



PARKES SHIRE COUNCIL

General Purpose Financial Statements

For Year Ended 30 June 2018



PARKES  *It all adds up.*

Parkes Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

Parkes Shire Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

2 Cecile Street
PARKES NSW 2870

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.parkes.nsw.gov.au.

Parkes Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

This statement indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW, the auditor provides two audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

More information

A review of Council's financial performance and position for the 17/18 financial year can be found at Note 25 of the financial statements.

Parkes Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these financial statements:

- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

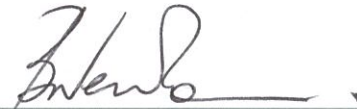
Signed in accordance with a resolution of Council made on 31 October 2018.



Cr Ken Keith

Mayor

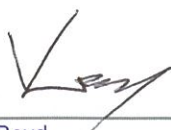
31 October 2018



Cr Barbara Newton

Councillor

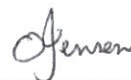
31 October 2018



Kent Boyd

General Manager

31 October 2018



Owen Jensen

Responsible Accounting Officer

31 October 2018

Parkes Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
19,269	Rates and annual charges	3a	19,498	19,015
11,318	User charges and fees	3b	10,993	9,919
1,309	Interest and investment revenue	3c	1,073	1,953
2,313	Other revenues	3d	851	1,156
12,267	Grants and contributions provided for operating purposes	3e,f	11,488	13,941
11,192	Grants and contributions provided for capital purposes	3e,f	10,221	22,975
57,668	Total income from continuing operations		54,124	68,959
Expenses from continuing operations				
15,643	Employee benefits and on-costs	4a	16,172	16,094
1,434	Borrowing costs	4b	797	1,303
10,991	Materials and contracts	4c	11,167	10,039
10,730	Depreciation and amortisation	4d	11,337	10,906
4,901	Other expenses	4e	4,466	3,905
–	Net losses from the disposal of assets	5	1,815	811
43,699	Total expenses from continuing operations		45,754	43,058
13,969	Operating result from continuing operations		8,370	25,901
13,969	Net operating result for the year		8,370	25,901
13,969	Net operating result attributable to Council		8,370	25,901
2,777	Net operating result for the year before grants and contributions provided for capital purposes		(1,851)	2,926

Parkes Shire Council

Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		8,370	25,901
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	959	16,234
Impairment (loss) reversal relating to IPP&E	9a	—	(3,920)
Total items which will not be reclassified subsequently to the operating result		959	12,314
Total other comprehensive income for the year		959	12,314
Total comprehensive income for the year		9,329	38,215
Total comprehensive income attributable to Council		9,329	38,215

Parkes Shire Council

Statement of Financial Position as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	8,252	1,939
Investments	6b	21,458	42,208
Receivables	7	9,000	6,750
Inventories	8	6,066	5,546
Other	8	161	141
Total current assets		44,937	56,584
Non-current assets			
Investments	6b	6,932	7,449
Infrastructure, property, plant and equipment	9	668,675	645,574
Intangible assets	10	2,826	1,261
Total non-current assets		678,433	654,284
TOTAL ASSETS		723,370	710,868
LIABILITIES			
Current liabilities			
Payables	11	3,739	3,507
Income received in advance	11	700	554
Borrowings	11	858	814
Provisions	12	5,728	5,074
Total current liabilities		11,025	9,949
Non-current liabilities			
Payables	11	74	74
Borrowings	11	21,044	18,902
Provisions	12	771	816
Total non-current liabilities		21,889	19,792
TOTAL LIABILITIES		32,914	29,741
Net assets		690,456	681,127
EQUITY			
Accumulated surplus	13	518,059	509,689
Revaluation reserves	13	172,397	171,438
Total equity		690,456	681,127

Parkes Shire Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
Opening balance		509,689	171,438	681,127	483,788	159,124	642,912
Net operating result for the year		8,370	–	8,370	25,901	–	25,901
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9a	–	959	959	–	16,234	16,234
– Impairment (loss) reversal relating to IPP&E	9a	–	–	–	–	(3,920)	(3,920)
Other comprehensive income		–	959	959	–	12,314	12,314
Total comprehensive income (c&d)		8,370	959	9,329	25,901	12,314	38,215
Equity – balance at end of the reporting period		518,059	172,397	690,456	509,689	171,438	681,127

Parkes Shire Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
19,122	Rates and annual charges		19,705	18,773
11,015	User charges and fees		9,487	9,644
1,309	Investment and interest revenue received		1,246	1,750
23,458	Grants and contributions		20,255	39,599
–	Bonds, deposits and retention amounts received		–	821
2,313	Other		5,499	9,323
Payments:				
(15,643)	Employee benefits and on-costs		(15,774)	(15,976)
(3,309)	Materials and contracts		(10,505)	(9,973)
(8,952)	Borrowing costs		(791)	(1,233)
–	Bonds, deposits and retention amounts refunded		(26)	–
(4,775)	Other		(9,210)	(12,140)
24,538	Net cash provided (or used in) operating activities	14b	19,886	40,588
Cash flows from investing activities				
Receipts:				
36,239	Sale of investment securities		50,662	89,073
100	Sale of real estate assets		200	59
–	Sale of infrastructure, property, plant and equipment		648	1,342
Payments:				
(14,000)	Purchase of investment securities		(29,355)	(87,331)
(36,239)	Purchase of investment property		–	–
–	Purchase of infrastructure, property, plant and equipment		(37,832)	(61,751)
–	Purchase of real estate assets		(82)	(2,010)
(13,900)	Net cash provided (or used in) investing activities		(15,759)	(60,618)
Cash flows from financing activities				
Receipts:				
3,000	Proceeds from borrowings and advances		3,000	8,500
Payments:				
(3,491)	Repayment of borrowings and advances		(814)	(1,984)
(491)	Net cash flow provided (used in) financing activities		2,186	6,516
10,147	Net increase/(decrease) in cash and cash equivalents		6,313	(13,514)
7,442	Plus: cash and cash equivalents – beginning of year	14a	1,939	15,453
17,589	Cash and cash equivalents – end of the year	14a	8,252	1,939
Additional Information:				
	plus: Investments on hand – end of year	6b	28,390	49,657
	Total cash, cash equivalents and investments		36,642	51,596

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 31/10/2018.

Council has the power to amend and reissue these financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not-for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Full dollars have been used in Note 21 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements, which have had any material impact on reported financial position, performance or cash flows.

Under AASB 136, Not-for-profit entities (and therefore Council) no longer need to consider Impairment of Assets for non-cash-generating specialised assets at fair value,

Instead it is expected that for Not-for-profit entities holding non-cash-generating the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 13 Fair Value Measurement.

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) estimated tip remediation provisions – refer Note 12,
- (iii) employee benefit provisions – refer Note 12.

Significant judgements in applying the Council's accounting policies

- (iv) impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports.

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	110	–	2,219	1,474	(2,109)	(1,474)	–	–	8,168	8,168
Administration	1,013	577	4,380	4,714	(3,367)	(4,137)	–	–	18,178	15,999
Public order and safety	825	913	1,194	1,461	(369)	(548)	636	767	5,052	5,052
Health	37	36	1,211	508	(1,174)	(472)	–	–	475	475
Environment	3,298	3,041	3,731	3,297	(433)	(256)	263	54	267	267
Community services and education	1,409	1,205	1,538	1,434	(129)	(229)	1,191	911	5,437	5,437
Housing and community amenities	464	327	985	1,069	(521)	(742)	57	–	28,386	28,386
Water supplies	10,711	19,892	8,307	6,466	2,404	13,426	3,042	12,632	171,063	130,220
Sewerage services	3,323	6,891	3,422	2,832	(99)	4,059	48	3,759	57,671	52,407
Recreation and culture	1,766	806	5,493	5,588	(3,727)	(4,782)	1,250	479	50,451	50,451
Mining, manufacturing and construction	190	221	(394)	205	584	16	–	–	493	493
Transport and communication	11,862	10,375	9,866	9,522	1,996	853	7,016	6,342	368,187	403,971
Economic affairs	1,669	2,107	3,802	4,488	(2,133)	(2,381)	75	100	9,542	9,542
General purpose income	17,447	22,568	–	–	17,447	22,568	6,131	8,697	–	–
Total functions and activities	54,124	68,959	45,754	43,058	8,370	25,901	19,709	33,741	723,370	710,868

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2(b). Council functions/activities – component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

Governance

Includes costs relating to Council's role as a component of demographic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, area representation and public disclosures, and legislative compliance.

Administration

Includes corporate support and other support services (not otherwise attributed to the listed functions / activities).

Public order and safety

Includes Council's fire and emergency service levy, fire protection, emergency services, enforcement of regulation and animal control.

Health

Includes immunisation, food control, health centres and related administration.

Environment

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

Community services and education

Includes administration, family day care, youth services, other family and children, aged and disabled.

Housing and community amenities

Includes housing, town planning, street lighting, other sanitation and garbage, and public cemeteries.

Water supplies

Water supply network for Parkes - Peak Hill - Cookamidgera townships and rural network (B-Section Line) servicing townships of Bogan Gate, Trundle, and Tullamore.

Sewerage services

Sewerage network consisting of four treatment plants servicing Parkes, Peak Hill, Trundle and Tullamore.

Recreation and culture

Includes public libraries; museums; art galleries; community centres and halls, sporting grounds and venues, swimming pools, parks and gardens, lakes, and other sporting recreational and other cultural services.

Mining, manufacturing and construction

Includes building control, quarries and pits and mineral resources.

Transport and communication

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, and ancillary roadworks.

Economic affairs

Includes camping areas and caravan parks, tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; Parkes Elvis Festival and other business Undertakings.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	5,429	5,177
Farmland	3,708	3,639
Mining	1,352	1,332
Business	2,702	2,675
Total ordinary rates	13,191	12,823
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,995	1,950
Stormwater management services	174	161
Water supply services	1,332	1,274
Sewerage services	2,559	2,455
Waste management services (non-domestic)	247	352
Total annual charges	6,307	6,192
TOTAL RATES AND ANNUAL CHARGES	19,498	19,015

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

(b) User charges and fees	2018	2017
Specific user charges (per s.502 – specific ‘actual use’ charges)		
Water supply services	5,785	4,928
Sewerage services	567	451
Waste management services (non-domestic)	516	163
Total specific user charges	6,868	5,542
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	406	350
Private works – section 67	58	205
Section 149 certificates (EPA Act)	36	34
Section 603 certificates	52	26
Total fees and charges – statutory/regulatory	552	615

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Admission and service fees	–	23
Aerodrome	291	277
Caravan park	427	343
Cemeteries	240	136
Elvis festival revenue (excl sponsorships)	593	401
Family day care	130	168
Fire and emergency services levy (FESL) implementation	–	80
Leaseback fees – Council vehicles	97	94
Library and art gallery	14	13
RMS (formerly RTA) charges (state roads not controlled by Council)	1,373	1,911
Swimming centres	311	226
Waste disposal tipping fees	97	90
Total fees and charges – other	3,573	3,762
TOTAL USER CHARGES AND FEES	10,993	9,919

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

(c) Interest and investment revenue (including losses)

Interest

– Overdue rates and annual charges (incl. special purpose rates)	18	122
– Cash and investments	1,013	1,782
– Other	2	–

Fair value adjustments

– Fair valuation movements in investments (at fair value or held for trading)	40	49
-------------------------------------------------------------------------------	----	----

TOTAL INTEREST AND INVESTMENT REVENUE

<u>1,073</u>	<u>1,953</u>
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Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	18	122
General Council cash and investments	702	926

Restricted investments/funds – external:

Development contributions		
– Section 7.11	–	6
– Section 64: water	76	83
– Section 64: sewer	37	40
Water fund operations	230	672
Sewerage fund operations	2	81
Domestic waste management operations	8	23

Total interest and investment revenue recognised

1,073	1,953
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Accounting policy for interest and investment revenue

Interest income is recognised using the effective interest rate at the date that interest is earned.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(d) Other revenues		
Rental income – other council properties	233	196
Fines	19	7
Legal fees recovery – other	7	2
Contribution – tourism	–	35
Diesel rebate	65	77
Elvis festival	147	128
Employment scheme	–	96
Insurance rebate	32	38
Legal recoveries	7	110
Long service leave commission	–	1
Rebate renewable energy infrastructure	–	2
Recycling income (non-domestic)	64	106
Sales – general	230	175
Workers compensation premium refund	–	148
Other	47	35
<u>TOTAL OTHER REVENUE</u>	<u>851</u>	<u>1,156</u>

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

Rental income is accounted for on a straight-line basis over the lease term.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

Other income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	4,001	5,661	–	–
Financial assistance – local roads component	2,057	2,935	–	–
Other				
Pensioners' rates subsidies – general component	74	101	–	–
Total general purpose	6,132	8,697	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	55	56	–	–
– Sewerage	48	48	–	–
– Domestic waste management	111	67	–	–
Water supplies	–	–	2,989	12,633
Sewerage services	–	–	–	3,759
Alectown Waste Facility	–	–	20	–
Bushfire and emergency services	90	90	546	677
Community care	1,191	912	–	–
Community centres	–	–	88	–
Economic development	5	5	–	100
Environmental protection	12	60	50	–
Flood restoration	–	–	1,690	3,080
Heritage and cultural	12	20	–	4
Library	58	53	200	–
LIRS subsidy	97	77	–	–
Noxious weeds	70	55	–	–
Parkes Regional Airport Redevelopment	–	–	372	–
Peak Hill Main Street Redevelopment	–	–	70	–
Recreation and culture	–	–	826	210
Road safety	–	126	–	–
Street lighting	57	57	–	–
Tourism	–	1	–	–
Transport (roads to recovery)	1,772	2,037	–	–
Transport (other roads and bridges funding)	238	83	2,910	823
Other	–	11	–	–
Total specific purpose	3,816	3,758	9,761	21,286
Total grants	9,948	12,455	9,761	21,286
Grant revenue is attributable to:				
– Commonwealth funding	8,259	11,824	2,961	772
– State funding	1,689	631	6,218	20,364
– Other funding	–	–	582	150
	9,948	12,455	9,761	21,286

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	59	–
S 7.11 – contributions towards amenities/services		–	–	–	2
S 7.12 – fixed development consent levies		–	–	–	29
S 64 – water supply contributions		–	–	209	162
S 64 – sewerage service contributions		–	–	67	35
Total developer contributions – cash		–	–	335	228
Total developer contributions	22	–	–	335	228
Other contributions:					
Cash contributions					
Business development		100	100	–	–
Community services		143	88	–	–
Economic affairs		–	–	75	900
Heritage/cultural		6	5	–	6
Other – community centres		–	15	–	8
Other – landfill consolidation		–	–	19	5
Other – public cemeteries		–	–	–	1
Public halls		–	–	–	5
Recreation and culture		–	–	31	15
Roads and bridges		67	75	–	521
RMS contributions (regional roads, block grant)		1,224	1,203	–	–
Total other contributions – cash		1,540	1,486	125	1,461
Total other contributions		1,540	1,486	125	1,461
Total contributions		1,540	1,486	460	1,689
TOTAL GRANTS AND CONTRIBUTIONS		11,488	13,941	10,221	22,975

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	7,925	4,981
Add: operating grants recognised in the current period but not yet spent	–	1,346
Add: operating grants received for the provision of goods and services in a future period	3,069	2,885
Less: operating grants recognised in a previous reporting period now spent	(7,925)	(1,287)
Unexpended and held as restricted assets (operating grants)	<u>3,069</u>	<u>7,925</u>

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	14,189	14,064
Travel expenses	141	216
Employee leave entitlements (ELE)	1,660	1,931
Superannuation	1,471	1,447
Workers' compensation insurance	736	680
Fringe benefit tax (FBT)	55	60
Payroll tax	125	112
Training costs (other than salaries and wages)	252	349
Protective clothing	3	28
Other (pre-employment medicals)	23	10
Total employee costs	18,655	18,897
Less: capitalised costs	(2,483)	(2,803)
TOTAL EMPLOYEE COSTS EXPENSED	16,172	16,094
Number of 'full-time equivalent' employees (FTE) at year end	185	186
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	190	199

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

(b) Borrowing costs	2018	2017
(i) Interest bearing liability costs		
Interest on loans	783	1,275
Total interest bearing liability costs expensed	783	1,275
(ii) Other borrowing costs		
Remediation liabilities	14	28
Total other borrowing costs	14	28
TOTAL BORROWING COSTS EXPENSED	797	1,303

Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	10,239	9,467
Contractor and consultancy costs		
– Caravan park	114	98
– Contractor and consultancy costs (Centroc)	76	36
– Garbage collection contract	1,345	1,177
– Investment advisory service	20	23
Auditors remuneration ⁽¹⁾	53	51
Legal expenses:		
– Legal expenses: planning and development	51	–
– Legal expenses: other	60	31
Total materials and contracts	11,958	10,883
Less: capitalised costs	(791)	(844)
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>11,167</u>	<u>10,039</u>

1. Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

Non NSW Auditor-General audit firms:

(i) Audit and other assurance services

Audit and review of financial statements	53	51
Remuneration for audit and other assurance services	53	51
Total remuneration of non NSW Auditor-General audit firms	53	51
Total Auditor remuneration	53	51

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,344	1,592
Office equipment		146	417
Furniture and fittings		87	75
Infrastructure:			
– Buildings – non-specialised		547	592
– Buildings – specialised		510	580
– Roads		3,957	3,958
– Bridges		96	96
– Footpaths		135	122
– Stormwater drainage		182	175
– Water supply network		2,399	2,017
– Sewerage network		852	444
– Swimming pools		163	164
– Airport assets		184	168
– Other open space/recreational assets		600	426
Other assets:			
– Library books		10	25
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9 & 12	29	55
Intangible assets		96	–
Total depreciation and amortisation costs		11,337	10,906
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT /</u>			
<u>REVALUATION DECREMENT COSTS EXPENSED</u>			
		11,337	10,906

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 for intangible assets.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment (continued)

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

\$ '000	2018	2017
(e) Other expenses		
Advertising	128	68
Audit committee costs	33	40
Bad and doubtful debts	8	12
Bank charges	172	89
Cleaning	102	122
Computer software charges	115	460
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	26	28
– LGNSW subscription	36	28
– NSW fire brigade levy	40	38
– NSW rural fire service levy	313	305
Councillor expenses – mayoral fee	27	25
Councillor expenses – councillors' fees	116	110
Councillors' expenses (incl. mayor) – other (excluding fees above)	64	82
Donations, contributions and assistance to other organisations (Section 356)	3	–
– Donations, contributions and assistance	2	–
– Sports council contribution	21	8
– Other donations, contributions and assistance	–	19
Election expenses	–	96
Electricity and heating	1,638	1,016
Insurance	503	507
Postage	113	98
Printing and stationery	197	144
Street lighting	321	314
Telephone and communications	286	138
Valuation fees	92	61
Water licences	110	97
<u>TOTAL OTHER EXPENSES</u>	<u>4,466</u>	<u>3,905</u>

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	8		
Proceeds from disposal – property		–	409
Less: carrying amount of property assets sold/written off		–	(148)
Net gain/(loss) on disposal		–	261
Plant and equipment	9		
Proceeds from disposal – plant and equipment		648	933
Less: carrying amount of plant and equipment assets sold/written off		(449)	(852)
Net gain/(loss) on disposal		199	81
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(2,195)	(1,168)
Net gain/(loss) on disposal		(2,195)	(1,168)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		200	59
Less: carrying amount of real estate assets sold/written off		(19)	(44)
Net gain/(loss) on disposal		181	15
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		50,662	89,073
Less: carrying amount of financial assets sold/redeemed/matured		(50,662)	(89,073)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,815)	(811)

Accounting policy for disposal of assets

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is derecognised.

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	440	688
Cash-equivalent assets		
– Deposits at call	801	1,251
– Managed funds	7,011	–
Total cash and cash equivalents	8,252	1,939

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Held for trading'	–	–	608	–
b. 'Held to maturity'	21,458	6,932	41,600	7,449
Total investments	21,458	6,932	42,208	7,449
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	29,710	6,932	44,147	7,449
Financial assets at fair value through the profit and loss				
Managed funds	–	–	608	–
Total	–	–	608	–
Held to maturity investments				
Long term deposits	20,450	4,900	41,600	3,900
NCD's, FRN's (with maturities > 3 months)	1,008	2,032	–	3,549
Total	21,458	6,932	41,600	7,449

Accounting policy for investments

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 6(c). Restricted cash, cash equivalents and investments – details

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	29,710	6,932	44,147	7,449
attributable to:				
External restrictions (refer below)	24,186	6,932	36,584	7,449
Internal restrictions (refer below)	5,415	–	7,211	–
Unrestricted	109	–	352	–
	29,710	6,932	44,147	7,449

\$ '000	2018	2017
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Details of restrictions

External restrictions – other

Developer contributions – general	22	221
Developer contributions – water fund	4,059	3,774
Developer contributions – sewer fund	–	1,756
Specific purpose unexpended grants	3,069	2,174
Water supplies	21,657	30,801
Sewerage services	633	2,998
Domestic waste management	1,678	1,694
Stormwater management	–	615
External restrictions – other	31,118	44,033
Total external restrictions	31,118	44,033

Internal restrictions

Plant and vehicle replacement	155	815
Infrastructure replacement	247	339
Employees leave entitlement	727	972
Carry over works	1,220	917
Risk Management Fund	600	–
Buildings	266	243
Recreation and culture	–	406
Shire development	2,200	3,519
Total internal restrictions	5,415	7,211
TOTAL RESTRICTIONS	36,533	51,244

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	1,105	—	1,302	—
Interest and extra charges	126	—	95	—
User charges and fees	3,877	—	2,233	—
Accrued revenues				
– Interest on investments	325	—	569	—
– Other income accruals	—	—	2	—
Government grants and subsidies	1,473	—	530	—
Net GST receivable	841	—	—	—
Other debtors	1,389	—	2,153	—
Total	9,136	—	6,884	—
Less: provision for impairment				
Rates and annual charges	(75)	—	(65)	—
Interest and extra charges	(39)	—	(39)	—
User charges and fees	(22)	—	(30)	—
Total provision for impairment – receivables	(136)	—	(134)	—
<u>TOTAL NET RECEIVABLES</u>	<u>9,000</u>	<u>—</u>	<u>6,750</u>	<u>—</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	1,984	—	1,470	—
– Other	835	—	376	—
Sewerage services				
– Rates and availability charges	888	—	398	—
– Other	220	—	(14)	—
Total external restrictions	3,927	—	2,230	—
Unrestricted receivables	5,073	—	4,520	—
<u>TOTAL NET RECEIVABLES</u>	<u>9,000</u>	<u>—</u>	<u>6,750</u>	<u>—</u>

Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	134	134
+ new provisions recognised during the year	(6)	(12)
– amounts already provided for and written off this year	8	12
Balance at the end of the year	136	134

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Real estate for resale (refer below)	4,864	—	4,801	—
Stores and materials	1,106	—	674	—
Trading stock	96	—	71	—
Total inventories at cost	6,066	—	5,546	—
<u>TOTAL INVENTORIES</u>	<u>6,066</u>	<u>—</u>	<u>5,546</u>	<u>—</u>
(b) Other assets				
Prepayments	161	—	141	—
<u>TOTAL OTHER ASSETS</u>	<u>161</u>	<u>—</u>	<u>141</u>	<u>—</u>
Externally restricted assets				
Water				
Stores and materials	48	—	50	—
Total water	48	—	50	—
Sewerage				
Stores and materials	19	—	16	—
Total sewerage	19	—	16	—
Total externally restricted assets	67	—	66	—
Total unrestricted assets	6,160	—	5,621	—
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>6,227</u>	<u>—</u>	<u>5,687</u>	<u>—</u>

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current

Other disclosures

(a) Details for real estate development

Residential		1,578	—	1,515	—
Industrial/commercial		3,286	—	3,286	—
Total real estate for resale		4,864	—	4,801	—

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs		3,081	—	3,100	—
Development costs		1,783	—	1,701	—
Total costs		4,864	—	4,801	—
Total real estate for resale		4,864	—	4,801	—

Movements:

Real estate assets at beginning of the year		4,801	—	2,835	—
– Purchases and other costs		82	—	2,010	—
– WDV of sales (expense)	5	(19)	—	(44)	—
Total real estate for resale		4,864	—	4,801	—

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2018	2017
Real estate for resale	4,864	4,801
	4,864	4,801

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Parkes Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period										as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Other movements (Transfer to Intangibles)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	55,155	–	55,155	–	1,027	–	–	–	(54,943)	–	–	–	–	1,239	–	1,239
Plant and equipment	22,709	11,521	11,188	1,572	1,548	–	(449)	(1,344)	–	–	(951)	–	–	23,317	11,753	11,564
Office equipment	4,645	3,840	805	279	–	–	–	(146)	–	–	–	–	–	4,924	3,986	938
Furniture and fittings	1,035	624	411	10	–	–	–	(87)	–	–	–	–	–	1,045	711	334
Land:																
– Operational land	8,274	–	8,274	111	–	–	–	–	–	982	–	–	1,214	10,581	–	10,581
– Community land	20,364	–	20,364	–	–	–	–	–	–	(982)	–	(7,062)	–	12,320	–	12,320
– Land under roads (post 30/6/08)	61	–	61	–	–	–	–	–	–	–	–	–	–	61	–	61
Infrastructure:																
– Buildings – non-specialised	27,407	13,083	14,324	172	–	–	–	(547)	–	(6)	–	–	1,691	23,818	8,184	15,634
– Buildings – specialised	27,453	14,212	13,241	384	93	–	–	(510)	–	35	–	–	2,231	27,514	12,040	15,474
– Roads	403,275	82,046	321,229	8,280	827	1,410	(1,733)	(3,957)	–	–	–	–	–	409,403	83,347	326,056
– Bridges	13,457	3,700	9,757	789	–	–	(168)	(96)	–	–	–	–	–	13,964	3,682	10,282
– Footpaths	9,938	2,126	7,812	322	–	–	(165)	(135)	–	–	–	–	–	10,012	2,178	7,834
– Stormwater drainage	26,765	4,921	21,844	470	73	–	–	(182)	–	–	–	–	451	27,866	5,210	22,656
– Water supply network	171,128	77,802	93,326	3,650	10,023	–	–	(2,399)	31,697	–	–	–	1,886	220,006	81,823	138,183
– Sewerage network	55,131	27,164	27,967	2,646	1,695	–	–	(852)	23,246	–	–	–	548	83,819	28,569	55,250
– Swimming pools	7,464	2,500	4,964	151	–	–	–	(163)	–	6	–	–	–	7,620	2,662	4,958
– Airport assets	12,258	3,000	9,258	93	–	–	–	(184)	–	–	–	–	–	12,351	3,184	9,167
– Other open space/recreational assets	31,492	8,867	22,625	572	676	–	(129)	(600)	–	(35)	–	–	–	32,519	9,410	23,109
Other assets:																
– Library books	1,092	755	337	105	–	–	–	(10)	–	–	–	–	–	1,197	765	432
Reinstatement, rehabilitation and restoration assets (refer Note 12):																
– Tip assets	2,910	278	2,632	–	–	–	–	(29)	–	–	–	–	–	2,910	307	2,603
<u>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</u>	902,013	256,439	645,574	19,606	15,962	1,410	(2,644)	(11,241)	–	–	(951)	(7,062)	8,021	926,486	257,811	668,675

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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 Council 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.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 15	Buildings	
Heavy plant/road making equipment	5 to 15	Buildings: masonry	40 to 60
Other plant and equipment	6 to 50	Buildings: other	5 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	100
Bores	30	Culverts	100
Reticulation pipes: PVC	60 to 80		
Reticulation pipes: other	40 to 100	Other Assets	
Pumps and telemetry	25 to 75	Library Books	10
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15 to 30	Bulk earthworks	Infinite
Sealed roads: structure	50	Swimming pools	20 to 50
Unsealed roads	10 to 30	Unsealed roads	10 to 30
Bridge: concrete	100	Other open space/recreational assets	20 to 50
Bridge: other	60 to 80	Other infrastructure	20 to 50
Road pavements	45 to 90		
Kerb, gutter and footpaths	50 to 100		

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

Under section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed".

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(b). Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	–	–	–	31,698	–	31,698
Plant and equipment	962	582	380	1,034	589	445
Office equipment	83	83	–	83	83	–
Land						
– Operational land	2,140	–	2,140	1,936	–	1,936
– Community land	307	–	307	1,398	–	1,398
– Improvements non-depreciable	20	–	20	20	–	20
Buildings	223	34	189	270	183	87
Infrastructure	220,006	81,823	138,183	171,120	77,802	93,318
Total water supply	223,741	82,522	141,219	207,559	78,657	128,902
Sewerage services						
WIP	–	–	–	23,246	–	23,246
Plant and equipment	676	417	259	676	374	302
Office equipment	79	79	–	79	79	–
Land						
– Operational land	182	–	182	452	–	452
– Community land	146	–	146	425	–	425
Buildings	153	79	74	–	–	–
Infrastructure	83,819	28,569	55,250	55,131	27,164	27,967
Total sewerage services	85,055	29,144	55,911	80,009	27,617	52,392
Domestic waste management						
Land						
– Improvements – depreciable	2,910	307	2,603	2,909	278	2,631
Total DWM	2,910	307	2,603	2,909	278	2,631
TOTAL RESTRICTED IPP&E	311,706	111,973	199,733	290,477	106,552	183,925

Note 9(c). Infrastructure, property, plant and equipment – current year impairments

\$ '000	2018	2017
Impairment losses recognised direct to equity (ARR):		
Natural Disaster Events – 8th July 2016 & 2nd November 2016	–	(3,920)
Total impairment losses	–	(3,920)
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	–	(3,920)

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 10. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	1,261	1,261
Net book value – opening balance	1,261	1,261
Closing values:		
Gross book value (30/6)	2,826	1,261
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>2,826</u>	<u>1,261</u>

¹. The net book value of intangible assets represent:

– Software - Corporate Information System	1,565	–
– Other assets – water licences	1,261	1,261
	<u>2,826</u>	<u>1,261</u>

Accounting policy for intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	2,054	–	935	–
Goods and services – capital expenditure	–	–	655	–
Accrued expenses:				
– Borrowings	193	–	201	–
– Salaries and wages	67	–	264	–
Security bonds, deposits and retentions	1,425	74	1,451	74
Other	–	–	1	–
Total payables	3,739	74	3,507	74
Income received in advance				
Payments received in advance	700	–	554	–
Total income received in advance	700	–	554	–
Borrowings				
Loans – secured ¹	858	21,044	814	18,902
Total borrowings	858	21,044	814	18,902
TOTAL PAYABLES AND BORROWINGS	5,297	21,118	4,875	18,976

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	1,741	7,696	1,376	8,025
Sewer	17	4,000	384	4,000
Payables and borrowings relating to externally restricted assets	1,758	11,696	1,760	12,025
Total payables and borrowings relating to restricted assets	1,758	11,696	1,760	12,025
Total payables and borrowings relating to unrestricted assets	3,539	9,422	3,115	6,951
TOTAL PAYABLES AND BORROWINGS	5,297	21,118	4,875	18,976

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.

Payables – security bonds, deposits and retentions	212	139
	212	139

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	19,716	2,186	–	–	–	21,902
TOTAL	19,716	2,186	–	–	–	21,902

\$ '000	2018	2017
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(d) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities ⁽¹⁾	100	100
Credit cards/purchase cards	150	105
Total financing arrangements	250	205

Drawn facilities as at balance date:

– Credit cards/purchase cards	33	33
Total drawn financing arrangements	33	33

Undrawn facilities as at balance date:

– Bank overdraft facilities	100	100
– Credit cards/purchase cards	117	72
Total undrawn financing arrangements	217	172

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	1,691	–	1,583	–
Long service leave	3,852	289	3,311	343
RDO's	10	–	10	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	175	482	170	473
Sub-total – asset remediation/restoration	175	482	170	473
<u>TOTAL PROVISIONS</u>	<u>5,728</u>	<u>771</u>	<u>5,074</u>	<u>816</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	305	–	276	–
Sewer	142	–	127	–
Provisions relating to externally restricted assets	447	–	403	–
Total provisions relating to restricted assets	447	–	403	–
Total provisions relating to unrestricted assets	5,281	771	4,671	816
<u>TOTAL PROVISIONS</u>	<u>5,728</u>	<u>771</u>	<u>5,074</u>	<u>816</u>

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	2,630	3,628
	<u>2,630</u>	<u>3,628</u>

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	1,583	—	3,654	—	10	5,247
Additional provisions	1,020	—	640	—	—	1,660
Amounts used (payments)	(912)	—	(153)	—	—	(1,065)
Total ELE provisions at end of year	1,691	—	4,141	—	10	5,842

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	1,496	—	3,662	—	11	5,169
Additional provisions	846	—	150	—	(1)	995
Amounts used (payments)	(759)	—	(158)	—	—	(917)
Total ELE provisions at end of year	1,583	—	3,654	—	10	5,247

2018	Other provisions	
	Asset remediation	Total
At beginning of year	643	643
Changes to provision:		
Unwinding of discount	14	14
Total other provisions at end of year	657	657

2017	Other provisions	
	Asset remediation	Total
At beginning of year	615	615
Changes to provision:		
Additional provisions	28	28
Total other provisions at end of year	643	643

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 13. Revaluation reserves

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	8,252	1,939
Balance as per the Statement of Cash Flows		8,252	1,939
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		8,370	25,901
Adjust for non-cash items:			
Depreciation and amortisation		11,337	10,906
Net losses/(gains) on disposal of assets		1,815	811
Non-cash capital grants and contributions		(511)	(1,513)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(40)	(49)
Unwinding of discount rates on reinstatement provisions		14	28
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,252)	4,160
Increase/(decrease) in provision for doubtful debts		2	–
Decrease/(increase) in inventories		(457)	301
Decrease/(increase) in other assets		(20)	(108)
Increase/(decrease) in payables		1,119	(235)
Increase/(decrease) in accrued interest payable		(8)	42
Increase/(decrease) in other accrued expenses payable		(197)	(18)
Increase/(decrease) in other liabilities		119	284
Increase/(decrease) in employee leave entitlements		595	78
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		19,886	40,588

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Statement of cash flows – additional information (continued)

\$ '000	2018	2017
(c) Non-cash investing and financing activities		
Bushfire grants	511	613
Other non-cash items – Old Parkes Hospital Site	–	900
Total non-cash investing and financing activities	511	1,513

Note 15. Interests in other entities

Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2018 Net profit	2018 Net assets
1. Parkes Sports Council	To maintain and improve the sporting recreation areas allocated to the Sports Council's sole care by the Parkes Shire Council, and to foster, where possible, active participation of the people of Parkes and district in all forms of athletic sport.	-	7

Reasons for non-recognition

Due to the immaterial value and nature, the Committee & its operations have been excluded from consolidation.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Commitments for expenditure

\$ '000	2018	2017
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	60	224
Plant and equipment	581	38
Roads	204	33
Water	427	4,722
Airports	15	123
Sewer	316	3,914
Drainage	243	10
Parks & Gardens	340	81
Tips	–	11
Other – Economic Affairs	129	345
Other – Public Cemeteries	–	10
Other – Rural Fire Service	17	–
Total commitments	2,332	9,511
These expenditures are payable as follows:		
Within the next year	2,332	9,511
Total payable	2,332	9,511
Sources for funding of capital commitments:		
Unrestricted general funds	524	41
Unexpended grants	228	167
Externally restricted reserves	744	8,648
Internally restricted reserves	836	655
Total sources of funding	2,332	9,511

Details of capital commitments

Capital commitments for at the reporting date but not recognised in the financial statements as liabilities included works at the Parkes Water Treatment Plant, Parkes Sewerage Treatment Plant, Advanced Water Recycling Scheme, Parkes Regional Airport Redevelopment - Stage II, and Redevelopment of Lower Clarinda Street, Parkes.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of any share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations with AASB 119.

