>
<p><b>Fund disbursement:</b> 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 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</i></p>	<p>Achieved. Grant approvals equate to 10.5% of the accumulated net income after allowing for accumulated expenses and inflation movements.</p>	<p>Achieved. Grant approvals equate to 13.5% of the accumulated retained net income after allowing for accumulated expenses and inflation movements.</p>

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<b>Objective</b>	<b>Performance Measures</b>	<b>2018/19 Result</b>	<b>2017/18 Result</b>
<b>Fund disbursement (cont)</b>	<i>of Investment Portfolio and Distribution Policy</i> for the current year. Six-monthly reports are received from all successful applicants within the required timeframe.	Achieved. All required reports were received	Achieved. All required reports were received

**Portfolio and distribution policy compliance**

<b>Agreed targets</b>	<b>Actual Outcome 2018/19</b>	<b>Actual Outcome 2017/18</b>
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 1.7% 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 1.5% over the year.
Ensure that no more than 10% of the capital is distributed in any one year.	Achieved. Grants approved of \$97,774 equal 2.5% of total capital.	Achieved. Grants approved of \$125,529 equal 3.2% of total capital.
Ensure there is diversification of investments with a 7.5% cap on the value of any single investment in the portfolio.	Mostly achieved. The instances where the cap was exceeded related to the PIE investments which now make up the total investment portfolio. The Trustees will re-consider the appropriateness of this target when preparing the statement of intent for the 2020-21 financial year.	Mostly achieved. The instances where the cap was exceeded related to the PIE investment; they are not considered high risk.
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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**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 2019.

Trustee: \_\_\_\_\_

Trustee: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

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**Statement of financial performance**

	Note	2018/19		2017/18
		Actual	Budget	Actual
		\$	\$	\$
<b>Revenue</b>				
Finance income	1	223	61,429	2,694
Dividend income from portfolio of investments managed by Kiwi Wealth		-	28,937	16,467
Realised gains on investments		22,288	113,718	343,229
Unrealised gains on investments		253,258	100,519	39,408
<b>Total revenue</b>		<b>275,769</b>	<b>304,603</b>	<b>401,798</b>
<b>Expenses</b>				
Audit fees		7,810	7,700	7,697
Other expenditure	2	25,471	27,163	25,401
Grants	3	187,774	217,258	55,528
Unrealised losses on investments		-	-	
<b>Total expenses</b>		<b>221,055</b>	<b>252,121</b>	<b>88,626</b>
<b>Surplus (deficit) for the year</b>		<b>54,714</b>	<b>52,482</b>	<b>313,172</b>

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**Statement of financial position**

	Note	2018/19		2017/18
		Actual	Budget	Actual
		\$	\$	\$
<b>Assets</b>				
<b>Current assets</b>				
Bank accounts and cash	4	1,882	290,439	139,800
Investments	5	4,301,156	3,970,612	4,037,842
Prepayments		386	-	366
Accrued interest		-	-	-
<b>Total current assets</b>		<b>4,303,424</b>	<b>4,261,051</b>	<b>4,178,008</b>
<b>Total assets</b>		<b>4,303,424</b>	<b>4,261,051</b>	<b>4,178,008</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Creditors and other payables	6	234,096	227,392	233,108
Accrued expenses	7	97,711	7,700	27,997
<b>Total current liabilities</b>		<b>331,807</b>	<b>235,092</b>	<b>261,105</b>
<b>Total liabilities</b>		<b>331,807</b>	<b>235,092</b>	<b>261,105</b>
<b>Total assets less total liabilities (net assets)</b>		<b>3,971,617</b>	<b>4,025,959</b>	<b>3,916,903</b>
<b>Trust equity</b>				
	8			
Introductory fund		2,579,899	2,579,899	2,579,899
Capital maintenance fund		485,270	486,402	406,932
Accumulated funds		906,448	959,658	930,072
<b>Total Trust equity</b>		<b>3,971,617</b>	<b>4,025,959</b>	<b>3,916,903</b>