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable - similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employers' share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ended 30 June 2018 was \$381,710.60.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$368,419.32.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

* excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program, however any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.43% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) and provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group. It is estimated that there are \$513,000.00 additional contributions remaining as at 30 June 2018.

(ii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) Regulatory approvals

Council as the consent authority for development in the Parkes Shire is currently subject to action, to set aside the approval of a development consent in the Land and Environment Court. Council will be defending its position and is optimistic of a successful outcome. It is unknown at this time if an adverse outcome will result in the outgoing of funds by Council.

2. Other liabilities

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

(iii) Work accident

A helicopter accident involving Council employees occurred in February, 2006. A number of matters and actions related to the accident are still continuing. Council is unable to determine the possible outcome of those actions.

ASSETS NOT RECOGNISED:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):

(ii) Legal action – investments

Final orders in the matter relating to the claim for compensation from Lehman Australia relating to the sale of synthetic collateralised debt obligations to Council were made on the 25 March, 2013. Council has had its claim accepted by the liquidators of Lehman Australia. Action is continuing to enforce Council's judgement in this matter.

Council is using a litigation funder (IMF Australia) to conduct these cases. Council will therefore not be incurring additional legal costs to fund these matters.

On the 10th February 2017, liquidators of Lehman Brothers Australia Limited (in liquidation) ('LBA') declared payment to be made of a second interim dividend of 2.50% on admitted distribution from the General Estate. Parkes Shire Council's share of this interim distribution after funding and legal cost recoveries was \$109,900.

As at 30 June 2018, Council is still awaiting the receipt of the final dividend from the General Estate.

(iii) Contaminated land

Council is the owner of land that has been listed as contaminated due to its prior use. There has been no detailed investigation of the site to assess if future remediation will be required. Council may be required at some future time to undertake remediation of the site. The extent or timing of such work is not able to be reliably estimated at this time.

(iv) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. Financial risk management

\$ '000

Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	8,252	1,939	8,252	1,939
Investments				
– 'Held for trading'	–	608	–	–
– 'Held to maturity'	28,390	49,049	28,390	49,657
Receivables	9,000	6,750	9,000	6,750
Total financial assets	45,642	58,346	45,642	58,346
Financial liabilities				
Payables	3,813	3,581	4,267	3,027
Loans/advances	21,902	19,716	21,902	19,716
Total financial liabilities	25,715	23,297	26,169	22,743

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 10% movement in market values	304	304	(304)	(304)
Possible impact of a 1% movement in interest rates	30	30	(30)	(30)
2017				
Possible impact of a 10% movement in market values	355	355	(355)	(355)
Possible impact of a 1% movement in interest rates	35	35	(35)	(35)

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	86%	0%	91%
Overdue	100%	14%	100%	9%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges			2018	2017
< 1 year overdue			1,105	1,302
			1,105	1,302
Other receivables				
Current			6,806	4,918
0 – 30 days overdue			1,058	5
31 – 60 days overdue			12	336
61 – 90 days overdue			32	113
> 91 days overdue			123	210
			8,031	5,582

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The contractual undiscounted cash outflows (i.e.. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	1,499	2,314	–	–	3,813	3,813
Loans and advances	3.99%	–	1,719	6,576	20,696	28,991	21,902
Total financial liabilities		1,499	4,033	6,576	20,696	32,804	25,715
2017							
Trade/other payables	0.00%	1,525	2,056	–	–	3,581	3,581
Loans and advances	3.87%	–	1,730	6,462	18,395	26,587	19,716
Total financial liabilities		1,525	3,786	6,462	18,395	30,168	23,297

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 27 June 2017 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
REVENUES				
Rates and annual charges	19,269	19,498	229	1% F
User charges and fees	11,318	10,993	(325)	(3%) U
User charges and fees for Other Revenue were significantly down on budget due to lower contracted works planned.				
Interest and investment revenue	1,309	1,073	(236)	(18%) U
The Interest and Investment revenue was down on budget due to the low interest rate environment continuing throughout 2017/18 and also due to the completion of the major Infrastructure projects being paid out of restricted reserves, the average amount of invested funds was lower than what was budgeted.				
Other revenues	2,313	851	(1,462)	(63%) U
Other revenues were significantly down on budget due to lower sales and planned works not proceeding. The difference to the budget is due to the classification of internal plant revenue being netted with plant running costs.				
Operating grants and contributions	12,267	11,488	(779)	(6%) U
Capital grants and contributions	11,192	10,221	(971)	(9%) U
Capital grants and contributions income were below budget due to delayed progress on the Recycling Water Scheme which required further planning and investigations to prepare for the construction of the Ring Main.				

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	15,643	16,172	(529)	(3%) U
Borrowing costs	1,434	797	637	44% F
The borrowing costs are below budget as it was planned to refinance the remaining higher interest loans that council has in its loan portfolio. It was not beneficial to break these fixed term contracts, and therefore a savings against budget has arisen.				
Materials and contracts	10,991	11,167	(176)	(2%) U
Depreciation and amortisation	10,730	11,337	(607)	(6%) U
Other expenses	4,901	4,466	435	9% F
Net losses from disposal of assets	—	1,815	(1,815)	0% U
Net gains and losses from disposal have not been budgeted. Gains on sale from the result of Council owned properties, and plant totalling \$380k have been offset by disposal of infrastructure assets totalling \$2,195k				

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	24,538	19,886	(4,652)	(19.0%) U
Cash flows from operating activities was lower than expected for 2017/18, due to lower than expected Grants received. This was predominantly due to delays in the construction of the Recycled Recycling Water Scheme which has not progressed as forecasted within 2017/18.				
Cash flows from investing activities	(13,900)	(15,759)	(1,859)	13.4% U
The budgeted IPP&E was lower than expected as the construction of the Advanced Recycling Water Scheme had not progressed as forecasted within 2017/18.				
Cash flows from financing activities	(491)	2,186	2,677	(545.2%) F
Cash flows from financing activities are higher than expected for 2017/18, as it was planned to pay out early the high interest rate loans Council has within its loan portfolio. It was not beneficial to complete these repayments, breaking the fixed term contract.				

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 20. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

– Infrastructure, property, plant and equipment – Financial assets and liabilities

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

Fair value measurements		Fair value measurement hierarchy			Total
2018	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Designated at fair value on initial recognition’	30/06/18	–	8,252	–	8,252
– ‘Available for sale’	30/06/18	3,040	–	–	3,040
– ‘Held to maturity’	30/06/18	–	25,350	–	25,350
Total financial assets		3,040	33,602	–	36,642
Financial liabilities					
Loans/advances	30/06/18	–	21,902	–	21,902
Total financial liabilities		–	21,902	–	21,902
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	–	11,564	11,564
Office equipment	30/06/18	–	–	938	938
Furniture and fittings	30/06/18	–	–	334	334
Operational land	30/06/18	–	–	10,581	10,581
Community land	30/06/16	–	–	12,320	12,320
Land under roads	30/06/14	–	–	61	61
Buildings non-specialised	30/06/18	–	–	15,634	15,634
Buildings specialised	30/06/18	–	–	15,474	15,474
Roads	30/06/15	–	–	326,056	326,056
Bridges	30/06/15	–	–	10,282	10,282
Footpaths	30/06/15	–	–	7,834	7,834
Tips	30/06/16	–	–	2,603	2,603
Library books	30/06/16	–	–	432	432
Storm water drainage	30/06/15	–	–	22,656	22,656
Water supply network	30/06/17	–	–	138,183	138,183
Capital work in progress	30/06/18	–	–	1,239	1,239
Sewerage network	30/06/17	–	–	55,250	55,250
Swimming pools	30/06/16	–	–	4,958	4,958
Airport assets	30/06/16	–	–	9,167	9,167
Other open space / recreational assets	30/06/16	–	–	23,109	23,109
Total infrastructure, property, plant and equipment		–	–	668,675	668,675

Parkes Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values (continued):

		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Designated at fair value on initial recognition’	30/06/17	–	1,939	–	1,939
– ‘Available for sale’	30/06/17	3,549	–	–	3,549
– ‘Held to maturity’	30/06/17	–	46,108	–	46,108
Total financial assets		3,549	48,047	–	51,596
Financial liabilities					
Loans/advances	30/06/17	–	19,716	–	19,716
Total financial liabilities		–	19,716	–	19,716
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/17	–	–	11,188	11,188
Office equipment	30/06/17	–	–	805	805
Furniture and fittings	30/06/14	–	–	411	411
Operational land	30/06/13	–	–	8,274	8,274
Community land	30/06/16	–	–	20,364	20,364
Land under roads	30/06/14	–	–	61	61
Buildings non-specialised	30/06/13	–	–	14,324	14,324
Buildings specialised	30/06/13	–	–	13,241	13,241
Roads	30/06/15	–	–	321,229	321,229
Bridges	30/06/15	–	–	9,757	9,757
Footpaths	30/06/15	–	–	7,812	7,812
Tips	30/06/16	–	–	2,632	2,632
Library books	30/06/16	–	–	337	337
Storm water drainage	30/06/15	–	–	21,844	21,844
Water supply network	30/06/17	–	–	93,326	93,326
Capital work in progress	30/06/17	–	–	55,155	55,155
Sewerage network	30/06/17	–	–	27,967	27,967
Swimming pools	30/06/16	–	–	4,964	4,964
Airport assets	30/06/16	–	–	9,258	9,258
Other open space / recreational assets	30/06/16	–	–	22,625	22,625
Total infrastructure, property, plant and equipment		–	–	645,574	645,574

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

During the year, there were no transfers between Level 1 and Level 2 Fair Value hierarchies for recurring fair value measurements.

(3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Financial Assets

Investments: "Held for Trading" – measured at fair value through profit & loss.

Investments: "Loans & Receivables" – measured at cost but are disclosed at fair value are represented by Term Deposits.

Investments: "Available for Sale" – measured at fair value with changes in fair value recognised through profit & loss is represented by Floating Rate Notes.

Financial Liabilities

Loans / Advances – valued at cost but are disclosed at fair value through profit & loss is represented per Note 11. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. There were no changes in valuation technique during the reporting period.

Infrastructure, Property, Plant & Equipment

Plant & Equipment, Office Equipment and Furniture and Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant & Equipment Trucks, Utilities, Graders, Excavators, street sweepers, Garbage trucks, motor vehicles and minor items.
- Office Equipment Computer equipment, Whiteboards, Fax machines, Photocopiers
- Furniture & Fittings Chairs, desks, Kitchen appliances etc.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

The key unobservable inputs to the valuations are the remaining useful life and residual value. Council reviews the value of these assets against quoted prices for the current replacement cost of similar assets and by taking account of the pattern of consumption, estimate remaining useful life and the residual value. There has been no change to the valuation during the reporting period. A stocktake was completed of Council's Plant and Equipment, and the register was amended to be the complete record.

Operational Land

This asset class comprises of all council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken by" (Elise Wallace C.P.V. Registered Valuer AAPI #66461) from Australis Asset Advisory Group in June 2018 using Fair Value methodology.

The valuation of Operational Land assets have been completed in accordance with guidance notes and background papers issued by the NSW Treasury Policy TPP14-01, Local Government Code of Accounting and Finance Reporting and the International Assets Valuation Standards Committee of which the Australian Property Institute is a member. Operational Land Values have been determined based on sales of land in the locality and standard valuation principles have been adopted whereby the direct comparison method for each individual parcel has been utilised. Due regard has been given to zoning, physical and non-physical constraints, size, shape, location topography and exposure characteristics for each lot, as well as overall market conditions as at the date of valuation. The land values are considered to sit within level 3 of the AASB 13 Fair Value Hierarchy.

Community Land

Community Land were valued by" AssetVal" (Nick Franks C.P.V. Australian Property Institute Member 00080777) in June 2016 using Fair Value methodology. The valuation of Community Land assets have been completed in accordance with guidance notes and background papers issued by the NSW Treasury Policy TPP14-01, Local Government Code of Accounting and Finance Reporting and the International Assets Valuation Standards Committee of which the Australian Property Institute is a member. Community Land Values have been determined based on sales of land in the locality and standard valuation principles have been adopted whereby the direct comparison method for each individual parcel has been utilised. Due regard has been given to zoning, physical and non-physical constraints, size, shape, location topography and exposure characteristics for each lot, as well as overall market conditions as at the date of valuation. The land values are considered to sit within level 3 of the AASB 13 Fair Value Hierarchy.

Land Under Roads

Council has elected to recognise Land Under Roads where the road was acquired on or after 1 July 2008. 'Land under roads' have been valued using the square metres rates applicable for nearby or adjacent Community Land having regard to the highest and best use for this land. There has been no change to the valuation process during the reporting period.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Buildings – Non specialised and Specialised

Buildings were valued by "Australia Asset Advisory Group" (Elise Wallace C.P.V. Registered Valuer AAPI #66461) from Australis Asset Advisory Group in June 2018 using the market and cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. Any buildings that were inaccessible, remaining useful life was based on commissioning dates supplied in the asset register. The buildings that were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

Roads, Bridges & Footpaths

This asset class comprises the Road Carriageway, Bridges, Footpaths, Bus Shelters, Carparks, Guardrails, Kerb and Gutter, Retaining walls, Suburb Markers and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure in June 2015. Valuations for the road carriageway, comprising surface, pavement and formation were carried out internally by staff.

The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2) other inputs (such as estimates pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. The inventory for Bridges, Bridge size culverts, Roads and associated infrastructure including Kerb and Channel, Footpaths and car parks has been verified through condition inspections conducted in 2014/15 encompassing 100% of the network. The assets have been given a condition index based on visual and measured data. There has been no change to the valuation process during the reporting period.

Drainage Infrastructure

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with OLG Circular 09- 09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. Drainage Infrastructure assets are indexed annually using the Modern Engineering Equivalent Assets (MEERA) rates provided by the NSW Office of Water.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Valuations for the detention basins, open drains and grass swales (lined and un-lined), inlet and outlet structures, gross pollutant traps, kerb inlets and pits, and underground pipes (concrete and uPVC) were carried out internally by staff in 2014/15.

Water Supply Network Infrastructure

Assets within this class comprise bores, dams, pipeline & trunk mains, pumping stations, reservoirs, and water treatment plants. Valuations were completed by Australis Asset Advisory Group in June 2017, under a group co-ordinated by the CENTROC (Central NSW Councils) in accordance with "Fair Valuations" principles. These principles lead to valuations being made on the basis of a depreciated replacement cost, using standard unit rates. This valuation was performed using physical inspections and CCTV footage of the networks. The valuation considers the nature of the assets, the current condition of the assets, strategic considerations which could influence asset life. The unit rates based on diameter of pipes, depth of pipes, construction difficulty, linear metres or similar could be supported from market evidence, (Level 2) other inputs (such as estimates pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Water supply network assets are indexed annually using the Modern Engineering Equivalent Assets (MEERA) rates provided by the NSW Office of Water. There has been no change to the valuation process during the reporting period.

Sewerage Network Infrastructure

Assets within this class comprise Sewer mains, sewage pumping stations, and sewage treatment plants. Valuations were completed by Australis Asset Advisory Group in June 2017, under a group co-ordinated by the CENTROC (Central NSW Councils) in accordance with "Fair Valuations" principles. These principles lead to valuations being made on the basis of a depreciated replacement cost, using standard unit rates. This valuation was performed using physical inspections and CCTV footage of the networks. The valuation considers the nature of the assets, the current condition of the assets, strategic considerations which could influence asset life. The unit rates based on diameter of pipes, depth of pipes, construction difficulty, linear metres or similar could be supported from market evidence, (Level 2) other inputs (such as estimates pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Sewerage network assets are indexed annually using the Modern Engineering Equivalent Assets (MEERA) rates provided by the NSW Office of Water. There have been no change to the valuation process during the reporting period.

Swimming Pools

Assets within this class comprise Council's aquatic centres at Parkes, Trundle, Peak Hill and Tullamore. Swimming Pools were valued by "AssetVal" (Nicholas Fein, Plant, Equipment and Infrastructure Valuer BE (GradIEAust 3719600) in June 2016 using a cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period. There has been no change to the valuation process during the reporting period.

Other Open Space/Recreational Assets

Assets within this class comprise Tennis Courts, Cricket Nets, Synthetic Surfaces, BBQs, Regional Sporting Facilities, Parkes and Gardens and Playgrounds. These assets have been valued internally.

Other Open Space/Recreational Assets were valued by "AssetVal" (Nicholas Fein, Plant, Equipment and Infrastructure Valuer BE< GradIEAust 3719600) in June 2016 using a cost approach. While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period. There has been no change to the valuation process during the reporting period.

Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. The fair value has been based on the average purchase price over the period 2011/12 to 2015/16 multiplied by the current collection on hand.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, and estimated remaining useful life. The fair value has been based on the average purchase price over the period 2011/12 to 2015/16 multiplied by the current collection on hand. There has been no change to the valuation process during the reporting period.

Tip Remediation

Council's Tips are located in Parkes and villages across the shire. The Tips activities encompasses a landfilling operation as well as a wide range of waste disposal services, resource recovery services, recycled , and waste management educational activities. It has been recognised that there will be costs associated with the closure and post closure management of the landfill site.

The rehabilitation estimates have been included as a provision for the future with an estimate closure date of 2020 for Parkes and villages at various other times.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Closure of the landfill will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill waste and site re-vegetation, installation of a final landfill gas management system, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure.

The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements.

There has been no change to the valuation process during the reporting period.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Office equipment	Furniture and fittings	Operational land	Community land	Land under roads	Buildings non- specialised	Buildings specialised	Roads bridges footpaths	Total
Opening balance – 1/7/16	902	473	7,818	20,364	61	14,659	13,304	336,868	394,449
Transfers from/(to) another asset class	–	–	–	–	–	(42)	42	–	–
Purchases (GBV)	320	13	456	–	–	447	475	11,194	12,905
Disposals (WDV)	–	–	–	–	–	(148)	–	(1,168)	(1,316)
Depreciation and impairment	(417)	(75)	–	–	–	(592)	(580)	(8,096)	(9,760)
Closing balance – 30/6/17	805	411	8,274	20,364	61	14,324	13,241	338,798	396,278
Transfers from/(to) another asset class	–	–	982	(982)	–	(6)	35	–	29
Purchases (GBV)	279	10	111	–	–	172	477	11,628	12,677
Disposals (WDV)	–	–	–	–	–	–	–	(2,066)	(2,066)
Depreciation and impairment	(146)	(87)	–	–	–	(547)	(510)	(4,188)	(5,478)
Revaluation Adjustments	–	–	1,214	(7,062)	–	1,691	2,231	–	(1,926)
Closing balance – 30/6/18	938	334	10,581	12,320	61	15,634	15,474	344,172	399,514

¹ FV gains recognised in the Income Statement relating to assets still on hand at year end total:

YE 16/17	–	–	1,214	(7,062)	–	1,691	2,231	–	(1,926)
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Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) continued

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Stormwater drainage	Water supply network	Sewer network	Airport assets	Library books	Other assets	Swimming pools	Tip assets	Total
Opening balance – 1/7/16	21,256	71,074	31,268	9,426	264	21,489	5,111	1,790	161,678
Transfers from/(to) another asset class	–	–	–	–	–	(5)	5	–	–
Purchases (GBV)	490	4,604	847	–	98	1,567	12	897	8,515
Depreciation and impairment	(175)	(2,017)	(444)	(168)	(25)	(426)	(164)	(55)	(3,474)
Revaluation Adjustments	273	19,665	(3,704)	–	–	–	–	–	16,234
Closing balance – 30/6/17	21,844	93,326	27,967	9,258	337	22,625	4,964	2,632	182,953
Transfers from/(to) another asset class	–	31,697	23,246	–	–	(35)	6	–	54,914
Purchases (GBV)	543	13,673	4,341	93	105	1,248	151	–	20,154
Disposals (WDV)	–	–	–	–	–	(129)	–	–	(129)
Depreciation and impairment	(182)	(2,399)	(852)	(184)	(10)	(600)	(163)	(29)	(4,419)
Revaluation Adjustments	451	1,886	548	–	–	–	–	–	2,885
Closing balance – 30/6/18	22,656	138,183	55,250	9,167	432	23,109	4,958	2,603	256,358
¹ FV gains recognised in the Income Statement relating to assets still on hand at year end total:									
YE 16/17	273	19,665	(3,704)	–	–	–	–	–	16,234
YE 17/18	451	1,866	548	–	–	–	–	–	2,865

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) continued

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Plant and Equipment	Capital works in progress	Investment 'held for trading'	Total
Opening balance – 1/7/16	10,107	18,577	–	28,684
Purchases (GBV)	3,525	36,578	–	40,103
Disposals (WDV)	(852)	–	–	(852)
Depreciation and impairment	(1,592)	–	–	(1,592)
Closing balance – 30/6/17	11,188	55,155	–	66,343
Transfers from/(to) another asset class	–	(54,943)	–	(54,943)
Purchases (GBV)	3,120	1,027	–	4,147
Disposals (WDV)	(449)	–	–	(449)
Depreciation and impairment	(1,344)	–	–	(1,344)
Other movement (Transfer to Intangibles)	(951)	–	–	(951)
Closing balance – 30/6/18	11,564	1,239	–	12,803

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

(4) Fair value measurements using significant unobservable inputs (level 3) continued

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

I,PP&E

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Capital Works in Progress	1,239	Cost Approach - Current Replacement Cost - Costs used to approximate Fair Value (Refer Note 20 (3))	<ul style="list-style-type: none"> Gross replacement Cost Asset Condition Remaining Useful Life
Operational Land	10,581	Market Approach - Land values obtained from the Valuers Report (Refer Note 20 (3))	<ul style="list-style-type: none"> Price /Sq. Metre Impact of Restrictions
Community land	12,320	Market Approach - Land values obtained from the Valuers Report (Refer Note 20 (3))	<ul style="list-style-type: none"> Price / Sq. Metre Impact of Restrictions
Land Under Roads	61	Market Approach - Adjoining blocks average m2 rate (Refer Note 20 (3))	<ul style="list-style-type: none"> Price / Sq. Metre Impact of Restrictions
Buildings	51,332	Cost Approach - Unit Rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Roads	409,403	Cost Approach - Unit Rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Bridges	13,964	Cost Approach - Unit Rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Footpaths	10,012	Cost Approach - Unit rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful Life
Tips	2,910	Cost Approach - (Refer Note 20 (3))	<ul style="list-style-type: none"> • Discounted Rate • Cost escalation rate
Library Books	1,197	Cost Approach - Cost used to approximate Fair Value (Refer Note 20 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Stormwater Drainage	27,866	Cost Approach - Unit rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Water Supply Network	220,006	Cost Approach - Unit rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Sewerage Network	83,819	Cost Approach - Unit rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life
Airport Assets	12,351	Cost Approach - Unit Rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life
Other open space / recreational assets (Incl. Swimming Pools)	40,139	Cost Approach - Cost used to approximate Fair Value (Refer Note 20 (3))	<ul style="list-style-type: none"> Gross Replacement Cost Asset Condition Remaining Useful Life
Plant and Equipment / Office Equipment / Furniture and Fittings	29,286	Cost Approach - Current Replacement Cost - Costs used to approximate Fair Value (Refer Note 20 (3))	<ul style="list-style-type: none"> Gross replacement Cost Asset Condition Remaining Useful Life Residual value

(5) Highest and best use

All of Council's non-financial assets are considered to being utilised for their highest and best use as was established in consideration of the criteria of physical possibility, legal permissibility, financial feasibility and maximum profitability. Implied within these criteria is the recognition of that specific use to community environment or the community strategic objectives.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions

\$' 000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

Compensation:	2018	2017
Short-term benefits	929	939
Other long-term benefits	112	105
Total	1,041	1,044

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions (continued)

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Note	Actual \$	Actual \$		Actual \$	Actual \$
2018						
Supplier of Services	1	8,440	—	Supply Home Hosting Service for Annual Parkes Elvis Festival	—	—
Lease	2	7,201	—	Property Maintenance as required payment of annual Council Rates and Building Insurance premiums	—	—
Supplier of Goods	3	68,998	—	Normal payment terms in accordance with Council's procurement processes (130 Transactions)	—	—
Supplier of Goods	4	81,993	—	Normal payment terms in accordance with Council's procurement processes (299 Transactions)	—	—

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions (continued)

b. Other transactions with KMP and their related parties (continued)

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2017						
Supplier of Services	1	8,440	—	Supply Home Hosting Service for Annual Parkes Elvis Festival	—	—
Lease	2	18,000	—	Property Maintenance as required payment of annual Council Rates and Building Insurance premiums.	—	—
Supplier of Goods	3	75,000	—	Normal payment terms in accordance with Council's procurement processes (119 Transactions)	—	—
Supplier of Goods	4	73,000	—	Normal payment terms in accordance with Council's procurement processes (378 Transactions)	—	—

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions (continued)

b. Other transactions with KMP and their related parties (continued)

- 1 The Real Estate Agency (Ray White Real Estate) is wholly owned/ controlled by a close member of the Council's KMP and was the supplier of Home Hosting Services for the 2018 Parkes Elvis Festival. The Agency met with the Elvis Festival Committee (A Committee of Council) who assisted in producing an advertising campaign for the Service. It is estimated the Gross Turnover is \$148,000, with Net Income of \$ 16,000. Council purchased a software Application to assist with promoting Home Hosting to the value of \$9,000.

- 2 Council owns the property 35 - 43 Dalton Street Parkes and there is a Leasing arrangement between Council and the Parkes Early Childhood Centre (PECC) Management Committee for the property. A close family member of KMP is the Director of the Centre, employed by the Management Committee. Council resolution 95-216 & 217 - Council agreed to take responsibility for the External Maintenance and Building, Structural Soundness, Payment of Rates and Building insurance with the Committee responsible for all other costs including content insurance, maintenance of grounds, internal painting etc. A monetary rental is not considered necessary

- 3 Council entered into a contract with TWW Pty Ltd , a company jointly owned and controlled by a member and close family member of the KMP . The contract was won be open tender based on fixed price quotation for the provision of clothing for a twelve month period commencing 1 October 2015 with an option of a 12 month extension.

- 4 Parkes Stationary and Office Supplies is a company on Council's Preferred Supplier List as a company to supply Stationery and Office Furniture on an as required basis. The company is jointly owned by a Council KMP and a close family member.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.12 levies – under a plan	221	60	–	–	(258)	–	23	–
Total S7.11 and S7.12 revenue under plans	221	60	–	–	(258)	–	23	–
S64 contributions	5,530	275	–	113	(1,860)	–	4,058	–
Total contributions	5,751	335	–	113	(2,118)	–	4,081	–

S7.12 LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER S94A - Established 5 August 2016

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	129	6	–	–	(146)	16	5	–
Open space	74	18	–	–	(109)	17	–	–
Community facilities	9	18	–	–	–	(27)	–	–
Active Movement	9	18	–	–	(3)	(6)	18	–
Total	221	60	–	–	(258)	–	23	–

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 23. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,275	2,555	15,668
User charges and fees	5,808	597	4,588
Interest and investment revenue	308	39	726
Other revenues	71	13	767
Grants and contributions provided for operating purposes	55	48	11,385
Grants and contributions provided for capital purposes	3,195	67	6,959
Total income from continuing operations	10,712	3,319	40,093
Expenses from continuing operations			
Employee benefits and on-costs	1,521	762	13,889
Borrowing costs	252	113	432
Materials and contracts	2,770	1,467	6,930
Depreciation and amortisation	2,456	884	7,997
Other expenses	1,237	176	3,053
Net losses from the disposal of assets	71	16	1,728
Total expenses from continuing operations	8,307	3,418	34,029
Operating result from continuing operations	2,405	(99)	6,064
Net operating result attributable to each council fund	2,405	(99)	6,064
Net operating result for the year before grants and contributions provided for capital purposes	(790)	(166)	(895)

¹ General fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

Parkes Shire Council

Notes to the Financial Statements as at 30 June 2018

Note 23. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	5,081	87	3,084
Investments	20,635	545	278
Receivables	2,819	1,109	5,072
Inventories	48	19	5,999
Other	–	–	161
Total current assets	28,583	1,760	14,594
Non-current assets			
Investments	–	–	6,932
Infrastructure, property, plant and equipment	141,219	55,911	471,545
Intangible assets	1,261	–	1,565
Total non-current assets	142,480	55,911	480,042
TOTAL ASSETS	171,063	57,671	494,636
LIABILITIES			
Current liabilities			
Payables	1,351	17	2,371
Income received in advance	61	–	639
Borrowings	329	–	529
Provisions	305	142	5,281
Total current liabilities	2,046	159	8,820
Non-current liabilities			
Payables	–	–	74
Borrowings	7,696	4,000	9,348
Provisions	–	–	771
Total non-current liabilities	7,696	4,000	10,193
TOTAL LIABILITIES	9,742	4,159	19,013
Net assets	161,321	53,512	475,623
EQUITY			
Accumulated surplus	106,461	37,459	374,139
Revaluation reserves	54,860	16,053	101,484
Total equity	161,321	53,512	475,623

¹ General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>(76)</u>	-0.17%	8.03%	27.40%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	43,863				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>32,375</u>	59.86%	46.43%	52.95%	> 60.00%
Total continuing operating revenue ⁽¹⁾	54,084				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>11,893</u>	1.99x	3.21x	3.01x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	5,978				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>12,058</u>	7.48x	4.84x	24.37x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,611				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>1,117</u>	5.37%	6.41%	5.65%	< 10% regional & rural
Rates, annual and extra charges collectible	20,809				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>33,602</u>	10.86 mths	13.8 mths	24.9 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	3,093				

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

⁽³⁾ Refer to Notes 11 and 12.

⁽⁴⁾ Refer to Note 11(b) and 12(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>	2.66%	7.81%	-10.51%	8.92%	-5.10%	8.53%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>	54.20%	52.32%	69.66%	35.40%	96.54%	42.28%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>	1.99x	3.21x	11.99x	19.79x	11.07x	6.65x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 24a above.

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	10.04x	12.23x	3.36x	7.88x	7.35x	0.70x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	-10.34%	-3.51%	155.61%	111.87%	34.76%	16.08%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	3.06	13.54	50.01	583.00	2.99	97.50	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 24a above.

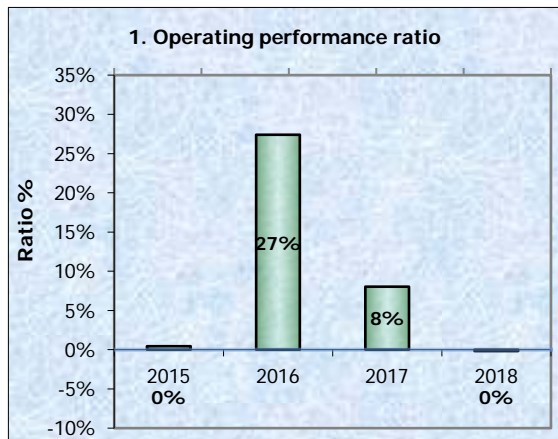
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 24(c). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2017/18 result

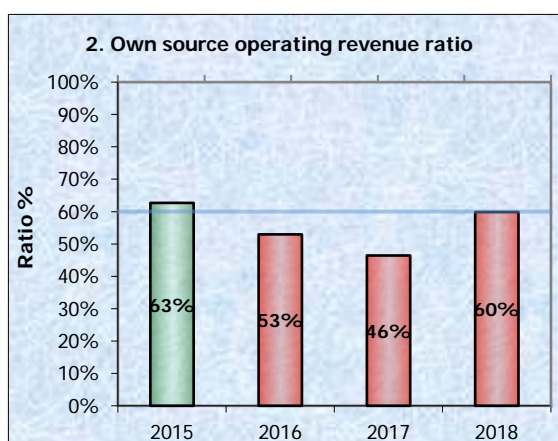
2017/18 ratio -0.17%

Council continues to work pro-actively towards containing expenditure within operating revenue. There has been a decrease in revenue in 2017/18 which has had a negative impact on the Operating Performance Ratio. There has also been an increase in Operating Expenditure which relate to an increase in electricity costs and one-off costs associated with establishing new infrastructure, and renewal of roads.