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**Statement of cash flows**

	Note	2018/19		2017/18
		Actual	Budget	Actual
		\$	\$	\$
<b>Cash flows from operating activities</b>				
<b>Cash was received from:</b>				
Interest receipts		219	61,429	2,694
Dividends received		-	28,937	16,455
<b>Cash was applied to:</b>				
Payment to donees		(118,798)	(205,529)	-
Payment to suppliers		(31,575)	(34,587)	(24,108)
<b>Net cash flows from operating activities</b>		<b>(150,154)</b>	<b>(149,750)</b>	<b>(4,959)</b>
<b>Cash flows from investing and financing activities</b>				
<b>Cash was received from:</b>				
Sale of investments		236,530	113,718	4,545,988
<b>Cash was applied to:</b>				
Acquisition of investments		(224,299)	-	(4,538,737)
<b>Net cash flows from investing and financing activities</b>		<b>12,231</b>	<b>113,718</b>	<b>7,251</b>
Foreign exchange translation differences		5	1	14
<b>Net increase (decrease) in cash for the year</b>		<b>(137,918)</b>	<b>(36,031)</b>	<b>2,306</b>
Add opening bank accounts and cash	4	139,800	326,470	137,494
<b>Closing bank accounts and cash</b>	4	<b>1,882</b>	<b>290,439</b>	<b>139,800</b>

## **Statement of accounting policies**

### **Basis of preparation**

The Trustees have 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 Trustees 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 current assets.

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.

**Notes to the performance report**

**1. Finance income**

	<b>2018/19</b>	2017/18
	<b>Actual</b>	Actual
	\$	\$
Interest income from portfolio of investments managed by Kiwi Wealth	191	2,693
Interest income from BNZ	32	1
<b>Total finance income</b>	<b>223</b>	<b>2,694</b>

All finance income is generated through exchange transactions.

**2. Other expenditure**

	<b>2018/19</b>	2017/18
	<b>Actual</b>	Actual
	\$	\$
Management fees	24,172	23,850
Insurance	1,130	1,063
Other expenses	169	488
<b>Total other expenditure</b>	<b>25,471</b>	<b>25,401</b>

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**3. Grants paid**

	<b>Purpose of Grant</b>	<b>2018/19 Actual</b>	2017/18 Actual
		\$	\$
The BushTramway Club Inc	To extend existing carriage storage shelter	10,000	
Waikato District Crime Prevention Technology Trust (Huntly)	To upgrade Huntly township existing CCTV cameras	30,000	
Raglan Community Arts Council	Towards construction of a theatre and clay shed on the Old School site in Raglan	20,000	
Ngaruawahia Squash Racquets Club	To upgrade bathroom facilities	8,000	
Ngaruawahia RSA Memorial Club	To upgrade building roof	20,000	
Taupiri Rugby Football Club	To install three heating units	9,000	
Matangi-Hillcrest Sports Club Inc	To remedy water supply issues	5,774	
Waikato District Crime Prevention Technology Trust	To review and upgrade all existing CCTV cameras and monitoring equipment across the Waikato District (excluding Huntly)	25,000	
Huntly Volunteer Fire Brigade	To replace the Brigade support vehicle	20,000	
Te Kauwhata and Districts Information & Support Centre Incorporated	To purchase the existing community building and land	40,000	
Menzshed	Towards cost of building new workshop		10,000
Ngaruawahia Community Board	Towards cost of installing adult fitness stations in Ngaruawahia		10,000
Tamahere-Mangtaone Restoration Trust	Stage two: Tamahere Reserve boardwalk project		13,061
Holy Trinity Church	To replace front-facing hall window		10,017
St Andrews Presbyterian Church	Stage II Te Kauwhata Youth Centre ramp		12,450
<b>Total grants paid</b>		<b>187,774</b>	<b>55,528</b>

**4. Bank accounts and cash**

	<b>2018/19 Actual</b>	2017/18 Actual
	\$	\$
Cash at bank	948	127,203
Cash investments managed by Kiwi Wealth Note 13	934	12,597
<b>Total bank accounts and cash</b>	<b>1,882</b>	<b>139,800</b>

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

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**5. Investments**

	<b>2018/19</b>	2017/18
	<b>Actual</b>	Actual
	\$	\$
Fixed interest instruments managed by Kiwi Wealth	1,933,767	1,828,064
Equity instruments managed by Kiwi Wealth	2,367,389	2,209,778
<b>Total investments</b>	<b>4,301,156</b>	<b>4,037,842</b>

The Trust has a portfolio of investments which is managed by Kiwi Wealth Limited. The portfolio investments are detailed in note 13.