Benchmark: — Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2017/18 result

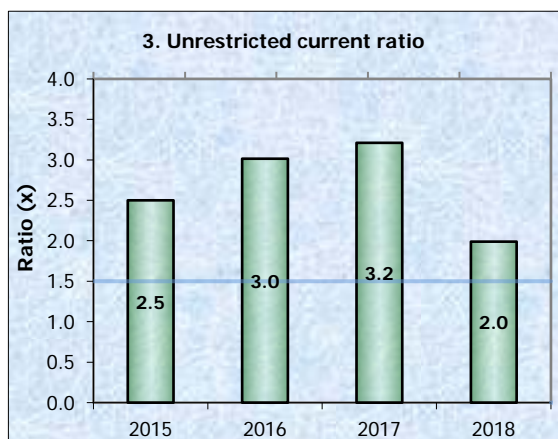
2017/18 ratio 59.86%

In previous years, this ratio has had difficulties in being achieved due to increased level in Grants being received. In 2017/18 it achieved close to the benchmark of 60%. It is forecast to remain above the benchmark in the medium term.

Benchmark: — Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2017/18 result

2017/18 ratio 1.99x

The Unrestricted Current Ratio has been well above the Benchmark of 1.5:1 over the previous four years. The ratio is still strong above the benchmark in the current year, with a ratio of 1.99x.

Benchmark: — Minimum ≥ 1.50

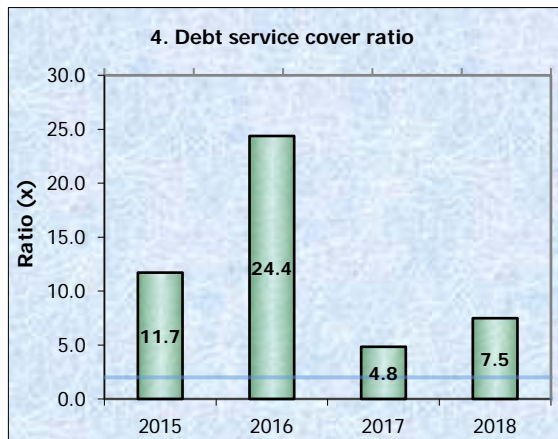
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 24(c). Statement of performance measures – consolidated results (graphs)



Benchmark: — Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26



Purpose of debt service cover ratio

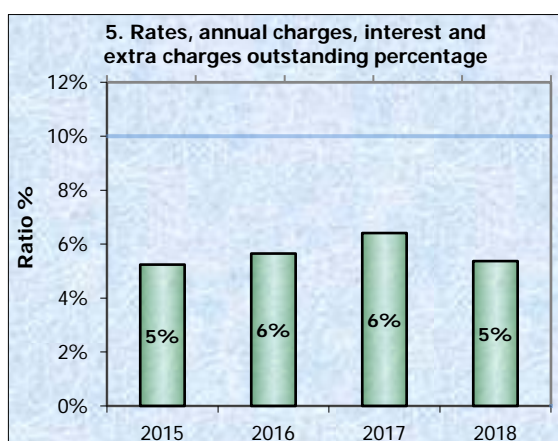
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2017/18 result

2017/18 ratio 7.48x

The Debt Service Ratio is well above the benchmark of 2:00. This indicates that Council would be able to service its debts, including interest, principal, and lease payments. Parkes has increased its loan borrowings by \$3.0m in 2017/18 for a Local Roads project in Parkes CBD.

 Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26



Purpose of rates and annual charges outstanding ratio

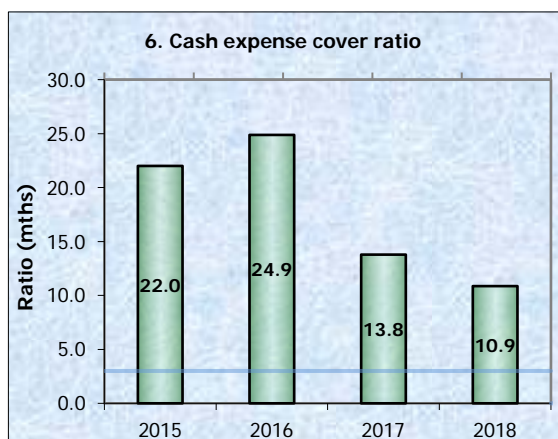
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2017/18 result

2017/18 ratio 5.37%

Council's rating staff have been concentrating on reducing outstanding rates. The ratio continues to be close to 6.00% for the previous 4 years, well under the benchmark for rural council's of 10 percent.

 Ratio is within Benchmark
 Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2017/18 result

2017/18 ratio 10.86 mths

The benchmarks for the Cash Expense Cover Ratio is greater than 3.00 months. This allows council the ability to trade for several months without any further income sources which are of a regular nature and the ratio is reflecting that Council is well above the industry benchmark to meet its immediate obligations.

 Ratio achieves benchmark
 Ratio is outside benchmark

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25. Financial review and commentary

Review and commentary on Council's financial result

Council has had a financial result in 2018 of \$8,370,000 for the year as compared to \$25,901,000 for 2017. This result was attributable to a Operating Result of \$6,064,000 within the General Fund, \$2,405,000 within the Water Fund, and deficit of (\$99,000) within the Sewer Fund. These results include Grants and Contributions provided for Capital purposes. After considering Grants and Contributions provided for Capital Purposes, Council posted a deficit of (\$1,851,000), and this was attributable to a deficit of (\$895,000) within the General Fund deficit of (\$790,000) within the Water Fund and a deficit of (\$166,000) within the Sewer Fund.

Council's depreciation expense has increased from the previous year affected by the revaluation of Council's infrastructure assets. Total Interest and Investment Revenue decreased in 2018 due to the continued lower interest rate environment, and a reduction in the average amount of funds available to invest due to drawing down on reserve funds to complete the Parkes Water and Sewerage Treatment Plants which were commissioned in 2017/18.

Council continues with the Parkes Plus Delivery Program to concentrate on renewing and maintaining Council's Asset Infrastructure and improving their condition and level of service. Council's building and infrastructure ratio 200.60% was similar to 2017 (272.59%). The works for the year have been prioritised by the work programme being affected by the repairs to damage caused by two major rain events in 2016/17 of \$3,960,000 to Parkes Transport Infrastructure, during 2017/18, Council has repaired to date \$3,758,000.

Highlights for the year include works being completed on the new Parkes Water Treatment Plant and the Parkes Sewerage Treatment Plant. Council expended \$7,613,000 towards completing the Parkes Water Treatment Plant commissioned on 1 August 2017, \$4,442,000 towards completing the Parkes Sewerage Treatment Plant, also commissioned on 1 August 2017. Council also completed construction on the Advanced Water Recycling Facility at a value of \$6,720,000. Projects achieved included improvements to Swimming Pools in outer lying townships, renewal of footpaths, town improvements and works associated with infrastructure backlog and drainage.

Council's rating staff have been concentrating on reducing outstanding rate, and the outstanding rates, interest and annual charges ratio still remain low by industry standards at 5.27% (2017 - 6.41 %).

Review and commentary on Council's financial position

Council's total equity increased to \$690,456,000 (2018) from \$681,127,000 (2017). Council's liquidity continues to be well maintained as indicated by a Unrestricted Current ratio of 1.99x (2017 - 3.21x), well above the benchmark of 1.50x.

Council drew down additional borrowing in 2017/18 totalling \$3,000,000. These funds will be used for the planned roadworks of Clarinda Street within Parkes CBD. The debt service ratio which is the cost of repaying principal and interest which expresses that cost as a percentage of revenue from ordinary activities was 4.40% (2017 - 4.24%). Parkes Shire Council's ratio is well above the industry benchmark and indicates manageable debt.

With council's emphasis on renewal of assets, the Infrastructure Backlog Ratio continues to improve from 0.0124x (2016), 0.0142 (2017) to 0.0116 (2018). With the works programmed in the Delivery Program, and 2018/19 Operational Budget, and the emphasis on renewal works in the Long Term Financial Plan 2017/18 to 2028/29, it is forecast that the benchmark of 0.02x will continue to be realised.

Council's program of asset maintenance ratio of 1.15x (2017 - 1.15x) indicates Council is investing enough funds to stop the infrastructure backlog increasing.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 25. Financial review and commentary (continued)

Review and commentary on Council's cash flows

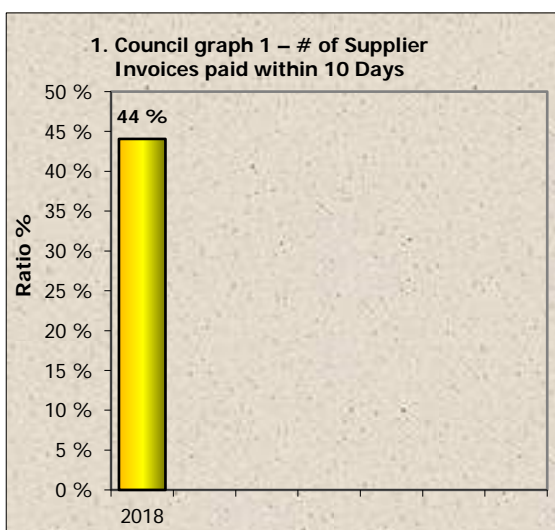
Council's overall cash and investment position has decreased during the year and this has been due to the use of restricted reserve funds set aside for the Parkes Water and Sewerage Treatment Plants. Council has invested funds at an average interest rate of 2.45%.

	Amounts 2018	Indicator 2018
--	-----------------	-------------------

Further to the Note 13(a) industry performance measures, Council monitors the following:

1. Council graph 1 – # of Supplier Invoices paid within 10 Days

Total # of Invoices Paid =< 10 Days	4,963	44 %
Total # of Invoices Paid	11,264	



— Minimum 1 % — Maximum 100 %

Source for benchmark: Source

Purpose of 1. Council graph 1 – # of Supplier Invoices paid within 10 Days

To monitor the # of days to pay Local Suppliers and Small Businesses to achieve a target of all Invoices to be paid within ten days or less.

Commentary on 2017/18 result

2017/18 Ratio 44 %

With the introduction of a new Corporate Information System in 2017/18, Council is establishing improvements in processes to benefit the delivery of its support services. Council has set a target of paying its Suppliers within ten days or less. For its inaugural year of monitoring this benchmark, Council paid 44% of total invoices within ten days. Council will continue to work with suppliers to achieve the optimal outcome of having invoices paid in a timely manner.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 25. Financial review and commentary (continued)

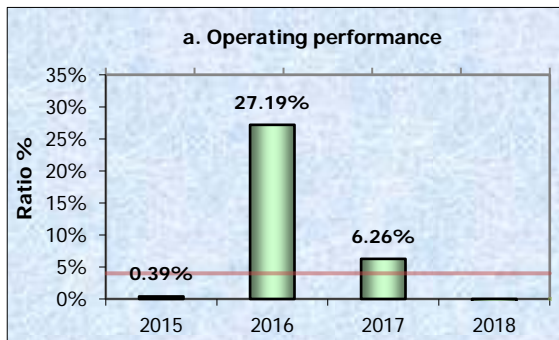
\$ '000	Amounts 2018	Indicator 2018	Prior periods	
			2017	2016
TCorp performance measures – consolidated				
a. Operating performance				
Operating revenue ¹ (excl. capital grants and contributions)				
– operating expenses	<u>(1,891)</u>	-4.31%	6.26%	27.19%
Operating revenue ¹ (excl. capital grants and contributions)	43,863			
b. Own source operating revenue				
Rates and annual charges + user charges and fees	<u>30,491</u>	56.38%	41.99%	40.01%
Total operating revenue ¹ (incl. capital grants and contributions)	54,084			
c. Unrestricted current ratio				
Current assets less all external restrictions	<u>11,893</u>	1.99	3.21	3.01
Current liabilities less specific purpose liabilities	<u>5,978</u>			
d. Debt service cover ratio				
Operating result ¹ before interest and depreciation (EBITDA)	<u>10,243</u>	6.36	4.59	24.27
Principal repayments (from the Statement of Cash Flows)	<u>1,611</u>			
+ borrowing interest costs (from the Income Statement)				
e. Capital expenditure ratio				
Annual capital expenditure	<u>34,334</u>	3.03	5.44	3.66
Annual depreciation	<u>11,337</u>			
f. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory condition	<u>7,198</u>	0.01	0.01	0.01
Total value of infrastructure, building, other structures and depreciable land improvement assets	<u>619,436</u>			
g. Asset maintenance ratio				
Actual asset maintenance	<u>6,913</u>	1.15	1.15	1.06
Required asset maintenance	<u>6,020</u>			
h. Building and infrastructure renewals ratio				
Asset renewals	<u>18,939</u>	2.01	2.73	2.06
Depreciation of building and infrastructure assets	<u>9,441</u>			
i. Cash expense cover ratio				
Current year's cash and cash equivalents	<u>8,252</u>	2.95	0.75	7.18
(Total expenses – depreciation – interest costs) x12	<u>2,802</u>			
j. Interest cover ratio				
Operating results before interest and depreciation (EBITDA)	<u>10,243</u>	12.85	11.58	44.56
Borrowing interest costs (from the Income Statement)	<u>797</u>			

¹ Excludes fair value adjustments and reversal of revaluation decrements

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 25. Financial review and commentary (continued)



Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

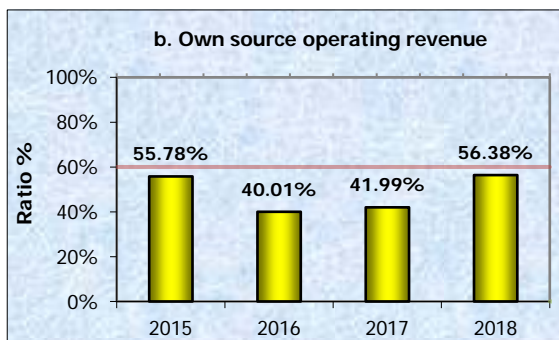
Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2017/18 result

2017/18 ratio -4.31%

Council's Operating Performance excluding capital adjustments has resulted in a TCorp Operating Performance Ratio of -4.31%. This has been impacted in the recognition of the adjustment in the Carrying Value of Transport Infrastructure following the assets being replaced.



Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

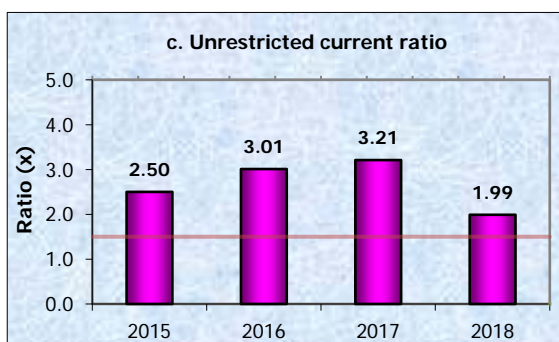
Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2017/18 result

2017/18 ratio 56.38%

Council's Own Source Operating Revenue has increased to 56.38% in 2017/18. The forecasts per the Long Term Financial Plan have indicated that the Own Source Operating Revenue will exceed the benchmark of 60.00% in the medium term.



Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

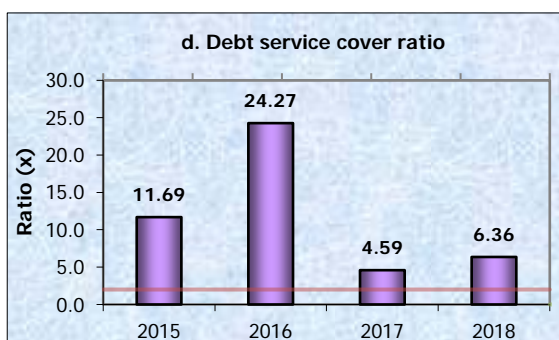
Purpose of unrestricted current ratio

To assess the adequacy of unrestricted working capital and Council's ability to meet short term obligations as they fall due.

Commentary on 2017/18 result

2017/18 ratio 1.99

Council's financial position have reflected a strong Unrestricted Current ratio indicating Council's ability to meet short term obligations.



Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2017/18 result

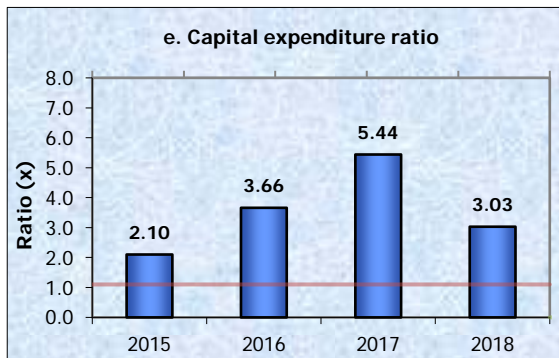
2017/18 ratio 6.36 x

Council has funded infrastructure renewal and upgraded infrastructure with a combination of debt (Borrowings) and Equity (Cash Reserves) set aside in previous years.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 25. Financial review and commentary (continued)



Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

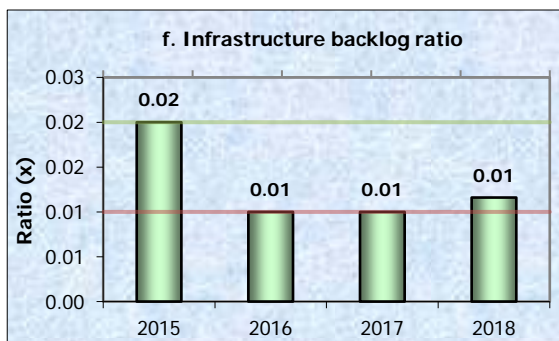
Purpose of capital expenditure ratio

This ratio assesses the extent to which a Council is expanding its asset base with capital expenditure (on new assets, replacement & renewal of existing assets).

Commentary on 2017/18 result

2017/18 ratio 3.03 x

Council with consultation with the community has developed Asset Management Plans which have determined the program of Capital Expenditure to be completed. Council is concentrating on asset renewals to ensure the level of service is maintained at current or enhanced levels.



Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

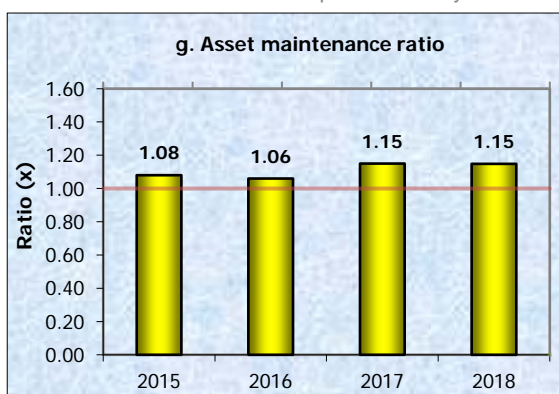
Purpose of infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2017/18 result

2017/18 ratio 0.01 x

Council continues to review and reduce the infrastructure backlog restoring the asset to satisfactory conditions. Council's Asset Management plans identified assets renewal to maintain and enhance their current levels of service.



Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

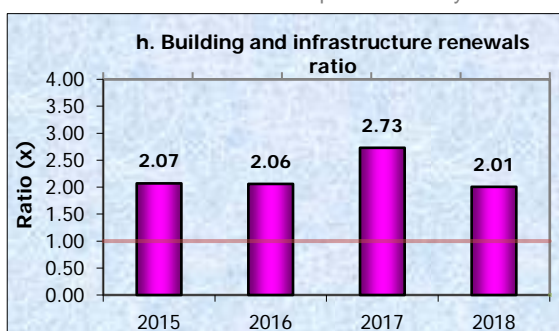
Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio of > 1.0x indicates enough has been spent to stop the infrastructure backlog from growing.

Commentary on 2017/18 result

2017/18 ratio 1.15 x

Council has programmed within the Parkes Plus delivery program and operational budgets, sufficient funding to maintain the assets, so that their condition may not deteriorate. This will ensure the Infrastructure Backlog does not increase. Council's strategy is to allocate more funding to asset maintenance as the backlog is reduced.



Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of asset renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2017/18 result

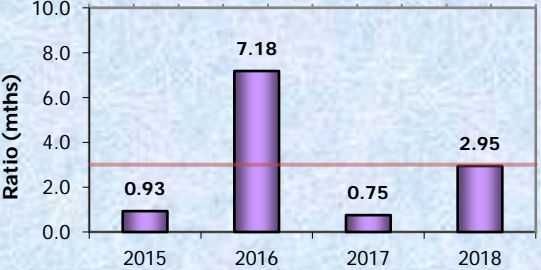
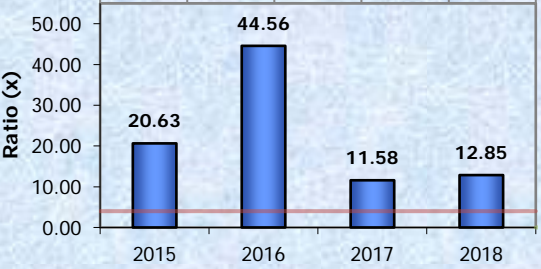
2017/18 ratio 2.01 x

Council has expanded its capital expenditure renewals program, and there has been a significant improvement over the previous four years.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 25. Financial review and commentary (continued)

i. Cash expense cover ratio	Purpose of cash expense cover ratio	Commentary on 2017/18 result
 <p>Ratio (mths)</p> <p>Minimum 3.00</p>	<p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>2017/18 ratio 2.95 mths</p> <p>Council has sufficient funds in cash reserves to continue paying its immediate expenses without additional cash inflow. It is noted that Council has a regular source of income with regular instalments receiving from rates, annual charges, and state & federal grant assistance.</p>
<p>Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)</p>		
j. Interest cover ratio	Purpose of interest cover ratio	Commentary on 2017/18 result
 <p>Ratio (x)</p> <p>Minimum 4.00</p>	<p>This ratio indicates the extent to which a Council can service (thru operating cash) its interest bearing debt and take on additional borrowings.</p>	<p>2017/18 ratio 12.85 x</p> <p>Council has consistently achieved greater than the benchmark of greater than 4.0x over the previous four years</p>
<p>Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)</p>		

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 25. Financial review and commentary (continued)

\$ '000	Water 2018	Sewer 2018	General ¹ 2018
TCorp performance measures – by fund			
a. Operating performance			
Operating revenue (excl. capital grants and contributions) – operating expenses	-10.51%	-5.10%	-2.83%
Operating revenue (excl. capital grants and contributions)	prior period: 8.92%	8.53%	5.54%
b. Own source operating revenue			
Rates and annual charges + user charges and fees	66.12%	94.97%	50.57%
Total operating revenue (incl. capital grants and contributions)	prior period: 31.18%	42.16%	47.06%
c. Unrestricted current ratio			
Current assets less all external restrictions	11.99	11.07	-2.41
Current liabilities less specific purpose liabilities	prior period: 19.79	6.65	-5.77
d. Debt service cover ratio			
Operating result before interest and depreciation (EBITDA)	17.91	37.60	-4.56
Principal repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	prior period: 25.03	2.14	1.52
e. Capital expenditure ratio			
Annual capital expenditure	5.84	5.00	1.95
Annual depreciation	prior period: 2.21	31.73	4.65
f. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory condition (from Special Schedule 7)	0.01	0.00	0.01
Total value of infrastructure, building, other structures and depreciable land improvement assets	prior period: 0.01	0.01	0.02
g. Asset maintenance ratio			
Actual asset maintenance	1.00	0.95	1.20
Required asset maintenance	prior period: 1.23	1.35	1.11
h. Building and infrastructure renewals ratio			
Asset renewals	1.52	3.11	2.04
Depreciation of building and infrastructure assets	prior period: 5.14	17.59	1.58
i. Cash expense cover ratio			
Current year's cash and cash equivalents	10.89	0.43	1.45
(Total expenses – depreciation – interest costs) x12	prior period: 1.69	1.36	0.56
j. Interest cover ratio			
Operating results before interest and depreciation (EBITDA)	7.61	7.35	17.35
Borrowing interest costs (from the Income Statement)	prior period: 13.44	2.27	22.60

Notes

¹ General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 25. Financial review and commentary (continued)

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Inflows:					
Rates and annual charges revenue	19,498	19,015	17,214	15,767	14,147
User charges revenue	10,993	9,919	10,768	9,165	8,234
Interest and investment revenue (losses)	1,073	1,953	2,136	2,501	3,495
Grants income – operating and capital	19,709	33,741	28,614	13,380	11,517
Total income from continuing operations	54,124	68,959	70,343	44,872	41,204
Sale proceeds from IPP&E	848	1,401	562	426	532
New loan borrowings and advances	3,000	8,500	6,220	–	1,000
Outflows:					
Employee benefits and on-cost expenses	16,172	16,094	14,298	13,667	11,899
Borrowing costs	797	1,303	556	571	552
Materials and contracts expenses	11,167	10,039	7,879	9,163	6,734
Total expenses from continuing operations	45,754	43,058	36,853	37,877	33,722
Total cash purchases of IPP&E	37,832	61,751	37,129	23,190	13,249
Total loan repayments (incl. finance leases)	814	1,984	465	437	339
Operating surplus/(deficit) (excl. capital income)	(1,851)	2,926	14,162	327	809
Financial position figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Current assets	44,937	56,584	73,727	65,578	62,606
Current liabilities	11,025	9,949	11,264	9,018	8,262
Net current assets	33,912	46,635	62,463	56,560	54,344
Available working capital (Unrestricted net current assets)	4,069	3,624	3,547	1,726	1,358
Cash and investments – unrestricted	109	352	483	821	499
Cash and investments – internal restrictions	5,415	7,211	11,808	6,749	8,611
Cash and investments – total	36,642	51,596	66,803	58,399	61,764
Total borrowings outstanding (Loans, advances and finance leases)	21,902	19,716	13,200	7,445	7,882
Total value of IPP&E (excl. land and earthwork)	903,524	873,314	829,105	793,966	794,822
Total accumulated depreciation	257,811	256,439	272,537	265,919	291,823
Indicative remaining useful life (as a % of GBV)	71%	71%	67%	67%	63%

Source: published audited financial statements of Council (current year and prior year)

Parkes Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 26. Council information and contact details

Principal place of business:

2 Cecile Street
PARKES NSW 2870

Contact details
Mailing address:

PO Box 337
PARKES NSW 2870

Opening hours:

8.30 am to 5.00 pm

Telephone: 02 68612333

Facsimile: 02 68623946

Internet: www.parkes.nsw.gov.au

Email: parkes@council.nsw.gov.au

Officers
GENERAL MANAGER

Kent Boyd

RESPONSIBLE ACCOUNTING OFFICER

Owen Jensen

PUBLIC OFFICER

Les Finn

AUDITORS

Audit Office of New South Wales
Level 15
1 Margaret Street
GPO Box 12
SYDNEY NSW 2000

Elected members
MAYOR

Cr Ken Keith

COUNCILLORS

Cr Ken Keith (Mayor)
Cr Barbara Newton (Deputy Mayor)
Cr Alan Ward
Cr Bill Jayet
Cr Wally Biles
Cr Neil Westcott
Cr Kenny McGrath
Cr Louise O'Leary
Cr George Pratt
Cr Patrica Smith

Other information

ABN: 96 299 629 630



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Parkes Shire Council

To the Councillors of the Parkes Shire Council

Opinion

I have audited the accompanying financial report of Parkes Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Karen Taylor
Director, Financial Audit Services

14 November 2018
SYDNEY

Councillor Ken Keith
Mayor
Parkes Shire Council
PO Box 337
PARKES NSW 2870

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: D1828447/1775

14 November 2018

Dear Mr Mayor

Report on the Conduct of the Audit for the year ended 30 June 2018 Parkes Shire Council

I have audited the general purpose financial statements of the Parkes Shire Council (the Council) for the year ended 30 June 2018 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	19.5	19.0	↑ 2.6
Grants and contributions revenue	21.7	36.9	↓ 41.2
Materials and Contract expenses	11.2	10.0	↑ 12.0
Operating result for the year	8.4	25.9	↓ 67.6
Net operating result before capital amounts	(1.9)	2.9	↓ 165.5

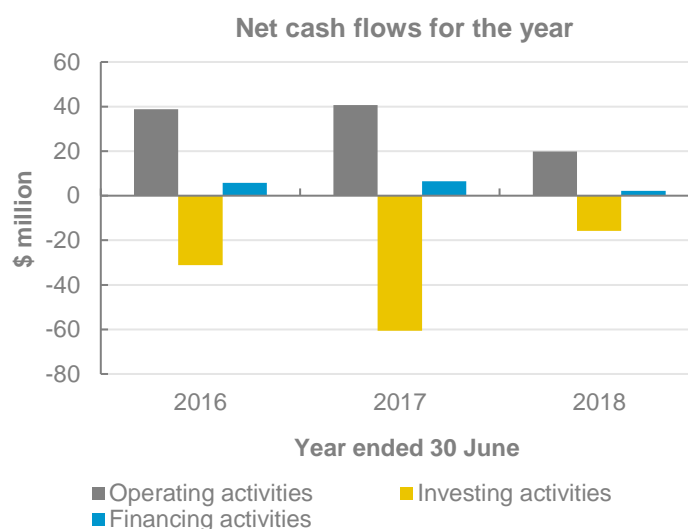
Rates income increased by 2.6 per cent, which is consistent with the rate-pegging limit of 1.5 per cent and growth in the value of rateable properties in the Council area.

Grants and contributions revenue fell by \$15.2 million to \$21.7 million. The 2016–17 year included \$12.5 million in capital grant funding for the water filtration plant and \$3.8 million for the sewerage treatment plant, both of which were completed in that financial year. Water related capital grant funding in 2017–18 totalled just \$3.0 million, with funding provided for a recycled water scheme. Flood restoration funding fell by \$1.4 million and payments received under the Federal Government Financial Assistance Grant scheme were \$2.5 million lower due to the timing of payments.

This significant decrease in grants and contributions was the primary reason for the \$17.5 million reduction in the net operating result for the year and the \$4.8 million reduction in the net operating result for the year before grants and contributions provided for capital purposes.

STATEMENT OF CASH FLOWS

The Statement of Cashflows shows that in 2017–18 council generated a net cash inflow of \$6.3 million. This included proceeds from loan draw downs of \$3.0 million and the net sale of investment securities of \$21.3 million.



FINANCIAL POSITION

Cash and investments

Restricted cash and investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	31.1	44.0	Externally restricted balances include unexpended loans, grants, developer contributions water, sewer and domestic waste management charges.
Internal restrictions	5.4	7.2	
Unrestricted	0.1	0.4	
Cash and investments	36.6	51.6	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.

Debt

At 30 June 2018, Council had external borrowings of \$21.9 million (\$19.7 million at 30 June 2017) and access to a \$0.1 million (\$0.1 million at 30 June 2017:) bank overdraft facility. This facility was unused at year-end.

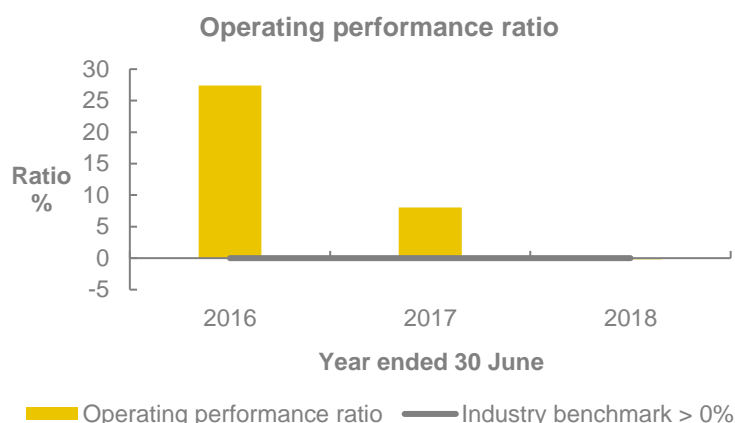
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's unaudited Special Schedule 7.

Operating performance ratio

Council's operating performance ratio for 2017–18 was 0.17 per cent. The ratio deteriorated due to less operating grants and rather than a reduction in the revenue generated from operational sources.

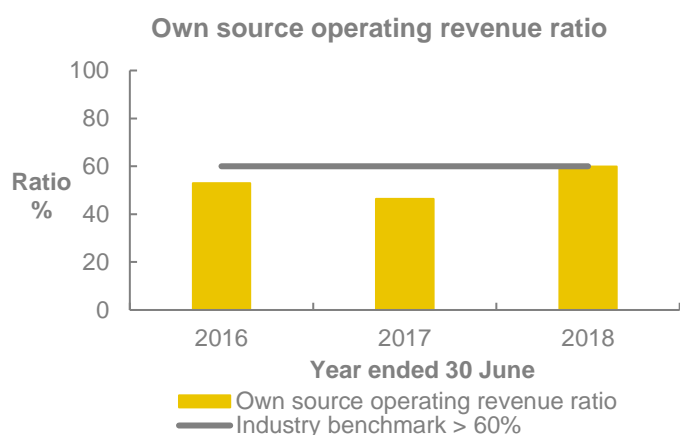
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



Own source operating revenue ratio

Though not considered a positive event, the decline in the level of grants and contributions received has the effect of increasing council's own source revenue ratio to the level of benchmark performance.