No accrued interest (June 2018: \$18,248) is included in the portfolio.

**6. Creditors and other payables**

	<b>2018/19</b>	2017/18
	<b>Actual</b>	Actual
	\$	\$
- Audit fee 2016	-	7,399
- Audit fee 2017	7,628	-
- Audit fee 2018	6,693	-
- Annual return fees	102	102
- Insurance	2,579	1,429
- Other expenses	1,272	236
- Grants	213,746	214,326
<i>Total Council Payable:</i>	<i>232,020</i>	<i>223,492</i>
Management fee	2,076	1,988
Audit fee 2017	-	7,628
<b>Total creditors and other payables</b>	<b>234,096</b>	<b>233,108</b>

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**

	2018/19	2017/18
	Actual	Actual
	\$	\$
Audit fee – current year	7,810	7,697
Grants	89,556	20,000
Other expenses	345	300
<b>Total accrued expenses</b>	<b>97,711</b>	<b>27,997</b>

**8. Equity**

	Introductory fund	Capital maintenance fund	Accumulated funds	Total equity
Balance at 1 July 2017	2,579,899	334,857	688,975	3,603,731
Surplus (deficit)	-	-	313,172	313,172
Capital maintenance charge	-	72,075	(72,075)	-
<b>Balance at 30 June 2018</b>	<b>2,579,899</b>	<b>406,932</b>	<b>930,072</b>	<b>3,916,903</b>
Surplus (deficit)	-	-	54,714	54,714
Capital maintenance charge	-	78,338	(78,338)	-
<b>Balance at 30 June 2019</b>	<b>2,579,899</b>	<b>485,270</b>	<b>906,448</b>	<b>3,971,617</b>

***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 2019, include a requirement to protect the real (inflation adjusted) value of the fund. An adjustment of 2% of opening capital 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 2019 (June 2018: Nil).

### **Operational commitments**

As at 30 June 2019 the Trust had the following grant commitments:

<b>Donee</b>	<b>Purpose of grant</b>	<b>Amount</b>
Tuakau Youth Sport Trust	To build a new skatepark in Tuakau.	20,000
Scout Association of NZ: Camp Waingarō	To install new lino in the kitchen, bunk rooms and adjacent corridors	5,500
David Johnstone Pukemokemoke Trust	To upgrade the walking track and install composting toilets	8,000
<b>Total outstanding grants</b>		<b>\$33,500</b>

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 2019 (June 2018: 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 period Council has paid some expenses on behalf of the Trust and there is an amount payable to Council at balance date. Those transactions comprise expense and grants payments and the balance outstanding at 30 June 2019 is \$232,021 (June 2018: \$223,492). See note 6 for details

### **13. Managed portfolio**

The portfolio of the Trust's investments is managed by Kiwi Wealth Limited.

The portfolio composition is:

	June 2019	June 2018
	\$	\$
Cash investments	934	12,597
Fixed interest	1,933,767	1,828,064
Equity investments	2,367,389	2,209,778
Total managed portfolio	4,302,090	4,050,439

### **14. Explanation of major variances against budget**

Explanations for major variances from the Trust's budget figures in the 2018/19 Statement of Intent are as follows:

- Although revenue is budgeted on a conservative basis and estimated at a steady return of 7.26% (before expenses) on the opening portfolio balance this year's actual return is only 6.8%.
- Actual grants paid included \$90,000 approved in previous years and \$20,000 approved for next year but did not include \$20,000 of prior year grants still outstanding at 30 June; hence the 13.6% variance between the amount budgeted and the total amount paid.
- Accrued expenses include \$79,556 of grants which donees are eligible to uplift but have not yet presented invoices for; hence the very large variance between budget and actual for this liability.

### **15. Breach of section 67 of the Local Government Act 2002**

The Trust did not adopt its audited financial statements within three months of balance date (30 September 2019) as required by section 67 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 2019.