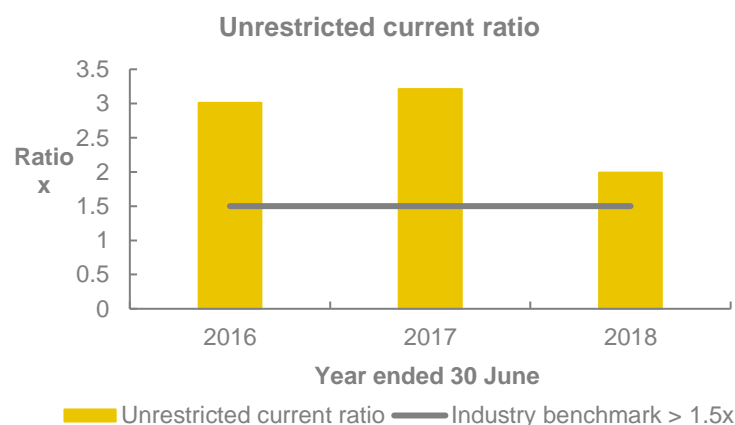
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio exceeded the industry benchmark over the past three years.

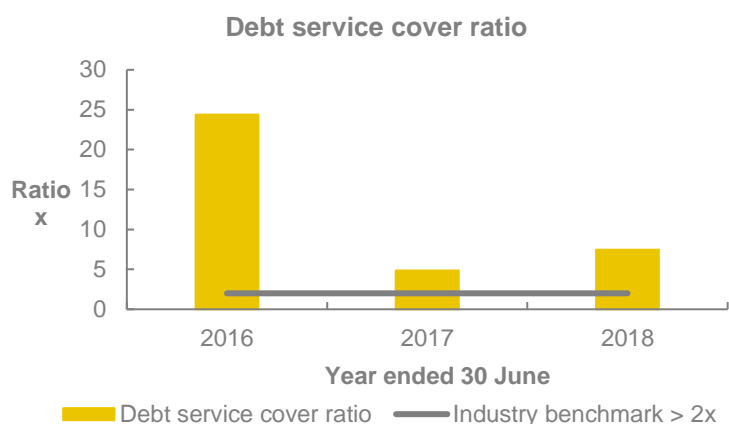
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

This ratio, while still exceeding the benchmark, has fallen compared to 2016 following \$8.5 million in borrowings in 2016–17, and a further \$3.0 million in 2017–18. The 2016–17 year also included the accelerated repayment of some high interest loans, which served to further reduce the ratio in that year.

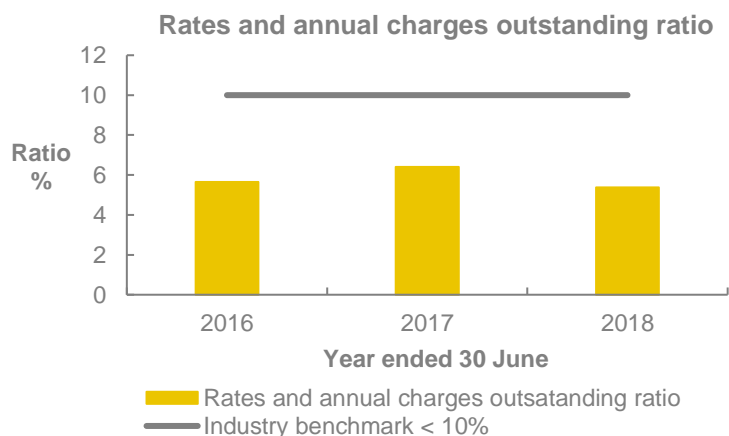
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council's rates and annual charges outstanding ratio is better than the benchmark for rural councils over the past three years. The ratio reflects Council's sustained effort to effectively manage rates and charges recovery.

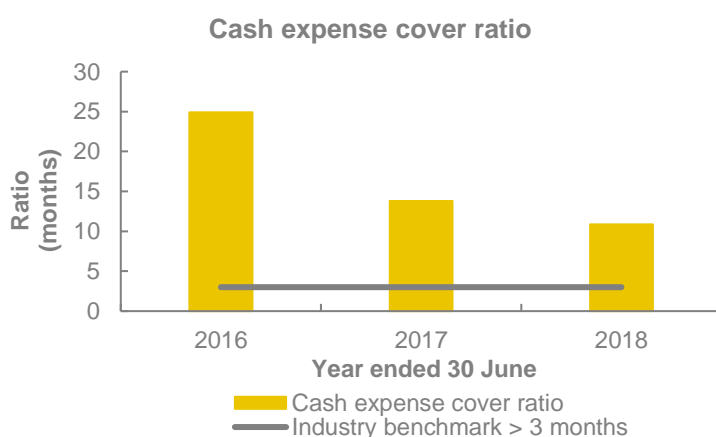
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

Council's high levels of liquidity results in being well over the benchmark for the cash expense cover ratio over the past three years, albeit showing a declining trend.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

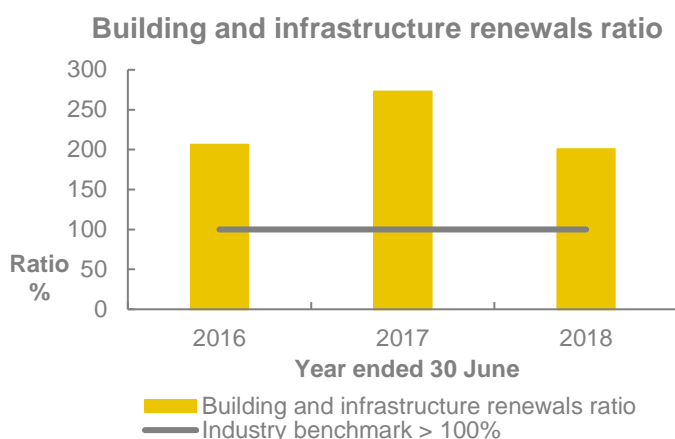


Building and infrastructure renewals ratio

Council has concentrated on renewing its assets, bringing them up to satisfactory standard and thereby reducing the maintenance backlog. The past few years have seen significant works on water and sewer infrastructure.

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11.

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Karen Taylor
Director, Financial Audit Services



PARKES SHIRE COUNCIL

Special Purpose Financial Statements

For Year Ended 30 June 2018



PARKES™ *It all adds up.*

Parkes Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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Income Statement – Sewerage Business Activity	4
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
3. Notes to the Special Purpose Financial Statements	7
4. Auditor's Report	17

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Parkes Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached Special Purpose Financial Statements have been prepared in accordance with:

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

To the best of our knowledge and belief, these financial statements:

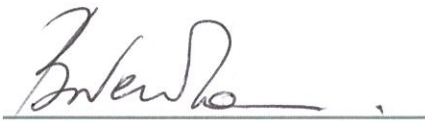
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

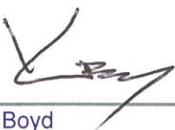
Signed in accordance with a resolution of Council made on 31 October 2018.



Cr Ken Keith
Mayor
31 October 2018



Cr Barbara Newton
Councillor
31 October 2018



Kent Boyd
General manager
31 October 2018



Owen Jensen
Responsible accounting officer
31 October 2018

Parkes Shire Council

Income Statement of Council's Water Supply Business Activity for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	1,275	1,274
User charges	5,808	4,928
Interest	308	755
Grants and contributions provided for non-capital purposes	55	56
Other income	71	86
Total income from continuing operations	7,517	7,099
Expenses from continuing operations		
Employee benefits and on-costs	1,521	876
Borrowing costs	252	221
Materials and contracts	2,770	2,231
Depreciation, amortisation and impairment	2,456	2,117
Water purchase charges	110	269
Loss on sale of assets	71	1
Other expenses	1,127	750
Total expenses from continuing operations	8,307	6,465
Surplus (deficit) from continuing operations before capital amounts	(790)	634
Grants and contributions provided for capital purposes	3,195	12,794
Surplus (deficit) from continuing operations after capital amounts	2,405	13,428
Surplus (deficit) from all operations before tax	2,405	13,428
Less: corporate taxation equivalent (30%) [based on result before capital]	—	(190)
SURPLUS (DEFICIT) AFTER TAX	2,405	13,238
Plus opening retained profits	104,056	90,628
Plus adjustments for amounts unpaid:		
— Corporate taxation equivalent	—	190
Closing retained profits	106,461	104,056
Return on capital %	-0.4%	0.7%
Subsidy from Council	4,252	2,213
Calculation of dividend payable:		
Surplus (deficit) after tax	2,405	13,238
Less: capital grants and contributions (excluding developer contributions)	(2,986)	(12,632)
Surplus for dividend calculation purposes	—	606
Potential dividend calculated from surplus	—	303

Parkes Shire Council

Income Statement of Council's Sewerage Business Activity for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	2,555	2,457
User charges	181	332
Liquid trade waste charges	416	102
Fees	–	14
Interest	39	121
Grants and contributions provided for non-capital purposes	48	48
Other income	13	22
Total income from continuing operations	3,252	3,096
Expenses from continuing operations		
Employee benefits and on-costs	762	760
Borrowing costs	113	607
Materials and contracts	1,467	946
Depreciation, amortisation and impairment	884	509
Loss on sale of assets	16	–
Other expenses	176	10
Total expenses from continuing operations	3,418	2,832
Surplus (deficit) from continuing operations before capital amounts	(166)	264
Grants and contributions provided for capital purposes	67	3,794
Surplus (deficit) from continuing operations after capital amounts	(99)	4,058
Surplus (deficit) from all operations before tax	(99)	4,058
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(79)
SURPLUS (DEFICIT) AFTER TAX	(99)	3,979
Plus opening retained profits	37,558	33,500
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	79
Closing retained profits	37,459	37,558
Return on capital %	-0.1%	1.7%
Subsidy from Council	1,523	376
Calculation of dividend payable:		
Surplus (deficit) after tax	(99)	3,979
Less: capital grants and contributions (excluding developer contributions)	–	(3,759)
Surplus for dividend calculation purposes	–	220
Potential dividend calculated from surplus	–	110

Parkes Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	5,081	582
Investments	20,635	31,759
Receivables	2,819	1,845
Inventories	48	50
Total current assets	28,583	34,236
Non-current assets		
Investments	–	2,235
Infrastructure, property, plant and equipment	141,219	128,902
Intangible assets	1,261	1,261
Total non-current assets	142,480	132,398
TOTAL ASSETS	171,063	166,634
LIABILITIES		
Current liabilities		
Payables	1,351	936
Income received in advance	61	121
Borrowings	329	319
Provisions	305	276
Total current liabilities	2,046	1,652
Non-current liabilities		
Borrowings	7,696	8,025
Total non-current liabilities	7,696	8,025
TOTAL LIABILITIES	9,742	9,677
NET ASSETS	161,321	156,957
EQUITY		
Accumulated surplus	106,461	104,056
Revaluation reserves	54,860	52,901
TOTAL EQUITY	161,321	156,957

Parkes Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	87	194
Investments	545	3,815
Receivables	1,109	384
Inventories	19	16
Total current Assets	1,760	4,409
Non-current assets		
Investments	–	745
Infrastructure, property, plant and equipment	55,911	52,392
Total non-current assets	55,911	53,137
TOTAL ASSETS	57,671	57,546
LIABILITIES		
Current liabilities		
Payables	17	384
Provisions	142	127
Total current liabilities	159	511
Non-current liabilities		
Borrowings	4,000	4,000
Total non-current liabilities	4,000	4,000
TOTAL LIABILITIES	4,159	4,511
NET ASSETS	53,512	53,035
EQUITY		
Accumulated surplus	37,459	37,558
Revaluation reserves	16,053	15,477
TOTAL EQUITY	53,512	53,035

Parkes Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	12
3	Sewerage Business Best-Practice Management disclosure requirements	14

Parkes Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

a. Parkes Shire Combined Water Supplies

Comprising the whole of the Water Supply System operations and net assets servicing the towns of Parkes, Peak Hill, Trundle, Tullamore, Alectown & Bogan Gate.

Parkes Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

b. Parkes Shire Sewerage Service

Comprising the whole of the Sewerage Reticulation & Treatment operations and net assets servicing the towns of Parkes, Peak Hill & the village of Tullamore

Category 2

(where gross operating turnover is less than \$2 million)

Council has no Category 2 business activities

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts 0%. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

In accordance with Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Parkes Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 30% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Parkes Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

Parkes Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 2. Water supply business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	19,170
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	–
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	191,700
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	2,430,700

2018 Surplus	(581,000)	2017 Surplus	605,800	2016 Surplus	2,405,900
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	–
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Parkes Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	7,418
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	80.61%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	140,838
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	5,429
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	14,352
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	-0.33%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	2,986

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Parkes Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 3. Sewerage business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	16,167
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	–
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	161,670
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	1,200,800

2018 Surplus	(99,000)	2017 Surplus	219,800	2016 Surplus	1,080,000
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	–
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Parkes Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,280
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	55,652
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	2,376
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	4,422
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.04%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	10,698
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.96%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	18,774
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	-0.23%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Parkes Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage)	%	-6.67%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		-
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		(447)
	Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)		
	Net interest:		18
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	(680)
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	103
	Grants for pensioner rebates (w11b + s12b)		

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial report
Parkes Shire Council

To the Councillors of the Parkes Shire Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Parkes Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Karen Taylor
Director, Financial Audit Services

14 November 2018
SYDNEY



PARKES SHIRE COUNCIL

Special Schedules

For Year Ended 30 June 2018



PARKES  *It all adds up.*

Parkes Shire Council

Special Schedules for the year ended 30 June 2018

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Parkes Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	2,219	110	–	(2,109)
Administration	4,379	1,042	91	(3,246)
Public order and safety				
Fire service levy, fire protection, emergency services	719	100	546	(73)
Beach control	–	–	–	–
Enforcement of local government regulations	16	–	19	3
Animal control	250	–	5	(245)
Other	209	155	–	(54)
Total public order and safety	1,194	255	570	(369)
Health	1,211	12	25	(1,174)
Environment				
Noxious plants and insect/vermin control	174	129	–	(45)
Other environmental protection	67	12	–	(55)
Solid waste management	2,810	2,927	56	173
Street cleaning	172	–	–	(172)
Drainage	508	174	–	(334)
Stormwater management	–	–	–	–
Total environment	3,731	3,242	56	(433)
Community services and education				
Administration and education	110	13	–	(97)
Social protection (welfare)	87	40	–	(47)
Aged persons and disabled	47	32	–	(15)
Children's services	1,294	1,324	–	30
Total community services and education	1,538	1,409	–	(129)
Housing and community amenities				
Public cemeteries	185	247	–	62
Public conveniences	200	–	–	(200)
Street lighting	353	–	–	(353)
Town planning	247	157	59	(31)
Other community amenities	–	–	–	–
Total housing and community amenities	985	404	59	(522)
Water supplies	8,307	7,517	3,195	2,405
Sewerage services	3,422	3,256	67	(99)

Parkes Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	773	72	200	(501)
Museums	256	32	—	(224)
Art galleries	—	—	—	—
Community centres and halls	89	23	88	22
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	258	13	53	(192)
Sporting grounds and venues	640	95	805	260
Swimming pools	1,314	376	—	(938)
Parks and gardens (lakes)	2,090	9	—	(2,081)
Other sport and recreation	73	—	—	(73)
Total recreation and culture	5,493	620	1,146	(3,727)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	85	190	—	105
Other mining, manufacturing and construction	(479)	—	—	479
Total mining, manufacturing and const.	(394)	190	—	584
Transport and communication				
Urban roads (UR) – local	382	—	—	(382)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	4,252	1,244	2,533	(475)
Sealed rural roads (SRR) – regional	1,777	2,735	1,443	2,401
Unsealed rural roads (URR) – local	2,080	—	—	(2,080)
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	—	—	—	—
Bridges on URR – local	—	—	—	—
Bridges on regional roads	70	—	297	227
Parking areas	44	—	—	(44)
Footpaths	283	—	148	(135)
Aerodromes	713	368	372	27
Other transport and communication	265	1	5	(259)
Total transport and communication	9,866	4,348	4,798	(720)
Economic affairs				
Camping areas and caravan parks	298	432	—	134
Other economic affairs	3,505	1,023	214	(2,268)
Total economic affairs	3,803	1,455	214	(2,134)
Totals – functions	45,754	23,860	10,221	(11,673)
General purpose revenues ⁽¹⁾		20,043		20,043
Share of interests – joint ventures and associates using the equity method	—	—	—	—
NET OPERATING RESULT ⁽²⁾	45,754	43,903	10,221	8,370

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Parkes Shire Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	13,387	13,160
Plus or minus adjustments ⁽²⁾	b	20	32
Notional general income	$c = (a + b)$	13,407	13,192
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	308	198
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	13,715	13,390
Plus (or minus) last year's carry forward total	l	4	1
Less valuation objections claimed in the previous year	m	—	—
Sub-total	$n = (l + m)$	4	1
Total permissible income	$o = k + n$	13,720	13,391
Less notional general income yield	p	13,718	13,387
Catch-up or (excess) result	$q = o - p$	2	4
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	$t = q + r - s$	2	4

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Parkes Shire Council

To the Councillors of Parkes Shire Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Parkes Shire Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Schedule' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.



Karen Taylor
Director, Financial Audit Services

14 November 2018
SYDNEY

Parkes Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,786	1,046
b. Engineering and supervision	993	342
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	4	25
b. Maintenance expenses	–	106
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	706	370
– Reservoirs		
e. Operation expenses	21	–
f. Maintenance expenses	25	53
– Pumping stations		
g. Operation expenses (excluding energy costs)	121	143
h. Energy costs	918	629
i. Maintenance expenses	49	–
– Treatment		
j. Operation expenses (excluding chemical costs)	314	262
k. Chemical costs	93	168
l. Maintenance expenses	–	–
– Other		
m. Operation expenses	29	314
n. Maintenance expenses	72	198
o. Purchase of water	298	366
3. Depreciation expenses		
a. System assets	2,391	2,036
b. Plant and equipment	65	81
4. Miscellaneous expenses		
a. Interest expenses	252	221
b. Revaluation decrements	–	–
c. Other expenses	170	458
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	8,307	6,818

Parkes Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	941	980
b. Usage charges	3,913	3,850
7. Non-residential charges		
a. Access (including rates)	334	293
b. Usage charges	1,895	1,065
8. Extra charges	–	40
9. Interest income	308	715
10. Other income	71	451
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	2,986	12,633
b. Grants for pensioner rebates	55	56
c. Other grants	–	–
12. Contributions		
a. Developer charges	209	162
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	10,712	20,245
14. Gain (or loss) on disposal of assets	–	1
15. Operating result	2,405	13,428
15a. Operating result (less grants for acquisition of assets)	(581)	795

Parkes Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	10,022	3,877
c. Renewals	4,025	727
d. Plant and equipment	305	70
17. Repayment of debt	319	156
18. Totals	14,671	4,830
Non-operating funds employed		
19. Proceeds from disposal of assets	–	18
20. Borrowing utilised	–	8,500
21. Totals	–	8,518
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	5,139	5,108
b. Residential (unoccupied, ie. vacant lot)	318	316
c. Non-residential (occupied)	867	798
d. Non-residential (unoccupied, ie. vacant lot)	66	93
23. Number of ETs for which developer charges were received	17 ET	14 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 98,488	\$ 101,703

Parkes Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	4,059	–	4,059
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	21,657	–	21,657
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	1,984	–	1,984
c. User charges	835	–	835
d. Other	–	–	–
27. Inventories	48	–	48
28. Property, plant and equipment			
a. System assets	–	140,838	140,838
b. Plant and equipment	–	381	381
29. Other assets	–	1,261	1,261
30. Total assets	28,583	142,480	171,063
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	1,412	–	1,412
33. Borrowings	329	7,696	8,025
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	305	–	305
35. Total liabilities	2,046	7,696	9,742
36. NET ASSETS COMMITTED	26,537	134,784	161,321
EQUITY			
37. Accumulated surplus			106,461
38. Asset revaluation reserve			54,860
39. Other reserves			–
40. TOTAL EQUITY			161,321
Note to system assets:			
41. Current replacement cost of system assets			222,779
42. Accumulated current cost depreciation of system assets			(81,941)
43. Written down current cost of system assets			140,838

Parkes Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	801	549
b. Engineering and supervision	457	216
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	404	471
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	–	–
e. Maintenance expenses	–	–
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	165	89
g. Chemical costs	–	–
h. Energy costs	121	25
i. Effluent management	31	14
j. Biosolids management	–	–
k. Maintenance expenses	397	371
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	852	462
b. Plant and equipment	32	47
4. Miscellaneous expenses		
a. Interest expenses	113	607
b. Revaluation decrements	–	–
c. Other expenses	45	105
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	3,418	2,956

Parkes Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	2,364	1,958
7. Non-residential charges		
a. Access (including rates)	191	328
b. Usage charges	181	169
8. Trade waste charges		
a. Annual fees	26	30
b. Usage charges	390	407
c. Excess mass charges	–	–
d. Re-inspection fees	–	14
9. Extra charges	–	18
10. Interest income	39	103
11. Other income	13	10
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	3,759
b. Grants for pensioner rebates	48	48
c. Other grants	–	–
13. Contributions		
a. Developer charges	67	35
b. Developer provided assets	–	–
c. Other contributions	–	135
14. Total income	3,319	7,014
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	(99)	4,058
16a. Operating result (less grants for acquisition of assets)	(99)	299

Parkes Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	1,695	8,340
c. Renewals	2,624	7,813
d. Plant and equipment	103	–
18. Repayment of debt	–	1,359
19. Totals	4,422	17,512
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	4,560	4,362
b. Residential (unoccupied, ie. vacant lot)	170	350
c. Non-residential (occupied)	569	569
d. Non-residential (unoccupied, ie. vacant lot)	90	96
24. Number of ETs for which developer charges were received	19 ET	10 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 85,582	\$ 87,229

Parkes Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	633	—	633
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	888	—	888
c. User charges	220	—	220
d. Other	—	—	—
28. Inventories	19	—	19
29. Property, plant and equipment			
a. System assets	—	55,652	55,652
b. Plant and equipment	—	259	259
30. Other assets	—	—	—
31. Total assets	1,760	55,911	57,671
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	17	—	17
34. Borrowings	—	4,000	4,000
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	142	—	142
36. Total liabilities	159	4,000	4,159
37. NET ASSETS COMMITTED	1,601	51,911	53,512
EQUITY			
38. Accumulated surplus			37,459
39. Asset revaluation reserve			16,053
40. Other reserves			—
41. TOTAL EQUITY			53,512
Note to system assets:			
42. Current replacement cost of system assets			84,379
43. Accumulated current cost depreciation of system assets			(28,727)
44. Written down current cost of system assets			55,652

Parkes Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Parkes Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Buildings – non-specialised	1,850	398	255	280	15,635	23,818	40%	23%	36%	1%	0%
	Buildings – specialised	885	885	176	151	15,473	27,514	30%	16%	42%	11%	1%
	Sub-total	2,735	1,283	431	431	31,108	51,332	34.6%	19.6%	39.1%	6.1%	0.6%
Roads												
	Sealed Roads Surface	251	251	1,000	1,355	16,858	25,198	39%	33%	25%	3%	0%
	Sealed Roads Structure	404	204	–	–	237,574	290,241	79%	12%	8%	0%	1%
	Unsealed roads	589	589	1,085	1,248	56,270	73,815	64%	14%	18%	3%	0%
	Bridges	204	–	12	–	10,282	13,964	39%	37%	18%	6%	0%
	Footpaths	2	2	82	60	7,834	10,012	40%	55%	5%	0%	0%
	Bus Stops	–	–	3	–	108	147	6%	94%	0%	0%	0%
	Kerb and Gutter	22	22	–	–	13,340	17,590	55%	38%	7%	0%	0%
	Car Parking	47	47	–	–	1,904	2,412	66%	15%	12%	6%	1%
	Sub-total	1,519	1,115	2,182	2,663	344,172	433,379	71.0%	16.7%	11.0%	1.0%	0.4%

Parkes Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network												
	Bores	93	93	142	72	1,889	3,151	22%	47%	19%	12%	0%
	Dams (Surface Storage)	–	–	30	–	15,514	24,248	37%	0%	63%	0%	0%
	Reservoirs & Storage	305	–	25	25	12,327	18,060	38%	29%	33%	0%	0%
	Main & Water Services	605	–	300	706	62,987	115,808	7%	17%	75%	0%	0%
	Treatment Plants	–	–	200	–	39,926	48,219	82%	0%	0%	0%	18%
	Pump Stations	30	–	159	49	5,540	10,520	25%	14%	61%	0%	0%
	Sub-total	1,033	93	856	852	138,183	220,006	30.5%	12.9%	52.4%	0.2%	4.0%
Sewerage network												
	Sewerage Treatment Plant	–	–	200	192	29,345	40,330	66%	2%	12%	19%	0%
	Sewer Mains	41	41	400	404	21,437	35,644	22%	24%	54%	0%	0%
	Sewer Nodes	17	17	–	–	3,175	5,401	15%	37%	46%	1%	0%
	Sewer Pump Stations	–	–	26	–	1,293	2,444	0%	41%	59%	0%	0%
	Sub-total	58	58	626	596	55,250	83,819	41.9%	15.1%	33.4%	9.6%	0.0%
Stormwater drainage												
	Retarding Basins	–	–	5	–	708	743	100%	0%	0%	0%	0%
	Open Drains	–	–	–	–	807	845	100%	0%	0%	0%	0%
	Pits- Inlet and Outlet Structures	2	2	–	–	2,199	2,898	28%	61%	10%	0%	0%
	Pipes	–	–	200	314	18,942	23,380	38%	62%	0%	0%	0%
	Sub-total	2	2	205	314	22,656	27,866	40.7%	58.2%	1.1%	0.0%	0.0%

Parkes Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Open space/ recreational assets												
	Swimming pools	328	228	200	179	4,958	7,620	22%	50%	17%	11%	0%
	Public Cemeteries	–	–	140	173	530	642	57%	39%	4%	0%	0%
	Other Open Space / Recreational Assets	1,152	852	900	994	22,579	31,877	53%	28%	5%	14%	0%
	Parkes Airport Infrastructure	371	371	250	259	9,167	12,351	76%	0%	14%	7%	2%
	Sub-total	1,851	1,451	1,490	1,605	37,234	52,490	53.6%	24.7%	9.1%	11.8%	0.8%
Other assets												
	Tip Assets	–	–	230	452	2,603	2,910	100%	0%	0%	0%	0%
	Sub-total	–	–	230	452	2,603	2,910	100.0%	0.0%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	7,198	4,002	6,020	6,913	631,206	871,802	53.9%	17.5%	24.8%	2.5%	1.3%

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Parkes Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 – voluntary

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	(WDV)	Assets in condition as a percentage of Written Down Value (WDV)				
								1	2	3	4	5
Buildings												
	Buildings – non-specialised	1,850	398	255	280	15,635	15,635	54%	21%	24%	0%	0%
	Buildings – specialised	885	885	176	151	15,473	15,473	47%	19%	30%	4%	0%
	Sub-total	2,735	1,283	431	431	31,108	31,108	50.8%	20.2%	27.2%	1.9%	0.0%
Roads												
	Sealed Roads Surface	251	251	1,000	1,355	16,858	16,858	53%	31%	15%	1%	0%
	Sealed Roads Structure	404	204	–	–	237,575	237,575	86%	10%	4%	0%	0%
	Unsealed roads	589	589	1,085	1,248	56,270	56,270	78%	12%	10%	1%	0%
	Bridges	204	–	12	–	10,282	10,282	50%	37%	12%	2%	0%
	Footpaths	2	2	82	60	7,834	7,834	46%	51%	3%	0%	0%
	Bus Stops	–	–	3	–	108	108	8%	92%	0%	0%	0%
	Bulk earthworks	22	22	–	–	–	–	0%	0%	0%	0%	
	Kerb and Gutter	–	–	–	–	13,339	13,339	60%	36%	4%	0%	0%
	Car Parking	47	47	–	–	1,906	1,906	79%	13%	7%	1%	0%
	Sub-total	1,519	1,115	2,182	2,663	344,172	344,172	80.4%	13.8%	5.5%	0.3%	0.0%

Parkes Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 – voluntary (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	(WDV)	Assets in condition as a percentage of Written Down Value (WDV)				
								1	2	3	4	5
Water supply network	Bores	93	93	142	72	1,889	1,889	35%	49%	15%	1%	0%
	Dams (Surface Storage)	–	–	30	–	15,514	15,514	52%	0%	48%	0%	0%
	Reservoirs & Storage	305	–	25	25	12,327	12,327	50%	28%	22%	0%	0%
	Main & Water Services	605	–	300	706	62,987	62,987	13%	21%	66%	0%	0%
	Treatment Plants	–	–	200	–	39,926	39,926	98%	0%	0%	2%	0%
	Pump Stations	30	–	159	49	5,540	5,540	46%	18%	36%	0%	0%
	Sub-total	1,033	93	856	852	138,183	138,183	46.9%	13.3%	39.3%	0.5%	0.0%
Sewerage network	Sewerage Treatment Plant	–	–	200	192	29,345	29,345	90%	2%	5%	2%	0%
	Sewer Mains	41	41	400	404	21,437	21,437	32%	28%	40%	0%	0%
	Sewer Nodes	17	17	–	–	3,175	3,175	23%	43%	34%	0%	0%
	Sewer Pump Stations	–	–	26	–	1,293	1,293	0%	52%	48%	0%	0%
	Sub-total	58	58	626	596	55,250	55,250	61.9%	15.6%	21.4%	1.1%	0.0%
Stormwater drainage	Retarding Basins	–	–	5	–	708	708	100%	0%	0%	0%	0%
	Open Drains	–	–	–	–	807	807	100%	0%	0%	0%	0%
	Pits- Inlet and Outlet Structures	2	2	–	–	2,199	2,199	36%	58%	6%	0%	0%
	Pipes	–	–	200	314	18,942	18,942	44%	56%	0%	0%	0%
	Sub-total	2	2	205	314	22,656	22,656	47.1%	52.3%	0.6%	0.0%	0.0%

Parkes Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 – voluntary (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	(WDV)	Assets in condition as a percentage of Written Down Value (WDV)				
								1	2	3	4	5
Open space/recreational assets												
	Swimming pools	328	228	200	179	4,958	4,958	29%	55%	12%	4%	0%
	Public Cemeteries	–	–	140	173	530	530	64%	34%	2%	0%	0%
	Other Open Space / Recreational Assets	1,152	852	900	994	22,579	22,579	68%	27%	3%	2%	0%
	Parkes Airport Infrastructure	371	371	250	259	9,167	9,167	94%	0%	5%	0%	0%
	Sub-total	1,851	1,451	1,490	1,605	37,234	37,234	69.3%	24.1%	4.8%	1.8%	0.1%
Other assets												
	Tip Assets	–	–	230	452	2,603	2,603	100%	0%	0%	0%	0%
	Sub-total	–	–	230	452	2,603	2,603	100.0%	0.0%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	7,198	4,002	6,020	6,913	631,206	631,206	68.2%	16.1%	15.1%	0.6%	0.0%

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Parkes Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	18,939	200.60%	272.59%	206.23%	>= 100%
Depreciation, amortisation and impairment	9,441				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	7,198	1.16%	1.42%	1.24%	< 2.00%
Net carrying amount of infrastructure assets	619,436				
3. Asset maintenance ratio					
Actual asset maintenance	6,913	114.83%	115.00%	105.85%	> 100%
Required asset maintenance	6,020				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	4,002	0.46%	0.64%	0.43%	
Gross replacement cost	871,802				

Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Excludes Work In Progress (WIP)

⁽²⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Parkes Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018

<p>1. Buildings and infrastructure renewals ratio</p> <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 200.60%</p> <p>The Building & Infrastructure Renewal Ratio for 2017/18 was 200.60%. As outlined in Council's Fit for the Future Submission. Council's strategy has been to concentrate on the renewal of its assets bringing them up to satisfactory standard and thereby reducing the required maintenance, and Infrastructure Backlog.</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 1.16%</p> <p>The benchmark for the proportion of the infrastructure backlog is less than 0.02x. Council in the Parkes Plus Delivery Program has worked through a works program to reduce the backlog and improve the condition of Council's assets. Council is maintaining this ratio at close to the required benchmark.</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: — Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 114.83%</p> <p>In 2017/18, Council is maintaining the amount of maintenance spent on Council's infrastructure. This will assist with preventing the Infrastructure backlog from increasing. The Infrastructure backlog currently is at \$7.198m in 2017/18.</p>
<p>4. Cost to bring assets to agreed service level</p>	<p>Purpose of agreed service level ratio</p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 0.46%</p> <p>This is the third year of measuring this service level ratio. Council undertakes considerable community consultation in the preparation of its Operational Budget, and Delivery Program outlining the level of service which is anticipated from the funds available.</p>

Parkes Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	204.25%	158.30%	152.15%	513.83%	310.56%	1759.46%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	1.43%	1.53%	0.75%	1.05%	0.10%	1.06%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	120.43%	110.71%	99.53%	123.48%	95.21%	134.50%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.68%	0.67%	0.04%	0.57%	0.07%	0.54%	
Gross replacement cost							

Notes

⁽¹⁾ General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

⁽²⁾ Excludes Work In Progress (WIP)

⁽³⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.